



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Tempe Elementary School District

MAY • 2004



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

May 26, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Tempe Elementary School District

Dr. John Baracy, Superintendent
Tempe Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Tempe Elementary School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with most of the findings and recommendations. While the District did not agree or disagree with the administration finding in Chapter 1, it indicated that it has taken steps toward implementing the recommendation.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on May 27, 2004.

Sincerely,

Debbie Davenport
Auditor General

DD/lgg

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Tempe Elementary School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines seven aspects of the District's operations: administrative costs, food service, student transportation, plant operation and maintenance, expenditure of sales taxes received under Proposition 301, the accuracy of district records used to calculate the percentage of dollars spent in the classroom, and expenditure of desegregation monies. In fiscal year 2003, the Tempe Elementary School District had 23 schools and served 12,452 students in pre-kindergarten through 8th grade.

Administration (see pages 15 through 18)

The District's per-pupil administrative costs were \$176 dollars (or 33.5 percent) higher than the average for the comparison group. The District's administrative costs were higher because it has more schools serving fewer students on average, more district-level administrative staff, and desegregation spending. Specifically, the District employs more administrative staff, such as program directors, principals, secretaries, and office clerks, because it has more schools than districts with a similar number of students. While the comparable districts, on average, served 749 students per school, the District served only 541 students. As a result, the District averaged only 107 students per school-level administrative position, while the comparable districts averaged 141 students. Further, the District reported having 139 district-level administrators, while the comparable districts averaged only 98. In addition, the District employed 121 clerical positions district-wide, while the comparable districts averaged only 106. Finally, the amount of administrative expenses the District assigned to its desegregation efforts also contributed to its higher-than-average administration costs. During fiscal year 2003, the District classified approximately \$2.3 million, or almost 26 percent, of its total administrative costs to its desegregation plan.

Food service (see pages 19 through 22)

The District's food service program is self-supporting and its cost-per-meal was the same as the comparable districts' average of \$1.94. The District was able to cover its costs for various reasons. Specifically, the District spends less on salaries and benefits than the comparable districts spend. This is achieved by monitoring meals-per-labor-hour, using existing staff to fill in at the kitchens on an as-needed basis, and making use of part-time staff. Further aiding to lower costs, the District centralized meal production so that 6 of its schools prepare meals for all 23 district schools. The District also monitors meal costs and the program budget to ensure that it covers its costs. However, to meet students' food preferences, the District spent more on food and supplies than comparable districts averaged.

Student transportation (see pages 23 through 28)

During fiscal year 2003, the District's cost-per-mile was lower than the average for districts with a similar number of students and schools. However, when compared to another set of districts with a similar number of route miles and riders, its cost-per-mile was higher than the average. The District's cost-per-rider was higher than both comparable groups' average. If the District could bring its costs down to be more in-line with the comparable districts', it could potentially move \$140,000 into the classroom. Further, the District needs to make better use of performance measures to enhance its ability to manage the program and demonstrate its efficiency and effectiveness. For example, the District should monitor measures such as cost-per-mile, cost-per-rider, and bus capacity rates so that it can compare its operations to similar school districts and its own past performance, and evaluate where improvements are needed. Additionally, the District should install a lock system on its diesel fuel pumps, and it should verify the route mileage estimates that it reports annually to the Arizona Department of Education.

Plant operation and maintenance (see pages 29 through 33)

In fiscal year 2003, the District spent approximately 11.7 percent of its current dollars on plant operation and maintenance, which is the same as the state average. However, the District's per-pupil plant costs were 43 percent above what comparable districts averaged. The primary reason for these higher costs is that the District spent 22 percent more on salaries and benefits than the comparable districts spent. For example, the District's average custodial salary was approximately \$3.15 per hour

higher than the comparable districts' average. These salaries were higher because many of the maintenance and custodial staff had been with the District for several years. Further, these employees also perform some duties such as preventative maintenance to fire sprinkler systems, and heating and cooling systems that the comparable districts tended to contract out. Other contributors to the District's high plant costs include the older age of its buildings and its greater number of schools. Since mid-2003, the District has undertaken efforts to lower its plant costs. For example, the District was able to lower its electricity usage by about 3 percent and its trash disposal costs by \$2,500.

Proposition 301 monies (see pages 35 through 37)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent these monies in accordance with statute and its approved spending plan. On average, eligible employees received total increases of \$3,263 each, including base pay increases of \$855, performance pay of \$717, and menu option pay of \$1,691 per employee. However, the performance pay amount does not include monies tied to a goal of increasing student achievement. In November 2003, after standardized test scores were received, each eligible employee received \$1,500 plus related benefits.

Classroom dollars (see pages 39 through 41)

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 the District did not classify some costs correctly, these errors did not cause significant changes to its classroom dollar or administrative cost percentages. The District's revised fiscal year 2003 administrative costs percentage was 10.1, while the state-wide average was 9.9 percent and the comparable districts average was 9.3 percent. The District's revised fiscal year 2003 classroom dollar percentage was 55.6, which was 3 percentage points lower than the state average of 58.6 percent and 5 percentage points lower than the comparable districts' average of 61 percent. The District spent a greater percentage of its current dollars than the comparable districts' average in all noninstructional areas except food service.

