



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Buckeye Union High School District

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March • 2003



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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 3, 2003

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board

Dr. Henry E. Schmitt, Superintendent  
Buckeye Union High School District

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Buckeye Union High 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 March 4, 2003.

Sincerely,

Debbie Davenport  
Auditor General

Enclosure

# SUMMARY

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The Office of the Auditor General has conducted a performance audit of Buckeye Union High School District pursuant to Arizona Revised Statutes (A.R.S.) §41-1279.03.A.9. This performance audit examines five aspects of the District's operations: administration, food service, student transportation, 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 has a similar number of administrators as comparable districts; however, in fiscal year 2001, the District's administrative costs were \$68 per student (about 9 percent) higher than comparable districts. This higher cost appears to be caused by significant legal expenses the District incurred during that year to collect money it was owed. The District's administrative costs per student for fiscal year 2002 were similar to the average of the comparable districts for which data was available.

A detailed listing of the District's administrative positions, duties, salaries, and benefits is included in the Appendix.

## Food service (see pages 9 through 13)

The District's cost per meal in fiscal year 2002 was 12.7 percent higher than comparable districts'. However, it appears much of this difference is attributable to the opening of a new campus with a small number of students. Even so, the District should reassess several aspects of its food service program, which is administered by a private vendor. Under the District's current food service contract, the vendor is reimbursed for all program-operating costs and is paid additional fees based solely on the number of meals served. This provides no incentive for the vendor to minimize program costs, and guarantees the vendor a profit while leaving the District responsible for any losses. This risk of loss is further compounded by the vendor's poor cash and inventory controls. Other districts have established contracts with

vendors that require the program to be at least self-supporting. Further, the District has not analyzed its food service program to determine whether outsourcing the program is actually beneficial.

If the District determines that continuing to outsource the food service program is the best option, it should consider rebidding the food service contract to obtain more favorable terms. The District should also require the vendor to implement stronger cash and inventory controls.

## Student transportation (see pages 15 through 19)

The District did not maintain accurate, organized, and complete transportation records. Consequently, it was unable to effectively administer its transportation program and could not demonstrate how it ensures the safe, timely, and efficient transportation of students. For example, the District was unaware that two of its ten drivers were driving buses without proper certification. In addition, the District did not conduct required random drug tests of its drivers. The District is also not tracking bus repair and maintenance. Daily route logs used to track mileage for funding were incomplete and inconsistent, creating potential errors in the amount of state transportation funding the District received. The condition of records also precluded effective route planning, resulting in potentially inefficient routes.

To help ensure that the District transports its students safely and efficiently, the District should ensure that all drivers are certified, that random drug-screening tests are conducted, and that driver and bus files are kept up to date. Likewise, to help ensure appropriate funding, the District should train staff how to prepare transportation records and review them to make certain all information is being properly documented and maintained in accordance with the *Minimum Standards for School Buses and School Bus Drivers*, established by the Arizona Department of Public Safety. Additionally, the District should periodically evaluate bus routes to ensure they are operating optimally.

## Proposition 301 monies (see pages 21 through 24)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent its Proposition 301 monies entirely on salaries and benefits as allowed by statute and in accordance with the District's developed plan. However, the District can strengthen the basis for awarding its performance pay monies. Under the District's plan, teachers can qualify for performance pay on the basis of negligible improvement by their students and by simply listing their own performance goals, rather than meeting some of them.

## Classroom dollars (see page 25)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom and to analyze school district administrative costs. Therefore, auditors reviewed the District's recording of classroom and administrative expenditures to determine their accuracy. Although a few errors were noted, including one that would have significantly affected the District's classroom dollar percentage in fiscal year 2002, the District generally reports classroom and administrative expenditures accurately. The District's classroom dollar percentage for fiscal year 2002 was 51.2 percent. The State's average for that year was 58.2 percent. The District's higher-than-average administrative and food service costs reduce the dollars available for spending in the classroom and help bring the District's classroom dollar percentage below the state average.

## Administrative positions (see pages a-i 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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# INTRODUCTION & BACKGROUND

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The Office of the Auditor General has conducted a performance audit of Buckeye Union High School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines five aspects of the District's operations: administration, food service, student transportation, 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 Buckeye Union High School District is located in Maricopa County, 35 miles west of Phoenix. The District consists of two high school campuses, Buckeye Union High School and Estrella Foothills High School. The District's Buckeye campus opened in the 1920s and its Estrella Foothills campus opened in August 2001. During fiscal year 2002, approximately 1,113 students attended the Buckeye campus and 142 attended the new Estrella Foothills campus.

The District is governed by a five-member board and managed by one superintendent. In fiscal year 2002, Buckeye Union High School had one principal and two assistant principals, while the new Estrella Foothills High School had one assistant principal. The District had 75 certified teachers, 14 instructional aides, and 49 other classified employees.

