

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Subject

Murphy Elementary School District is located in south-west Phoenix and has four elementary schools serving approximately 2,500 students. This audit examines the District's administration, food service, student transportation, how it spent Proposition 301 money, and the accuracy of its records on dollars spent in the classroom.

Our Conclusion

The District has high administrative costs due to its number of administrators. Several aspects of the food service program's management can be improved. The transportation program operates efficiently. Proposition 301 monies were spent appropriately. The District's classroom dollar percentage was 53.3 percent. The state average is 58.2 percent.



2003

June 2003

Administrative Costs Are High

Administrative costs are those associated with directing and managing a school district's responsibilities. At the school level, these costs are primarily associated with the principal's office. At the district level, they are primarily associated with the Governing Board, superintendent's office, business office, and support services.

Murphy has the highest administrative costs of the districts we reviewed. Murphy's per-pupil administrative cost was \$958 compared to an average of \$668 for six similarly sized districts. The significantly higher costs can be attributed to:

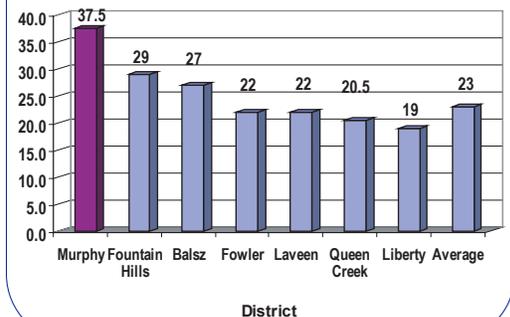
- A higher number of administrative positions
- Higher salaries for some positions

Per-Pupil Administrative Costs
 Fiscal Year 2002



Administrators—Murphy has 37.5 administrative positions, while the average for the 6 comparison districts is 23. Murphy employs more assistant superintendents and assistant principals, and twice as many administrative assistants/secretaries as the comparison districts.

District Staffing Level Comparison
 Fiscal Year 2002



Salaries—Three of the District's administrative assistant positions now earn up to 35 percent more than the maximum salaries paid to similar positions in neighboring districts.

Recommendations

The District should:

- Determine whether it can reduce its number of administrative positions.
- Establish salary ranges for administrative assistants based on market surveys or other factors.

Food Service

The District's food services program served over 1 million meals in fiscal year 2002, and was financially self-supporting. The District provides meals to its own students and to ten charter schools in the area; 96 percent of the District's students are eligible for free or reduced-price lunches.

However, the program can improve in several areas, including:

- Using more financial analyses and performance measures in managing the program
- Fully complying with purchasing requirements
- Implementing inventory control procedures
- Complying with all health regulations

Financial analyses—The District can make greater use of performance measures and financial analyses to manage its program. For example, the District does not charge the charter schools for the meals, but instead receives any federal reimbursements available for the meals. The District's goals for the program were to increase its food service revenues, ensure the students received proper meals, and create more jobs for members of the community. While these goals are noteworthy, the District did not formally analyze the expected costs and revenues before beginning the service. Additional costs have included spending \$80,000 for two trucks, and hiring nine additional staff.

Further, although charter school meals now account for 35 percent of the

District's meals, the District has never performed a detailed analysis to determine the costs and benefits of the food service program. It has also not determined how adding or losing a charter school may impact the overall program. Such analyses can help the program remain financially self-supporting in the future.

Procurement procedures—The District has not followed some state procurement procedures. It has not documented key terms of some contracts, and it did not adequately document how it evaluated various bids. The lack of documentation for bid evaluations led to one of the five bids reviewed being awarded to the wrong vendor.

The District has also awarded sole-source bids without proper approval from the Governing Board and without demonstrating why the vendor selected was the only source available. Some items procured under the sole-source provisions—such as cupcakes, hot dogs, and sandwiches—should be available from multiple vendors.

Inventory management—Although it inventories its food once a month, the District does not track the food items that were received and used during the month. Therefore, it cannot track usage and spoilage or other losses. It also does not have procedures for rotating its inventory to ensure that the oldest items are used first.

Health standards—The District is violating a county health standard by re-serving unopened cartons of milk. Students return unused cartons, which

the District rinses off and chills for later use. The County cited the District for this practice in October 2001, but the District has since resumed it.

Recommendations

The District should:

- Make greater use of financial analyses in managing the food service program.
- Ensure staff are trained in, and follow, proper procurement procedures.
- Improve its inventory management procedures.
- Comply with all health regulations.

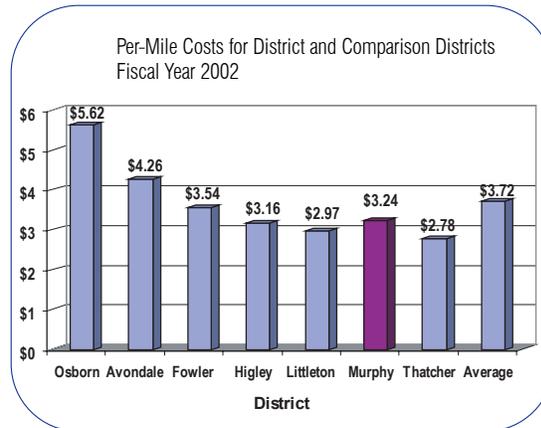
Student Transportation

District transportation appears efficient and costs appear reasonable given the number of route miles driven and students transported. About half of the District's students are eligible to ride the District's buses.

Although the District has more special-needs students than most of the comparison districts, and special-needs students often require separate routes and extra staff, the District's cost per mile is still below the comparison districts' average.

The District can improve management of the transportation program by:

- Ensuring all costs are properly recorded. We found costs for bus fuel and maintenance and one special-needs route were not recorded as transportation costs.



- Improving the documentation used for calculating and claiming state transportation funding. The District uses estimates as part of its calculations. If district drivers consistently kept daily mileage logs as required, the District would not need to use estimates.

Recommendations

The District should:

- Properly record all transportation costs.
- Keep adequate route logs to track mileage eligible for state funding.

Proposition 301 Money

Proposition 301 increased the state-wide sales tax by 0.6 percent for 20 years beginning in FY 2001. Proposition 301 designates the money for base pay

prevention programs, and additional pay increases.

Eligible employees received, on average, \$3,596 each in Proposition 301 monies. Because two goals relating to improving student performance on standardized achievement tests were not met, most employees did not qualify to earn the full amounts for performance pay. Staff had to meet these two goals to obtain 60 percent of the available performance pay.

While the District allocated 75 percent of the menu monies for teacher pay increases, schools were allowed to determine how the remaining 25 percent would be spent. Schools used the monies to buy tutorials for struggling students, hire two teaching assistants to help English language learners, and for teacher development.

Average Per-Employee Budgeted and Actual Expenditures
Fiscal Year 2002

Category	Budgeted	Actual
Base Pay	\$ 978	\$ 934
Performance Pay	1,957	973
Menu Options	<u>1,957</u>	<u>1,689</u>
Total	<u>\$4,892</u>	<u>\$3,596</u>

increases, performance pay, and certain menu options such as reducing classroom size, providing dropout

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Classroom Dollars

The District did not consistently classify expenditures in compliance with the State's Uniform Chart of Accounts for school districts. As a result, the District actually understated its percentage of classroom dollars and administrative

costs. Correcting errors raised the District's FY 2002 classroom dollar percentage by 9.2 percent, to 53.3 percent. However, the state average that year was 58.2 percent.