Desegregation monies (see pages 42 through 46)

The District was one of 19 Arizona school districts budgeting monies to address desegregation issues in fiscal year 2003. The District's desegregation plan includes additional efforts to address language barriers and imbalances due to race and national origin, including efforts to ensure equality in educational opportunities through student transportation, community/parental awareness activities, multicultural training and certifications for teachers and staff, and instruction activities. According to the District, all of its students are served in some way by desegregation program activities. The District's fiscal year 2003 desegregation current expenditures totaled approximately \$13 million, and equated to \$1,096 of the District's \$6,958 total current expenditures per pupil. Forty-one percent of these monies was spent on instruction, and 31 percent was spent on student and instruction support. The remaining 28 percent went toward administration, student transportation, and plant operation and maintenance costs.

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INTRODUCTION & BACKGROUND

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

The Tempe Elementary School District encompasses the City of Tempe, parts of Phoenix, and the Town of Guadalupe, and covers approximately 36 square miles. Arizona State University is also within the district's boundaries. In fiscal year 2003, the District had 23 schools that served 12,452 students in pre-kindergarten through 8th grade. The 23 schools consisted of 18 elementary schools for grades kindergarten through five, a developmental special-needs preschool, and four middle schools for grades six through eight. The District also had an alternative middle school program that served approximately 10 students and was located at the district office.

A five-member board governs the District, and a superintendent, an assistant superintendent, and several directors manage it. In fiscal year 2003, the District employed 24 principals and 9 assistant principals. In addition, the District employed four teachers on special assignment, with one at each middle school to assist the principal with school operations. The District had 825 certified teachers, 267 instructional aides, 130 other certified employees, and 556 classified employees, such as administrative and plant operations and maintenance staff.

District programs and challenges

The District offers a wide range of instructional and extracurricular activities (see text box on page 10). Extracurricular activities include clubs, such as sign language, drama, Spanish, computer, and community service, and sports, such as basketball, soccer, football, track, and wrestling. The District also offers a number of community

The District offers:

- Integrated reading program
- Honors classes for 6th, 7th, and 8th grades, and National Junior Honor Society
- Full-day kindergarten
- Gifted, Special, and Alternative Education
- Structured English immersion classrooms
- Amphitheater, media center, gymnasiums, computer labs, climbing wall, and community fitness center
- Music, choir, band, and orchestra
- After-school tutoring
- Counseling services, clothing/food banks, crisis intervention, and police liaison
- Before- and after-school care
- English parent classes
- 21st century community learning center
- Modified year-round schedule, extended day, and Saturday school

resources, such as classes for parents, before- and after-school care, counseling services, and clothing and food banks.

Seven of the District's schools were labeled as "improving" under the *Arizona LEARNS* program, meaning that these schools surpassed expectations through 2003. Eleven schools were labeled as "maintaining," meaning that the schools' performance met expectations. Four schools were labeled as "underperforming," meaning that the schools did not meet performance expectations. The District's preschool and alternative programs were exempt from this process, and thus, did not receive labels.

Between fiscal years 1995 and 2000, the District experienced a decline in student enrollment. Specifically, the District's student enrollment dropped from more than 12,500 in fiscal year 1995 to about 11,700 in fiscal year 2000. Because the State funds districts on a per-student basis, this decreased the District's funding level. State law requires school districts to have an open enrollment policy by which they accept students from other Arizona school districts without charging tuition to those districts. Districts receiving students through open enrollment increase their funding by including these students in their student counts. In response to the declining enrollment, district officials designed a plan to attract students through the open enrollment process, including newspaper and movie theater advertising, Web site information, a newsmagazine cable television show, and local media. According to the District, in fiscal year 2003, approximately 1,315 of the 12,452 attending students were the result of open enrollment.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual reports, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on four operational areas: administration, food service, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, auditors reviewed its desegregation expenditures to provide an overview of how the District used these monies. Finally, as required by Laws 2002, Chapter 330, Section 54, auditors also assessed the accuracy of district-reported administrative costs and

reported detailed information about district and school administrative personnel duties, salaries, and related costs.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2003 summary accounting data for all districts and the Tempe Elementary School District's fiscal year 2003 and fiscal year 2004 detailed accounting data, contracts, and other district documents; reviewing district policies and procedures; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated management controls relating to expenditure processing and tested the accuracy of fiscal year 2003 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 2003 food service revenues and expenditures, including labor and food costs; observed meals being prepared and served to students; evaluated functions such as meal production, purchasing, and inventory control; and compared costs to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2003 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 fiscal year 2003 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2003 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and administrative expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.

- To report information about the District's desegregation program, auditors reviewed statutes as well as the District's administrative agreements, desegregation plan, and expenditures.

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 costs per-student were higher than the average costs for comparable districts due to it having more schools serving fewer students on average, more district administrative staff, and desegregation spending.
- **Food service**—The District's food service program was self-sufficient and functioning efficiently and effectively.
- **Student transportation**—The District's transportation costs were generally higher than the comparable districts, primarily because it transports many students across school attendance boundaries for its desegregation program. The program can be further improved by analyzing performance measures, ensuring that all driver certifications are renewed in a timely manner, locking its diesel fuel pumps, and ensuring its total route mileage calculations are accurate.
- **Plant operation and maintenance**—The District's plant operation and maintenance costs were higher than the average for the comparable districts primarily because the District had more square footage and higher salaries than most of the comparable districts.
- **Proposition 301 monies**—The District complied with statute and followed its own plan when spending Classroom Site Fund monies.
- **Classroom dollars**—Although the District did not classify some costs correctly, these errors did not cause significant changes in its classroom dollar or administrative cost percentages. The District's adjusted administrative costs percentage was 10.1 percent while the State average was 9.9 percent. Further, the District's adjusted classroom dollar percentage for fiscal year 2003 was 55.6 percent, while the state average for that same fiscal year was 58.6 percent.
- **Desegregation monies**—According to the District, all of its students were impacted by some component of the desegregation program. The District spent on average \$1,096 per student toward meeting its desegregation goals, 41 percent of which was spent in the classroom.