## The District offers:

- 11 Special School-to-Career programs
- French and Spanish classes
- Immersion programs in ESL
- Theater/Drama
- Art
- Band
- Chorus
- Boys and girls sports
- Student clubs
- Computer lab
- Breakfast and lunch food programs

## District accomplishments and challenges

Because of projected growth, the District opened a second high school, Estrella Foothills, in August 2001. In its first year of operation, Estrella Foothills included only a freshman class. Within 3 years, the District anticipates that more than 1,700 students will attend this new school. During fiscal year 2002, the District also installed a new all-weather track at Buckeye Union High School that was paid for primarily through donations and partnerships with the community. Additionally, the District upgraded its technology district-wide, installing phones in every classroom, installing

fiber optic hardware, upgrading computers and software packages, and improving fire alarm and intercom systems.

The District is awaiting final budget approval from the Arizona School Facilities Board to begin rebuilding the Buckeye Union High School. Originally scheduled to start in May 2002, school construction is now anticipated to begin in early 2003 with a completion goal of August or September 2003.

The District reports that maintaining a qualified teaching staff continues to be a challenge. A teacher shortage, certification requirements, and difficulty competing with other districts' salary levels all contribute to this problem.

## Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Office of the Auditor General's March 2002 report, *Arizona Public School Districts' Dollars Spent in the Classroom*, this audit focused on three main aspects of school district operations: administration, food service, and student transportation. 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, 2nd Regular Session, 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 2001 summary accounting data for all districts and Buckeye Union High 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 examined the outsourcing process and contract, observed the program's operation, 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 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 performance pay was being distributed.
- To assess the accuracy of the District's classroom dollar 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 administrative staffing levels are similar to comparable districts. However, on average, the District's administrative costs per student were higher in fiscal year 2001 because of significant legal costs.

**Food service**—The District should require its current vendor to establish better inventory and cash controls and provide additional, more accurate reports. Further, the District should perform a thorough cost-benefit analysis to determine whether continuing to outsource the food service program is beneficial, and if so, the District should consider rebidding the food service contract to obtain more favorable terms.

**Student transportation**—The District should strengthen its management of the transportation program by ensuring that the records necessary to manage the program are complete, accurate, and reviewed. The District should also properly secure its fuel supply.

**Proposition 301 sales tax monies**—The District complied with statute and followed its plan when spending its Classroom Site Fund monies. However, its performance pay requirements could be strengthened by specifying an expected level of "student improvement" and requiring teachers to meet a portion of their stated goals.

**Classroom dollars**—The District reports its classroom and administrative costs accurately.

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



# CHAPTER 1

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## Administration

Although the District's number of administrative staff was similar to comparable districts', its administrative costs were slightly higher. This was because of significant legal costs incurred during fiscal year 2001. The District's reporting of its administrative costs is generally accurate.

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.<sup>1</sup>

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

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

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

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

## On average, the District's administrative costs per student were higher than comparable districts'

Buckeye Union High School District maintained a similar number of administrators per student as comparable districts; however, its administrative costs per student were higher. Using an unaudited database of accounting records from the different school districts within the State for fiscal year 2001 and the School District Employee Report 30-3, auditors compared Buckeye's administrative staffing and costs with districts having similar characteristics. Specifically, auditors selected districts that had a similar number of schools and students as Buckeye Union High School District to serve as comparable districts. As noted in the Auditor General's November 2002 special report, *Factors Affecting School Districts' Administrative Costs*, district type does not appear to affect administrative costs, and therefore was not a primary factor in selecting comparable districts.

As shown in Table 1, the District had 56 students per administrator in fiscal year 2002, which was slightly lower than the comparable districts' average.

Table 1 District Staffing Level Comparison  
Fiscal Year 2002  
(Unaudited)

District Name	Number of	
	Administrators <sup>1</sup>	Students per Administrator
Morenci USD	12.7	75.9
Wilson ESD	20.8	64.6
Tolleson ESD	25.0	58.5
<b>Buckeye UHSD</b>	<b>22.4</b>	<b>56.0</b>
Buckeye ESD	23.8	55.4
Mingus UHSD	21.0	54.2
Littleton ESD	28.5	48.4
<b>Average of the comparable districts</b>	<b>22.0</b>	<b>59.5</b>

<sup>1</sup> 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 and the School District Employee Report 30-3, as of April 4, 2002.

However, as shown in Table 2, the District's fiscal year 2001 administrative costs were \$68 per pupil (about 9 percent) higher than the average of the six comparable districts. The table uses fiscal year 2001 cost information because it is the most recent year for which all comparable districts' administrative cost data was available.