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

CHAPTER 1

Administration

The Tempe Elementary School District's administrative costs were higher than those for other elementary districts of similar size. While the District spent about 10 percent of its total current dollars on administration, very near the state average of 9.9 percent, its per-pupil administrative costs were almost 34 percent more than the average per-pupil costs for the comparable districts. The three factors contributing to the District's higher costs were more schools and district administrative staff, and costs assigned to desegregation programs.

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 current¹ administrative costs such as salaries, benefits, supplies, and purchased services were considered.

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

- General administrative expenses are associated with 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.

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

On average, the District's administrative costs per-pupil were higher than comparable districts'

The District's per-student administrative costs were higher than the comparable elementary districts' average. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that had similar number of schools and/or students as Tempe Elementary School District. Table 1 uses fiscal year 2003 cost information because it is the most recent year for which all comparable districts' cost data was available.

As illustrated in Table 1, the District's administrative costs per pupil, while not the highest of all the districts in the comparison group, were higher than the comparison group average. The District's per-pupil administrative costs were \$176 dollars (or 33.5 percent) higher than the average for the comparison group.

When administrative costs are further subdivided into categories, the District's higher costs are evident mainly in salaries and

benefits. As shown in Table 2, the District spent 33 percent more on administrative salaries and 64 percent more on benefits than the comparable districts' average. In

Table 1: Total and Per-Pupil Administrative Costs Comparison
Fiscal Year 2003
(Unaudited)

District Name	Total Administrative Cost	Number of Students	Administrative Cost Per Pupil
Roosevelt ESD	\$7,838,898	10,643	\$737
Tempe ESD	8,739,363	12,452	702
Glendale ESD	6,767,357	12,263	552
Cartwright ESD	8,993,469	18,536	485
Kyrene ESD	8,210,917	17,829	461
Alhambra ESD	5,396,068	13,648	395
Average of the comparable districts	\$7,441,342	14,584	\$526

Source: Auditor General staff analysis of district reported fiscal year 2003 accounting data and average daily membership counts obtained from the Arizona Department of Education.

Table 2: Comparison of Per-Pupil Costs by Category
Fiscal Year 2003
(Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Roosevelt ESD	\$547	\$104	\$63	\$23	\$737
Tempe ESD	532	118	37	15	702
Glendale ESD	397	84	50	21	552
Cartwright ESD	379	61	30	15	485
Kyrene ESD	365	61	32	3	461
Alhambra ESD	314	52	18	11	395
Average of the comparable districts	\$400	\$72	\$39	\$15	\$526

Source: Auditor General staff analysis of district-reported fiscal year 2003 accounting data and average daily membership information obtained from the Arizona Department of Education.

contrast, the District's per pupil spending on purchased services and administrative supplies was approximately the same as the comparable districts.

The District employed more administrative positions—As shown in Table 3, the District had 255.7 administrative positions, or about 24 percent more than the comparable districts' average, and has the lowest number of students per administrative staff of all the districts reviewed.

More schools increase administrative costs and number of employees—One reason for the District's significantly higher per-pupil cost and number of administrative employees is that the District chose to have smaller "neighborhood" schools. Therefore, the District has more schools than districts with similar numbers of students. As shown in Table 4, among the comparison group, the Glendale and Alhambra school districts were the closest in number of students to Tempe Elementary, but in fiscal year 2003, they had seven fewer schools each. Likewise, the Kyrene and Cartwright school districts, with similar numbers of schools to Tempe Elementary, each served over 5,000 more students than Tempe.

On average, the comparable districts served 749 students at each school while Tempe Elementary's smaller schools averaged only 541 students. Although Tempe Elementary's number of school-level administrative positions per school (5.1) was in-line with the comparable districts' average of 5.6, overall, the District's 107 students per school-level administrative position was significantly lower than the comparable districts' average of 141 students per position.

Table 3: District Staffing Level Comparison
Fiscal Year 2003
(Unaudited)

District Name	Number of	
	Administrative Staff ¹	Students Per Administrative Staff
Cartwright ESD	287.1	64.6
Tempe ESD	255.7	48.7
Kyrene ESD	236.0	75.5
Glendale ESD	196.7	62.3
Roosevelt ESD	170.4	62.5
Alhambra ESD	139.3	98.0
Average of the comparable districts	205.9	72.6

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

Source: Auditor General staff analysis of districts' average daily membership counts, fiscal year 2003 School District Employee Report from the Arizona Department of Education, and discussions with district management.

Table 4: Number of Schools and Students Per School Comparison
Fiscal Year 2003
(Unaudited)

District Name	Number of		
	Students	Schools	Students Per School
Cartwright ESD	18,536	21	883
Kyrene ESD	17,829	25	713
Alhambra ESD	13,648	16	853
Tempe ESD	12,452	23	541
Glendale ESD	12,263	16	766
Roosevelt ESD	10,643	20	532
Average of the comparable districts	14,584	20	749

Source: Auditor General staff analysis of average daily membership and number of school information obtained from the Arizona Department of Education

More District-level administrative positions than similar districts—

Tempe Elementary also had more district-level administrative positions than the comparable districts' average. Specifically, the District reported having 139 district-level administrative positions, while the comparable districts averaged only 98.

In addition, the District had more administrative support positions at both the district and school levels. During fiscal year 2003, the District had about 121 full-time equivalent administrative assistants, clerks, and secretaries, which was 15 more than the comparable districts' average for such positions. Tempe's support staffing levels were in-line with the comparable districts' on a per-school basis, but were higher in total at the district and school levels. Therefore, the additional staff appears to be driven by the relatively high number of schools when compared to districts with similar student populations.

District's benefits costs are higher than the comparable districts' average—

The District's benefit costs, which were 64 percent higher than the comparable districts' average, were high in part because the District pays health insurance premiums for retired employees, and had considerable unused sick and vacation leave payments in fiscal year 2003 for individuals leaving district employment. The District paid health benefits for approximately 200 retired employees in fiscal year 2003 and spread these costs to various district functions based on full-time employee equivalents. Approximately \$60,000 of these costs were assigned to the administrative area. Further, the District incurred approximately \$151,000 in unused leave costs related to administrative employees leaving the District.

Significant administrative costs allocated to desegregation activities—

The amount of administrative expenses the District assigned to its desegregation efforts also contributed to its higher-than-average administration costs. During fiscal year 2003, the District spent over \$13 million on its desegregation plan, which included efforts to improve the racial/ethnic balance at its 23 schools and to address the educational needs of limited-English proficient and at-risk students. Although the District spent approximately 16 percent of its current operating monies on desegregation costs, it assigned approximately \$2.3 million, or 26 percent, of its administrative costs to its desegregation plan. (Chapter 7 contains more information on the District's desegregation costs.)

Recommendation

The District should review its staffing levels to determine whether the number of administrative positions can be reduced. Further, the District should review the administrative costs assigned to its desegregation activities to determine if those costs can be reduced.

CHAPTER 2

Food Service

The District's food service program is generally operating efficiently and effectively. The program is self-supporting and its cost-per-meal is comparable to other districts'. Several factors help the District manage its costs, including low salary and benefit costs, centralized cooking operations, and cost and budget monitoring. Efforts such as obtaining student input on the foods served in school cafeterias and a free breakfast program further add to the program's effectiveness.

Background

In fiscal year 2003, the District's food service program served 23 elementary schools and an alternative education program using a director, managers, and full- and part-time employees. Four middle and two elementary schools operate "base kitchens," which prepare and deliver the meals to "satellite kitchens" operating in the other 17 elementary schools. The District also provides meals to two nondistrict accommodation schools, Guadalupe Regional High School and the Pappas Elementary School. In addition to serving breakfast and lunch, the District serves a la carte selections, adult meals, and operates snack bars. During fiscal year 2003, the District generated \$4,443,879 in revenue, and spent \$4,409,111 on its food service operations. As shown in Figure 1, the District received over \$3 million, or 70 percent of its total revenue, from federal reimbursements. The remaining 30 percent was primarily earned through daily sales totaling \$1,294,802.

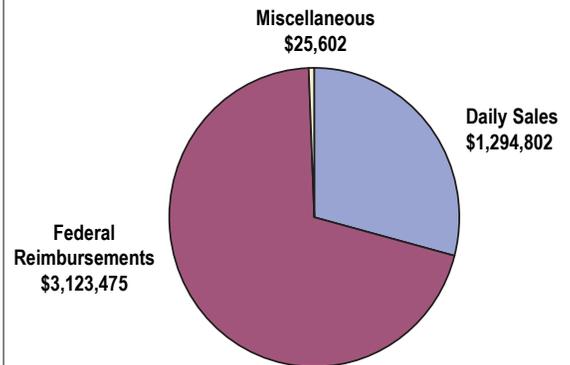
Food service facts for Fiscal Year 2003

Average cost per meal*	\$1.94
Number of meals served:	
Breakfast	246,262
Lunch, snacks and a la carte	<u>1,888,489</u>
Total	<u>2,134,751</u>
Kitchens/cafeterias	23
Managers	28
Full-time staff	9
Part-time staff	70
Total revenues	\$4,443,879
Total expenditures	\$4,409,111
Noncapital direct costs	\$4,152,088
Noncapital indirect costs	\$ 200,000
Equipment purchases	\$ 57,023
Percentage of students eligible for free and reduced-price lunches	57%

* Based on lunch-equivalent meals.

The District's operating expenditures are comprised of food, salaries and benefits, and general supplies. In fiscal year 2003, the food service program covered all of its direct costs, paid \$200,000 toward the District's indirect costs, such as electricity and other overhead expenses, and was still able to increase its fund balance. Of the program's \$4.4 million in total operating expenditures, 53 percent was spent on food items, including meats, cheeses, and pasta, and 45 percent was spent on salaries and benefits.

Figure 1: Food Service Operating Revenues
Fiscal Year 2003
(Unaudited)



Source: Auditor General staff analysis of district-reported fiscal year 2003 accounting data.

The District efficiently and effectively operates its food service program

Despite operating more kitchens than other districts, on average, the District's food service program is self-supporting, with costs that are comparable to other districts'. The program is self-supporting primarily due to lower than average salary and benefit costs, the centralization of cooking operations at six base kitchens, and the continuous monitoring of program costs. In addition, the District's use of student preferences in menu planning and its providing free breakfasts at its underperforming schools contribute to the program's overall effectiveness.

The food service program is self-sufficient—As shown in Table 5 on page 21, although the District operates three more kitchens than the average for the comparable districts, its cost-per-meal is the same as the comparable districts' average of \$1.94. The District was able to cover its costs for the following reasons:

- Lower salary and benefit costs**—As shown in Table 5, the District spends \$0.88 per meal on salaries and benefits, which is 9 percent less than the comparable districts' average of \$0.96 per meal. According to district officials, they ensure adequate and appropriate staffing levels by monitoring meals-per-labor-hour for each kitchen and by using existing staff rather than hiring emergency substitutes to meet changing staffing needs. These employees, called "roving managers," work part-time either at the district office on assigned projects or in the kitchens on an as-needed basis. In addition, most of the

District's kitchen managers work on a part-time basis, while their counterparts at comparable districts typically work full-time. Further, monthly meetings between the program director and kitchen managers enable on-going feedback on staffing and other kitchen needs.