**Table 2** Total and Per-Pupil Administrative Cost Comparison  
Fiscal Year 2001  
(Unaudited)

District Name	Total Cost <sup>1</sup>	Number of Students	Per-Pupil Cost
Wilson ESD	\$1,510,740	1,348	\$1,121
Tolleson ESD	1,116,972	1,329	840
<b>Buckeye UHSD</b>	<b>918,059</b>	<b>1,119</b>	<b>820</b>
Littleton ESD	859,327	1,303	659
Morenci USD	685,006	1,049	653
Buckeye ESD	827,626	1,270	652
Mingus UHSD	684,100	1,163	588
<b>Average of the comparable districts</b>	<b>\$ 947,295</b>	<b>1,244</b>	<b>\$ 752</b>

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

Source: Auditor General staff analysis of district-reported fiscal year 2001 accounting data and average daily membership counts obtained from the Arizona Department of Education.

The District's higher administrative costs in fiscal year 2001 appear to be caused by significant legal costs the District incurred during that year to collect money it was owed. As reflected in the per-pupil purchased services costs in Table 3 (see page 8), the District's purchased services nearly doubled the comparable districts' average. In fact, the District spent over \$76,000 more for legal costs in fiscal year 2001 than it spent in the subsequent fiscal year, which equated to nearly \$70 per pupil.

Legal costs are one example of an expenditure type that may fluctuate significantly between years and cause administrative costs to change significantly. This is particularly true for smaller districts such as Buckeye Union High. In fiscal year 2002, with lower legal costs, Buckeye Union High School District's per-pupil administrative cost is similar to the average of those comparable districts for which fiscal year 2002 data is currently available.<sup>1</sup>

<sup>1</sup> At the time of this report, fiscal year 2002 administrative cost information was available for only four of the comparable districts.

Table 3

Comparison of Per-Pupil Administrative Costs by Category  
 Fiscal Year 2001  
 (Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Wilson ESD	\$790	\$144	\$148	\$39	\$1,121
Tolleson ESD	615	94	89	42	840
<b>Buckeye UHSD</b>	<b>521</b>	<b>70</b>	<b>180</b>	<b>49</b>	<b>820</b>
Littleton ESD	528	75	40	16	659
Morenci USD	454	104	47	48	653
Buckeye ESD	477	63	64	48	652
Mingus UHSD	338	72	159	19	588
<b>Average of the comparable districts</b>	<b>\$534</b>	<b>\$ 92</b>	<b>\$ 91</b>	<b>\$35</b>	<b>\$ 752</b>

Source: Auditor General staff analysis of district-reported fiscal year 2001 accounting data and average daily membership information obtained from the Arizona Department of Education.

# CHAPTER 2

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## Food service

The District needs to reassess several aspects of its current food service program, which is administered by a private vendor. The District's cost per meal is above the average of comparable districts and the current contract provides little incentive for the vendor to minimize costs. Instead, the contract guarantees the vendor a profit and leaves the District responsible for any losses. The District's financial risk is further compounded by its limited oversight of the program and by the vendor's poor inventory and cash-control procedures. In addition, the District has not analyzed its outsourcing of the food service program to determine whether it is beneficial. The District should conduct such an assessment, and if it finds that outsourcing is the better option, it should consider rebidding the contract to obtain more favorable terms.

One policy that may help food service operations to become more self-supporting is to make the Buckeye High School a closed campus (meaning students cannot leave campus during lunch) once the food service facilities have been renovated.

## Background

The District has contracted with a food service management company (vendor), to operate its food service program. The program provides breakfast, lunch, and a la carte sales at both district schools. During the first half of the school year, meals were prepared at the Buckeye campus and transported to the Estrella Foothills campus. Beginning in January 2002, meals were prepared at both campuses.

### Food service facts for Fiscal Year 2002

Students participating (approx.)	500
Average cost per meal*	\$2.49
Number of meals served:	
Breakfast	30,440
Lunch and a la carte	<u>122,464</u>
Total	<u>152,904</u>
Revenues:	
Cash sales	\$193,321
Federal programs	<u>109,003</u>
Total	<u>\$302,324</u>
Noncapital expenditures	\$342,954
Percentage of students eligible for free and reduced-price lunches	28%

\*based on lunch-equivalent meals.

## The District's cost per meal is above the average of comparable districts

The District served approximately 137,684 lunch-equivalent<sup>1</sup> meals during fiscal year 2002 at an average cost per meal of \$2.49. This cost per meal is 12.7 percent higher than comparable districts' \$2.21 average.<sup>2</sup> However, Buckeye Union High School District's cost per meal for fiscal year 2002 was negatively impacted by the opening of a new campus with a small number of students. The District's cost per meal for fiscal year 2001 was \$2.31, which was 4 percent higher than the comparable districts' average cost of \$2.22 for that year. The District's student meal prices for fiscal year 2002 (\$.90 for breakfast and \$1.70 for lunch) are consistent with prices charged by comparable districts.