- **Use of base and satellite kitchens**—

At each of the 23 schools, the District operates a kitchen and cafeteria. To lower the additional staffing and equipment costs associated with operating this many facilities, the District centralizes meal production at six of its schools' kitchens, which are known as base kitchens. These

base kitchens prepare meals to be delivered to certain assigned district schools' kitchens, known as satellite kitchens. Base kitchens typically prepare meal items, such as spaghetti sauce and salads, using the basic ingredients. In addition, one of the District's base kitchens operates a casserole packaging program that produces prepackaged lunches for the entire District. The satellite kitchens primarily reheat and serve prepackaged and prepared foods, and accordingly, require fewer staff. The three comparable districts operating 20 or more schools also use this base- and satellite-kitchen structure and have lower staffing levels per kitchen than the comparable districts that use all of their kitchens for production.

- **Monitoring of meal costs and program budgets**—District management uses technology to monitor per-meal food costs and total program costs on a monthly basis. The District's computer software is used to calculate costs for each item in a student meal, as well as each item's nutritional content. A meal consists of an entrée, a side dish, and milk. As district staff plan menus, in addition to considering nutritional requirements, each meal's potential maximum cost is calculated and incorporated into the monthly projections of total costs to ensure a net profit. Similarly, within their monthly and yearly budget projections, district staff plan for fluctuations such as seasonal changes in commodity prices and changes in daily meal sales.

Other factors contribute to the food service program's effectiveness—In addition to the cost savings the District achieves, other factors have added to the food service program's effectiveness. According to district officials and the program's procedures manual, the program strives to provide nutritious

Table 5: Comparison of Costs Per Meal
Fiscal Year 2003
(Unaudited)

District Name	Number of Kitchens	Salaries and Benefits	Food and Supplies	Other	Cost Per Meal
Roosevelt ESD	20	\$1.15	\$1.05	\$0.03	\$2.23
Cartwright ESD	24	0.97	0.94	0.04	1.95
Alhambra ESD	14	1.04	0.87	0.03	1.94
Tempe ESD	23	0.88	1.03	0.04	1.94
Kyrene ESD	25	0.86	0.85	0.14	1.85
Glendale ESD	15	0.78	0.80	0.16	1.74
Average of the comparable districts	20	\$0.96	\$0.90	\$0.08	\$1.94

Source: Auditor General staff analysis of fiscal year 2003 district-reported accounting data and data provided by individual school districts.

meals that are appealing to students while minimizing food waste and cost. In fiscal year 2003, the District developed ways to meet these goals, including:

- **Incorporation of student preference**—As shown in Table 5, the District spent \$1.03 per meal on food and supply costs, 14 percent higher than the comparable districts' average of \$0.90. According to district officials, higher food costs are due in part to the decision to use higher-cost food items based on student preferences. Program management developed a student food show to solicit student input on particular food items and potential vendors. Before awarding contracts to vendors, they invited student council members to rate a variety of items and reviewed their preferences. According to district officials, the food show provided excellent feedback on which items to purchase, such as a more expensive pizza item, so that students would enjoy and eat them.
- **Free breakfast in the classroom at underperforming schools**—In January 2003, the District began free breakfast programs at two of the four schools that the *Arizona Learns* program labeled as “underperforming.” These underperforming schools had sufficiently high participation in the National School Lunch Program (NSLP) to also qualify for the higher reimbursements rates available through the NSLP’s “Severe Needs Breakfast.” While the NSLP provided higher reimbursement rates for free- or reduced-eligible students eating breakfast, the District covered the costs for the remaining students’ breakfasts. The District advertised the program to parents, citing research that linked breakfast to better performance in school. At one school, the free breakfasts were served to all students in their classrooms rather than the cafeteria in order to increase student participation. In fiscal year 2004, *Arizona Learns* raised this school to a “performing” label. The program staff continue to monitor participation rates, with plans to initiate similar breakfast programs at other schools.

CHAPTER 3

Student transportation

Although the District's transportation costs were slightly higher than the average costs for comparable districts, the District's transportation function appears to be operating effectively. However, there are steps the District can take to further improve the program.

Background

The District transports students to and from its 23 schools and 8 out-of-district special needs programs. The District also provides transportation for field trips and athletic events. In fiscal year 2003, the Transportation department had 122 staff, including a director, fleet manager, transportation manager, and administrative assistant, in addition to bus drivers, bus aides, trainers, mechanics, dispatchers, maintenance technicians, and transportation specialists.

The District reported that 6,398 of its 12,452 students were eligible for transportation services during fiscal year 2003. In addition to 44 regular bus routes, the District operated 28 routes specifically to transport its special needs students. All of the routes consist of multiple runs to pick up and drop off students in the morning and the afternoon. During a typical day, the District completes about 514 runs. The District is bounded on all sides by major freeways, which, according to district officials, can often result in gridlock, requiring some rerouting to minimize delays. Also within the District's boundaries is the 49,000-student Arizona State University, and students commuting to the University further add to the traffic issues.

Transportation facts for Fiscal Year 2003

Riders	6,398
Bus drivers	72
Mechanics	4
Regular routes	44
Special-needs routes	28
Average daily route miles	5,273
Total route miles	933,338
Total noncapital expenditures	\$3,481,500

The District's transportation costs were slightly higher, on average, than similar districts

During fiscal year 2003, the District's student transportation costs were slightly higher than the average costs for similar districts. To determine whether the District's costs were appropriate, auditors compared the District to other districts of similar size and those with a similar number of schools. As shown in Table 6, although the District's

student transportation cost-per-mile of \$3.73 was \$1.18 lower than the average for the comparable districts, its cost-per-rider was about 4 percent higher.

The District had 24 percent more schools from which to pick up and deliver students than the comparison districts, even though it had a similar number of students. Also, the lower cost-per-mile is related to the fact that the District traveled nearly double the number of miles as these districts.

Therefore, auditors also compared it to districts that traveled a similar number of miles, as shown in Table 7. While these districts drove a similar number of miles, they were much larger; having, on average 27 percent more students and a 55 percent

Table 6: Students Transported, Route Mileage, and Costs
Comparable Districts Based on Students and Schools
Fiscal Year 2003
(Unaudited)

District Name	Regular Riders	Special Needs Riders	Total route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
Phoenix Elementary	3,404	73	315,901	\$1,851,217	\$532	\$5.86
Glendale Elementary	3,999	245	352,110	\$2,025,351	477	5.75
Roosevelt Elementary	2,859	191	327,900	\$1,830,181	600	5.58
Alhambra Elementary	4,708	314	434,793	\$1,980,915	394	4.56
Tempe Elementary	5,873	525	933,338	\$3,481,500	544	3.73
Kyrene Elementary	4,671	164	1,043,820	\$2,935,441	607	2.81
Average of comparable districts	3,928	197	494,905	\$2,124,621	\$522	\$4.91

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2003 district mileage reports, and district reported fiscal year 2003 accounting data.

Table 7: Students Transported, Route Mileage, and Costs
Comparable Districts Based on Riders and Route Miles
Fiscal Year 2003
(Unaudited)

District Name	Regular Riders	Special-Needs Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
Alhambra Elementary	4,708	314	434,793	\$1,980,915	\$394	\$4.56
Washington Elementary	5,762	957	1,226,453	5,240,629	780	4.27
Tempe Elementary	5,873	525	933,338	3,481,500	544	3.73
Sunnyside Unified	7,407	574	654,372	2,403,770	301	3.67
Kyrene Elementary	4,671	164	1,043,820	2,935,441	607	2.81
Amphitheatre Unified	8,160	511	1,672,190	4,468,798	515	2.67
Average of comparable districts	6,142	504	1,006,326	\$3,405,911	\$520	\$3.60

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2003 district mileage reports, and district reported fiscal year 2003 accounting data.

larger geographic area than the District. Based on this comparison, the District's \$3.73 per mile was \$0.13 above the average cost-per-mile of \$3.60 for these other districts. Further, the District's cost-per-rider was approximately 5 percent higher than the average for this second comparison group.

The primary reason for the District's higher student transportation costs was that it transported many students across school attendance boundaries to comply with an Administrative Agreement with the Office of Civil Rights. The Administrative Agreement requires the District to correct an imbalance of race and national origin between its individual schools. Originally four schools were affected by the bussing portion of the desegregation agreement, but by fiscal year 2003, that number increased to 19 schools. During fiscal year 2003, about 28.7 percent of the District's student transportation spending consisted of desegregation monies (see Chapter 7, pages 43 through 46, for more information on the District's desegregation agreement and spending).

Other factors contributing to the District's transportation costs include transporting special needs and homeless students. The number of special needs students transported by the District is about 4 percent more than the average for the comparable districts in Table 7, and the costs for transporting these students are inherently high. This is because transporting special needs students often requires separate routes and buses as well as additional employees to assist the students. Further, some of the District's special needs students are transported to schools located outside of district boundaries, including schools in Chandler, Mesa, west Phoenix, Scottsdale, and Tempe.

In addition, a federal mandate requires school districts to continue to transport district students who have become homeless even though these students may no longer reside within district boundaries. During fiscal year 2003, the District transported 23 homeless students to its schools at a cost of approximately \$30,000.

While the District's cost-per-mile and per-rider were only slightly higher than the comparable districts', it did not seem attributable to any one specific cost component such as salaries, benefits, purchased services, and supplies. Therefore, it appears the District would need to make small cost savings throughout its transportation system to attain the average. However, if it can reduce its cost to the average, then the District could potentially move more dollars into the classroom. For example, at the average cost-per-rider for the comparable districts listed in Table 6, the District would save about \$140,000 and could potentially move this money into the classroom.

The District should develop and monitor performance measures to aid in managing its student transportation program

The District's student transportation program does not use performance measures to measure and monitor its effectiveness. While the program has several positive aspects, the District could enhance its ability to manage the program and determine its efficiency and effectiveness through the use of performance measures.

Program has several positive aspects—Although its costs are higher, the District's student transportation program has several positive features. Specifically:

- **Bus capacity planning**—Based on a sample of 88 of the District's approximately 514 daily runs for fiscal year 2004, its routes were planned for an 86 percent capacity of eligible riders, on average. A 100 percent capacity would require 3 children per seat. The District's planning allows for fluctuations in attendance and student populations.
- **Accident rates**—The District's accident rate was lower than the comparable districts' average. From January 1, 2002, through September 30, 2003, the District's buses were involved in 16 reported accidents, which represented about a third less than the 24.2 accidents averaged by the districts with a similar number of students and schools. To help improve bus safety, the District investigates each accident involving one of its buses and then uses the investigation information to develop training for its drivers.
- **Driver training program**—The program's driver training program exceeds the training requirements of the Arizona Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers* set forth in administrative code. These standards require a minimum of 14 hours of classroom instruction and 20 hours of behind-the-wheel instruction. The District's training program provides an additional 6 hours of classroom training and 10 hours for such things as daily bus inspection procedures and general vehicle knowledge.