The District's food service program is not self-supporting. For fiscal year 2002, the District's food service program required a subsidy of over \$40,000 from the District's Maintenance and Operation Fund. This fund provides most of the dollars that are spent in the classroom. Therefore, the \$40,000 subsidy is money that could have been available to be spent in the classroom had the food service program been self-supporting. The District also purchased \$12,000 of equipment for the food service program during fiscal year 2002. Had the program been self-supporting, the equipment could have been purchased with food service money, leaving the District an additional \$12,000 available for classroom equipment purchases.

## The District's food service contract is not advantageous to the District

The District's current food service contract guarantees the vendor a profit, while putting the burden of any operating loss solely on the District. The District reimburses the vendor for food service costs, plus pays an administrative fee of 8 cents per meal and a management fee of 6 to 8 cents per meal. Although these fees, totaling \$21,101 in fiscal year 2002, do not appear excessive, auditors noted that of the five comparable districts using vendors, three have established contracts that provide operating profits for the district or require the program to be self-supporting.

Further, because the District's vendor is reimbursed for all program operating costs, including food, supplies, and labor; and is paid additional fees based solely on the number of meals served, the vendor has no incentive to minimize program costs,

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

2 Auditors selected comparable districts by identifying all high school districts for which reliable food service program data was available, and then selecting additional districts of other types that were comparable to Buckeye Union High School District's number of students and school sites. This resulted in a total of 15 comparable districts for fiscal year 2001 (5 of which also used food service contractors) and 10 comparable districts for fiscal year 2002.

waste, or theft. This increased risk of loss to the District is further compounded by the following factors:

- **The District has minimal oversight of the food service program**—The District receives insufficient information to determine whether all of the vendor's purchases, which the vendor received directly, were necessary and used solely for the District's food service program. Further, although the District is billed for all labor, it has no assurance that all employee hours and charges for those hours are for actual hours worked. To properly monitor the program, the District must receive complete records of the meals and a la carte items sold and thoroughly review monthly purchases and labor charges. The District should also review benchmark calculations, such as cost per meal and meals per labor hour, to help evaluate program costs.
- **The vendor lacked proper inventory and cash-control procedures**—Although it appears that the food service cash register system has inventory-tracking capabilities, the vendor does not track inventory and does not reconcile sales to changes in inventory. Also, many a la carte sales are entered in a lump sum total and the individual items sold are not tracked. In addition, inventory spoilage and shrinkage are not tracked and reported to the District, although it pays all food costs. As a result, the District cannot be sure the food and supply purchases are appropriate. The District paid \$192,142 for food and \$7,265 for supplies in fiscal year 2002.

Further, the vendor does not have appropriate cash controls in place. Auditors observed the following weaknesses: a \$150 change fund maintained in the kitchen office was not secured during the day; multiple cashiers used the same cash drawer; an outdoor cart used for a la carte sales did not have a cash register for recording sales; and cash from the cart sales was used to balance cash shortages and overages in other cash drawers. This situation made it difficult for the vendor and the District to accurately report sales, monitor inventory, and prevent or detect theft.

The District should require the vendor to implement adequate inventory and cash-control procedures. Further, to properly monitor the program and help ensure food and supply purchases are appropriate, the District should monitor inventory records.

## The District should evaluate its outsourcing and consider rebidding contract if outsourcing is retained

The District has not analyzed its food service program to determine whether outsourcing the program is actually beneficial. The District did not identify its goals for outsourcing the program, determine program costs, or evaluate other benchmarks necessary to make an informed decision.

The District should conduct a cost-benefit analysis to determine whether to operate or contract the food service program. Such an analysis would include:

- Identifying the District's goals in contracting the program
- Developing benchmarks, such as cost per meal and meals per labor hour
- Determining district costs for food, labor, and overhead
- Evaluating the quality of service that could be provided in-house
- Considering the availability of labor
- Identifying separate components of the food service program that may be outsourced
- Determining total costs involved with contracting the program, such as monitoring activities
- Comparing in-house costs to proposed costs vendors submitted

If the District determines that continuing to outsource is the best option, it should consider rebidding the food service contract to obtain more favorable terms. When the District last bid the contract in April 1999, only one vendor submitted a proposal. A second vendor contacted the District and indicated that it intended to bid but missed the proposal deadline. Despite this indication of another vendor's interest, the District subsequently renewed its food service contract each year since April 1999, without re-evaluating its decision or seeking additional bids. Although the District is not required by procurement rules to rebid this contract, it may not be achieving its apparent goal of saving money by contracting the program. Auditors contacted other vendors who indicated that larger student counts and closed campuses (that is, campuses that do not allow students to leave for lunch) made districts more attractive for bids. Because of the District's growth and the addition of a new, closed-campus school site, additional vendors may now be interested in bidding for the contract.

Making Buckeye High School a closed campus once the school is rebuilt may be another way to help the food service program become more self-supporting. Pending final approval from the Arizona School Facilities Board, plans are currently in place to rebuild the Buckeye High School facility. These plans include the construction of a new kitchen and cafeteria. Buckeye High School, which currently lacks an adequate food service facility to feed all students, is an open campus, while the Estrella Foothills High School is a closed campus.

When these improvements are completed, the District should consider evaluating the open-campus policy at Buckeye High School as it did in 1999. In 1999, the District considered adopting a closed campus, but did not at that time due to the economic impact on local businesses and the inadequate seating and kitchen size. This issue has a significant impact on a district's food service program since it generally increases the number of meals served.

## Recommendations

1. The District should ensure that it receives and reviews complete and accurate records of all sales, purchases, inventories, and other charges. The District should also review benchmark calculations, such as cost per meal and meals per labor hour, to aid in evaluating program costs.
2. The District should require its food service vendor to implement stronger inventory and cash controls.
3. The District should perform a thorough cost-benefit analysis to determine whether outsourcing the food service program is beneficial.
4. If the District determines that outsourcing is the better alternative, it should consider rebidding the food service contract. Because of changes such as the new high school campus and the increased student population, the District may be able to obtain more favorable terms.
5. If the District re-evaluates its open-campus policy when the new Buckeye High School facilities are completed, the financial impact on the cafeteria operation should be considered.



# CHAPTER 3

## Student transportation

The District did not keep accurate, organized, and complete transportation records. Consequently, the District could not demonstrate how it ensures the safe, timely, and efficient transportation of students. Driver files were not maintained, which resulted in the District being unaware of two noncertified employees driving routes, and the District did not randomly test drivers for drug use. Bus files were not maintained, which prevented the District from tracking bus repair and maintenance. Daily route logs used to track mileage for funding were incomplete and inconsistent, creating potential errors in the amount of transportation funding received. The condition of records also precluded effective route planning, resulting in potentially inefficient routes. Lastly, the District did not adequately secure its fuel from unauthorized use.

### Background

The District reports that it transported 381 students nearly 262,000 miles in fiscal year 2002. This includes 70,580 miles for ten students designated as requiring specialized transportation. All drivers also serve as facility maintenance personnel for the District. During fiscal year 2002, a district employee served as a part-time transportation supervisor. Recently, however, the District hired a full-time Director of Facilities, responsible for both the transportation and the facility maintenance programs.

### Lack of documentation hampers transportation program management

Because of inadequate recordkeeping, the District is unable to effectively administer its transportation program. The Director of Facilities needs complete and accurate documentation of routes, miles driven, students transported, and driver status to

#### Transportation facts for Fiscal Year 2002

Riders	381
Bus drivers	10
Mechanic	1
Regular routes	10
Special-needs routes	4
Average daily route miles	1,488
Total route miles	261,841
Total noncapital expenditures	\$349,134

make informed and effective management decisions. Further, funding for the District's transportation program is based largely on the route miles reported to the Arizona Department of Education each year. Incompleteness and inaccuracies in the logs may cause errors in the reported mileage and, therefore, result in errors in the amount of funding the District receives. Auditors reviewed various aspects of the District's transportation program, such as routes, route logs, driver qualifications, and recordkeeping, and found that the condition of the records precluded making assessments about whether transportation was safe, timely, or efficient. For example:

**District not meeting certification, drug testing standards**—The Department of Public Safety establishes the *Minimum Standards for School Buses and School Bus Drivers*. These standards are the guidelines and requirements school transportation programs must follow. Driver certification is a key standard required to ensure drivers are qualified to drive school buses and are familiar with all required safety procedures. However, two district drivers had not completed the certification process, yet drove routes for the 2001-02 school year. Poorly maintained files prevented the District from properly overseeing its drivers' certification status.

The District had two employees without proper certification driving buses during the 2001-02 school year

Another key standard is drug testing. Along with routine drug-screening tests, districts are required to randomly test drivers for drug use. Based on discussions with district administrators and drivers and review of driver files, auditors determined that the District does not randomly test bus drivers for controlled substances as required by *Minimum Standards*. The District should ensure that it conducts all required random drug-screening tests and keeps driver files up to date.

The *Minimum Standards* also provides very specific requirements for documentation to be maintained in driver files. Upon review of ten driver files, auditors noted several documentation deficiencies.<sup>1</sup>

- Only one of the files contained the required driving record
- Three files were missing documentation of up-to-date physicals
- Three files did not have up-to-date documentation of drug testing
- None of the files included copies of the drivers' certification cards
- Seven files did not have documentation of required refresher training

The District should review driver files periodically to ensure all information is kept current and in accordance with the *Minimum Standards*.

<sup>1</sup> Auditors reviewed files of fiscal year 2002 drivers who were planning to return in fiscal year 2003.

**Bus files lack maintenance, inspection information**—As with driver files, the *Minimum Standards* require that certain information must be accurately maintained for each of the District’s buses. However, district bus files did not include information on maintenance, repair, or inspection for the last 3 years. Additionally, the District did not have files for the two buses purchased during the last 2 years. Without this information, the District cannot make informed decisions on vehicle maintenance, repair, or replacement.