The District should develop and monitor performance measures to improve its program management—Using performance measures could enhance the District's ability to manage its student transportation program and demonstrate the program's efficiency and effectiveness. While program management monitors the student transportation budget and actual spending on a daily basis, measures such as cost-per-mile and cost-per-rider are not part of the program's analysis. Further, collecting and monitoring data on the timeliness of the District's buses would enable the program to be proactive in addressing these performance issues. The District should also monitor bus capacity rates to help it

identify routes with low ridership or buses that are overcrowded. Finally, as a safety performance measure, the District should continue to monitor accident incidence rates to determine what types of training or other steps it should take to improve safety. Without appropriate measures such as these, the District cannot compare its operations to established industry benchmarks, similar school districts, or its own past performance, and evaluate whether improvements are needed.

Other changes could further improve the District's transportation program

The District can take additional steps to further improve the program. Specifically:

- **Not all driver certifications were up to date**—While not a typical occurrence, auditors discovered that one driver and two substitute drivers had expired certifications at the time of the audit. According to the District, the transportation office was being renovated during this time, causing transportation management to overlook the three expired certifications. In addition, a Department of Public Safety official stated that this was out of the ordinary for the District, as it usually does an excellent job of ensuring that its drivers comply with certification requirements. Auditors' review of a sample of driver files also indicated that these expired certifications were not usual. However, to ensure that all bus drivers are properly certified, the District should continue to notify drivers of certification requirements that are due and also monitor to ensure that the requirements have been met in a timely manner.
- **Diesel fuel pumps are not secured**—The District's unleaded gasoline pump has both a daytime lock and a separate, more restrictive night-time lock. However, its diesel fuel pumps are unlocked, allowing potentially unauthorized diesel fuel usage. To reduce the risk of unauthorized fuel usage, the District should install a lock system for its diesel fuel pumps. For example, a card-lock type system could also provide the District with information on fuel usage for each bus, which would be beneficial for monitoring maintenance needs.
- **Route mileage calculation process needs improvement**—The District overestimated its fiscal year 2003 route mileage, resulting in the District's receiving state transportation monies at an inflated rate. The District estimated its total fiscal year 2003 route mileage as usual, using actual route miles taken from odometer readings for the first 100 days of the school year and using those miles to help estimate mileage for the remainder of the school year. This is a common and acceptable practice among school districts for estimating route mileage. However, when the Arizona Department of Education (ADE) reviewed the District's bus odometer readings that were taken at the beginning and end

of the school year and compared them to the District's route mileage estimate, it found discrepancies. As a result, ADE reduced the District's State transportation funding by \$51,299 in the second half of fiscal year 2004.

To avoid these types of errors in the future, the District can perform a simple check to verify its route mileage estimates. Specifically, the District can use the odometer readings it takes from each bus at the beginning and ending of each school year to help validate its annual route mileage estimate. If discrepancies are found, the District should file a corrected total route mileage with ADE as soon as possible. This will help ensure that the District's transportation revenue for the next year is correct, and that the District's own budget can be prepared based on more reliable mileage estimates.

Recommendations

1. The District should develop and monitor performance measures, including cost-per-mile, cost-per-rider, and measures focusing on timeliness, bus capacity, and accidents, to enhance its ability to manage the program and demonstrate the program's effectiveness.
2. The District should ensure that each driver is notified of and obtains all necessary testing or other requirements to renew certifications and drivers' licenses in a timely manner.
3. The District should install a lock system on its diesel fuel pumps to prevent unauthorized diesel fuel usage.
4. The District should validate its route mileage estimates by comparing them to the mileage based on bus odometer readings from the beginning and ending of each school year. If significant discrepancies are noted through this comparison, the District should file a corrected route mileage report with the Arizona Department of Education as soon as possible.

CHAPTER 4

Plant operation and maintenance

In the Auditor General's 2004 *Classroom Dollars* report, auditors found that, on average, Arizona districts spent 11.7 percent of their current¹ dollars on plant operation and maintenance, while the national average was 9.6 percent. In fiscal year 2003, the District spent approximately 11.7 percent of its current dollars on plant operation and maintenance. While the District spent the same proportion of its total current dollars as the state-wide average, its per-pupil plant costs were 43 percent above what comparable districts averaged. The primary reason for these higher costs is that the District spent more on salaries and benefits than the comparable districts averaged. Additionally, the District's repair and maintenance, utility, and supply costs were also higher than the comparable districts' average. However, since mid-2003, the District has undertaken efforts to reduce some of its plant costs, such as electricity costs.

What are plant operation and maintenance costs?

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

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

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

As shown in Table 8 on page 30, the District's fiscal year 2003 plant costs totaled \$10,143,044, which is 25 percent higher than the comparable districts' average. Further, its \$815-per-student cost was 43 percent higher than the comparable districts' average.

When plant costs are further subdivided into categories, the District shows higher than average costs in all categories. However, salary and benefit costs make up more than half of these higher costs. As shown in Table 9 on page 31, the District spent 22 percent more per square foot for salaries and benefits than the comparable districts' average.