To help ensure the safe operation of its transportation program, the District should ensure that the *Minimum Standards* are met. In addition, the District needs to collect basic transportation data to aid management in making decisions, such as when to repair or retire buses. The lack of complete and organized records, including bus logs, driver files, and bus files, hinders the District from making fully informed decisions.

**Route logs were incomplete and inconsistent**—The District documents its daily route miles using manual logs placed in each bus. Within each log, drivers are required to record the date, route name or destination, total miles, and total riders. Auditors reviewed the monthly summary sheets for fiscal year 2002 and all detailed logs for October 2001 and identified a number of missing elements and inconsistencies.

- During October, total regular education route miles driven each day varied from 853 miles to 1,065 miles, although all regular routes are driven on all school days.
- Some routes were not accounted for on the logs.
- There were a number of blanks on the route logs, and there were entries for routes that were not included on the District’s list of ten routes.
- The number of student riders was not consistently recorded in the logs. Students were sometimes included once, sometimes twice, and sometimes not at all.

Because this data forms the basis for determining the amount of transportation aid a district receives, these problems cloud the accuracy of the funding provided to the District. The District needs to train staff on preparing the bus logs and periodically review them to ensure all information is being properly documented.

**Lack of documentation hampers route planning**—Due to the condition of the records, it was not possible to determine the efficiency of the routes or to evaluate considerations such as the distance between stops and student time spent on the bus. The District does not regularly review its routes, and most of its route maps did not indicate pick-up times or the number of students at each stop. As an indicator of

District mileage increased 67 percent (76,894 miles) while the number of riders increased only 5 percent (19 riders)

the need for better review, the District's reported mileage reflected a 67 percent increase in regular route miles driven between fiscal years 2001 and 2002. The District attributes this increase to the opening of a new school; however, there were only 19 additional riders to account for the additional 76,894 regular education miles.

Without reliable route mile records, district management does not have the information it needs to make informed routing decisions. The District should evaluate bus routes periodically to ensure they are operating optimally.

## District fuel is not secure from unauthorized use

The District operates an unsecured fuel pump, which is located on the bus lot. The pump dispenses both diesel and unleaded fuel, but has no security features to track who is pumping the fuel, how much fuel is used, and into which vehicle it is dispensed. Drivers fill their own assigned buses or district vans and cars.

The bus lot gate has a padlock, which is unlocked during much of the day. Further, many employees, including nontransportation employees, have keys and can access the pump during nonschool hours. During fiscal years 2001 and 2002, the District spent between \$54,000 and \$59,000 on fuel purchases. To ensure that fuel is used only in district vehicles and for authorized district purposes, the fuel pump should be physically secured and fuel usage recorded and monitored.

## Recommendations

1. The District should ensure that all drivers are properly certified, that required random drug-screening tests are conducted, and that driver files are kept up to date.
2. The District should update all bus files to ensure these meet *Minimum Standards*. In addition, the District should keep necessary information about buses to aid in making decisions on when to maintain, repair, or replace them.
3. The District should train staff on preparing the bus logs and the new director should periodically review the logs to make certain that the required information is being documented accurately.
4. The District should review all bus routes periodically to evaluate whether they are as efficient as possible, taking into account student time spent on the bus and percentage of bus capacity used.
5. The fuel pump should be secured and records established to track fuel usage and ensure that fuel is used only for authorized purposes.



# CHAPTER 4

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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. The District spent its portion of the monies in accordance with statute and in keeping with the plan it developed. In this first year, the District decided to spend all of this money on salaries and benefits. However, the District can strengthen its basis for awarding the portion of the monies distributed as performance pay. Under the District's approach, teachers can qualify for performance pay on the basis of negligible improvement by their students and by simply listing their own performance goals, rather than meeting some portion of them.

## 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 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

The District received \$368,904 of Proposition 301 monies in fiscal year 2002. Under the District's plan, all classroom teachers and school counselors were eligible to receive pay from these monies. The District's plan called for using the money as follows:

**Base pay increases**—The District estimated each eligible employee would receive \$900 to be paid in four equal installments of \$225.

**Performance pay**—Each eligible employee could earn approximately \$1,800, if specified performance measures were met. The District's performance pay plan consisted of three components: District Assessment Tests (DATs), Course Content Tests, and Teacher Goals.

- **Student improvement on district assessment tests (50 percent)**<sup>1</sup>—Students took these tests for math, reading, and English in the fall and the spring. If the sum of all student scores improved from the fall to the spring, then all teachers earned this portion of performance pay.<sup>2</sup>
- **Student improvement in course content (25 percent)**—Students were given the same test (as approved by the applicable department head) at the beginning of the semester and again at the end of the semester. If the tests showed that the teacher's class had improved scores, then the teacher earned the performance pay monies.<sup>2</sup>
- **Teacher goal setting (25 percent)**—Classroom teachers and counselors could earn performance pay by documenting their "measurable, specific, and positive goals" to be accomplished during the year.

**Menu options**—Each eligible employee could earn approximately \$1,800 if they obtained 8 hours of staff development training and signed contracts for the next school year.

- **Staff development hours (25 percent)**—The District provided employees the opportunity to earn 8 staff development hours by attending in-service training sessions held throughout the school year.
- **Signing bonuses (75 percent)**—Eligible employees were required to sign contracts for the next school year to receive this portion of the monies.

<sup>1</sup> Student improvement on district achievement tests was originally 25 percent of the performance pay plan. The District revised the percentage to 50 percent when it decided to remove the State's AIMS test as a measurement because the results would not be available in a timely manner.

<sup>2</sup> Counselors were not eligible for these performance pay monies. However, the District paid counselors an equal amount from the Maintenance and Operation Fund.

## The District complied with law and followed its adopted plan

Auditors reviewed the District's Classroom Site Fund disbursements and found they were spent in accordance with statute and the District's plan. The plan served as the basis for the District's Classroom Site Fund budget. As allowed, the District budgeted and spent all of its Classroom Site Fund monies on salaries and benefits.

As shown in Table 4, each full-time, eligible employee meeting all performance requirements received \$5,328 of Proposition 301 monies for work performed in fiscal year 2002. The District's average teacher salary increased from \$31,738 in 2001 to \$38,065 in 2002, an increase of nearly 20 percent.

Table 4

Per-Employee Budgeted and Actual Expenditures  
Fiscal Year 2002  
(Unaudited)

Category	Budgeted	Actual <sup>1</sup>
Base Pay	\$1,089	\$1,172
Performance Pay	2,179	2,167
Menu Options	2,179	1,989
Total	<u>\$5,447</u>	<u>\$5,328</u>

<sup>1</sup> Includes a payment made in September 2002 using fiscal year 2002 monies.

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

## Performance pay requirements could be strengthened

Requiring more significant student improvement, verifying that teachers' self-reported results are accurate, and requiring teachers to meet some portion of their personal goals would strengthen the District's performance pay requirements.

**Student performance increase can be negligible**—Under the District's plan, teachers receive performance pay if their students show any improvement on the same test (DATs and course content) from the beginning to the end of the year/semester. To improve its performance pay plan, the District should consider requiring students to achieve a more significant level of improvement.

**No review of reported improvement**—To document student improvement in course content tests, teachers were required only to submit a list of the students' pre- and post-test scores. However, there was no independent review of the scores to make sure they were correct. Under the current plan, the only way teachers would not

receive these monies would be to self-report that their students did not improve over the course of a semester. The District should randomly verify the reported test scores.

**No requirement to achieve goals**—To earn performance pay monies for the third component, teacher goals, teachers were required to establish “measurable, specific, and positive goals.” However, the plan does not require teachers to actually accomplish their stated goals. The District should consider requiring teachers to meet some portion of their stated personal goals to receive this component of performance pay monies.

## Recommendations

1. The District should consider strengthening its performance measures by specifying an expected level of “student improvement.”
2. The District should randomly verify course content test scores.
3. The District should consider requiring teachers to meet some portion of their stated personal goals to receive performance pay monies.

# CHAPTER 5

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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, 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. Payroll expenditures for employees with multiple job responsibilities appeared to be properly allocated to the various functions served. In general, purchases of goods and services also appeared to be properly charged to appropriate functions. However, auditors noted a few errors, including one that would have significantly affected the District's classroom dollar percentage in fiscal year 2002. The District incorrectly recorded certain equipment repairs, training costs, debt payments, and construction costs. The construction cost error was for a running track, which caused a \$288,873 administrative cost overstatement. Correcting this error increased the District's classroom dollar percentage for fiscal year 2002 by 1.6 percent. The District's corrected classroom dollar percentage for fiscal year 2002 was 51.2 percent. The State's average for that year was 58.2 percent.



# APPENDIX

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Appendix

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

Position	FTE	Duties	Salary	Benefits
<b>District Administration</b>				
Superintendent	1	Manages and supervises all areas of the District; reports to and advises the governing board; oversees hiring and managing all district employees	\$ 86,700 (includes a \$725 monthly car allowance)	\$ 9,928
Director of Special Services	1	Directs, organizes, and coordinates special education, psychological, and speech therapy services; interacts with parents; ensures student files are appropriately maintained	49,650	5,458
Business Manager	1	Oversees accounting, purchasing, payroll, and other financial activities as well as business office personnel; prepares and manages the District's budget; manages real estate and insurance programs; advises the superintendent	49,000	5,703
Network Technician	1	Oversees and manages the District's computer network; maintains system software and equipment records; repairs and upgrades computers	37,062	4,694
Computer Data Technician	1	Provides technology training to district personnel; compiles, analyzes, and processes student attendance and achievement data; processes required data for the State Student Accountability Information System	32,030	3,716
Payroll Clerk	1	Prepares payroll vouchers; collects timesheets and maintains employee absentee information; ensures that benefits and deductions are paid on time; provides employees with benefits information	25,056	2,852
Accounts Payable Clerk	1	Processes purchase orders; processes warrants and prepares vendor payments; reconciles fixed asset lists; pays invoices for student activities and auxiliary operations	24,012	2,881
Administrative Assistant for Special Education	1	Assists with coordinating special education evaluations, reports, and meetings; maintains student files; helps develop and maintain federal and state grants; performs other clerical tasks	20,554	1,953
Administrative Assistant for Migrant	1	Identifies, enrolls, and assesses migrant students and students with limited English proficiency; collects Title I data; coordinates extended day, summer school, and correspondence programs; serves as interpreter; assists with coordinating special education services	18,404	1,914
Teacher/Administrator	0.4	Completes administrative duties for the vocational education department	17,628	2,587
Human Resource Director	0.5	Recruits, screens, and schedules applicants for interviews; administers personnel-related activities such as hiring, promoting, transferring, evaluating, and terminating employees; maintains personnel files; supervises payroll department	15,600	1,640

Appendix (concluded)

Position	FTE	Duties	Salary	Benefits
<b>District Administration (Concl'd)</b>				
Executive Assistant	0.5	Provides secretarial services for the superintendent and governing board	\$ 15,600	\$ 1,640
Administrative Assistant for Business	0.5	Prepares cash management and other reports, and district billings; reconciles financial records; organizes and coordinates the District's accountability reports; makes deposits	11,484	1,377
<b>School Administration</b>				
Principal	1	Administers and supervises the school's instructional program; supervises and evaluates staff; maintains discipline; manages school property	68,000	\$7,422 (also eligible for \$2,000 tuition reimbursement)
Assistant Principal	3	Coordinates and supervises student activities; evaluates programs and staff performance; monitors student progress, safety, and conduct; assists in hiring staff and developing curriculum	49,500 49,500 58,000	5,293 5,403 6,330
Administrative Assistant to Principal	2	Acts as liaison to students; prepares handbooks; helps arrange discipline hearings; plans and coordinates graduation; performs clerical tasks	29,232 24,012	3,093 2,566
Administrative Assistant to Assistant Principal	1	Acts as liaison to students and parents; maintains discipline and other records; prepares graduation rate report; performs clerical tasks	28,188	2,962
Other		Additional administrative expenditures for nonadministrative employees who perform small amounts of administrative work and, therefore, have a small portion of their salaries and benefits charged to administration	33,638	2,733
		Health insurance payments not separately identified by employee		28,496
<b>TOTAL</b>	<u>17.9<sup>1</sup></u>		<u>\$742,840</u>	<u>\$110,640</u>

<sup>1</sup> This number differs from the 22.4 total used for comparative analysis within the report. For comparative purposes, auditors used the only statewide data available, the School District Employee Report, which is self-reported by districts to the Arizona Department of Education. The School District Employee Report groups both administrative and non-administrative positions together in some clerical and other categories.

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

# DISTRICT RESPONSE

# Buckeye Union High School District No. 201

902 Eason Avenue

Buckeye, Arizona 85326

Tel: 623-386-9700 Fax: 623-386-9705

## Governing Board Members

Mr. Marty Arambel

Ms. Becky Gifford

Ms. Jeanine Guy

Mr. Jerry Kerr

Mr. Gary Mayfield

### Superintendent

Dr. Henry E. Schmitt

### Business Manager

Ms. Debbie Christensen

### Special Education

Ms. Emilie Newman

February 11, 2003

### Buckeye Union

902 Eason

Buckeye, AZ 85326

623-386-4423



### Principal

Mr. Danny Hernandez

### Assistant Principal

Ms. Mary Ann Sphar

### Assistant Principal

Mr. Rafael Rivas

Office of the Auditor General  
Debra K. Davenport, CPA  
2910 N. 44th Street, Suite 410  
Phoenix, Arizona 85018

Following the February 5, 2003 joint review of your performance audit of our fiscal year 2002 records, we are in general agreement with your findings, and in particular appreciate your review and recommendations regarding our food service program.

We would like an acknowledgement that, prior to receipt of the audit report, the District independently became aware of procedure weaknesses in the transportation department and that an improvement plan had been developed and is currently being implemented.

Thank you for this opportunity for assessment and comments.

Sincerely,

Dr. Henry E. Schmitt  
Superintendent

/ph

### Estrella Foothills

13033 S. Estrella Pkwy

Goodyear, AZ 85338

623-327-2400



### Principal

Mr. Jerry Nunez

### Assistant Principal

Mr. Eric Godfrey