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

**Table 8: Plant Costs Comparison Per Student and Per Square Foot
Fiscal Year 2003
(Unaudited)**

District Name	Plant Costs				Total Gross Square Footage
	Total	Per Student	Per Square Foot	Square Footage Per Student	
Tempe ESD	\$10,143,044	\$815	\$5.92	138	1,713,441
Roosevelt ESD	8,333,671	783	6.74	116	1,235,939
Kyrene ESD	10,444,691	586	4.15	141	2,518,948
Alhambra ESD	7,225,309	529	4.91	108	1,472,925
Glendale ESD	5,927,065	483	4.59	105	1,291,144
Cartwright ESD	8,689,835	469	5.23	90	1,660,916
Average of the comparable districts	\$ 8,124,114	\$570	\$5.12	112	1,635,974

Source: Auditor General staff analysis of district-reported fiscal year 2003 accounting data, average daily membership information obtained from the Arizona Department of Education, and gross square footage information obtained from the Arizona School Facilities Board.

The District spent more on salaries than comparable districts—Over half of the District’s per-square foot plant costs were spent on salaries and benefits. The District’s \$3.02-per-square-foot cost for salaries and benefits was 22 percent more than the comparable districts’ average. The higher spending on salaries appears due to higher average salaries, rather than above average staffing levels. The District’s average custodial salary was approximately \$3.15 per hour higher than the comparable districts’ average. Further, while the District’s 128 plant employees is almost 5 percent more than the comparable districts’ average, the District is less than 1 percent above the average on a per-square-foot basis.

According to district officials, higher salary costs are due in part to the longevity of their staff. Auditors found that, while the District’s salary range was in-line with that of the comparable districts, due primarily to longevity, 35 percent of custodians and maintenance workers were paid at or above the reported maximum salary for their respective positions. These employees were paid above the maximum salary for their position because they were employed with the District before the current salary schedule was adopted and they were already paid above the new maximums. In a sample of 36 of its approximately 128 plant employees, almost 40 percent had been with the District for at least 15 years, 3 of those employees for 20 or more years, and 3 employees for 30 or more years. Another reason district officials offered for the higher salary costs was the high level of technical expertise of many staff. The District’s maintenance employees performed preventative maintenance tasks related to fire alarm, sprinkler, and heating and cooling systems that comparable districts tended to contract out. The District spent \$95,000 less than the comparable districts for specialized services such as plumbers, electricians, and painters.

The disparity in salary costs warrants additional review by the District. A survey of salary levels and a cost-benefit analysis of contracted versus in-house services may help the District achieve cost savings in its plant operation and maintenance program.

The District had higher repair and maintenance, utility, and supply costs—As shown in Table 9, the District spent 15 percent more per square foot in purchased services and 6 percent more per square foot in the supplies and other category than comparable districts averaged. For example, the District, on a per-square-foot basis, spent 37 percent more for repair and maintenance services, and 23 percent more for garbage removal services than the comparable districts' average. Further, the District spent 11 percent more for electricity, which is categorized as a supply. The higher costs are due in part to the District's greater amount of square footage per pupil, greater number of schools, and the older age of the buildings. Specifically:

- **Greater square footage per student**—As shown in Table 8, the District's 138 square feet per student is 23 percent higher than the comparable districts' average of 112 square feet. The state minimum requirement for elementary and middle schools ranges from 80 to 84 square feet per student. Higher square footage per pupil means that the costs associated with operating the facility space are spread across fewer students.
- **More schools**—As shown in Table 10 on page 32, the District has approximately 541 students per school, while the comparable districts averaged 749 students per school. If the District averaged a similar number of students per school as the comparable districts, it would only need to operate 17 schools rather than 23 schools. Among the comparison group, the Glendale and Alhambra school districts had the closest numbers of students compared to Tempe Elementary, but in fiscal year 2003, they had 7 fewer schools each. On

**Table 9: Comparison of Per-Square-Foot Plant Costs by Category
Fiscal Year 2003
(Unaudited)**

District Name	Salaries and Benefits	Purchased Services	Supplies and Other ¹	Total
Roosevelt ESD	\$3.26	\$1.76	\$1.72	\$6.74
Tempe ESD	3.02	1.23	1.67	5.92
Cartwright ESD	2.62	0.90	1.71	5.23
Alhambra ESD	2.15	1.19	1.57	4.91
Glendale ESD	2.42	0.57	1.60	4.59
Kyrene ESD	1.94	0.95	1.26	4.15
Average of the comparable districts	\$2.48	\$1.07	\$1.57	\$5.12

¹ The Supplies and Other category includes expenditures for electricity and general supplies, such as cleaning products.

Source: Auditor General staff analysis of district-reported fiscal year 2003 accounting data and gross square footage information obtained from the Arizona School Facilities Board.

Table 10: Comparison of Number of Schools, Students, and Students Per School
Fiscal Year 2003
(Unaudited)

District Name	Schools	Students	Students Per School
Cartwright ESD	21	18,536	883
Alhambra ESD	16	13,648	853
Glendale ESD	16	12,263	766
Kyrene ESD	25	17,829	713
Tempe ESD	23	12,452	541
Roosevelt ESD	20	10,643	532
Average of the comparable districts	20	14,584	749

Source: Auditor General staff analysis of districts' fiscal year 2003 average daily membership counts obtained from the Arizona Department of Education and number of schools obtained from the Arizona School Facilities Board.

the other hand, the Kyrene and Cartwright school districts, with similar numbers of schools, each served over 5,000 more students than Tempe. More schools can result in higher plant costs for a variety of reasons. For example, the District's garbage removal costs may have been higher than the comparison districts' average in part because it has more locations requiring trash pick-ups. Additionally, the District's higher repair and maintenance costs may have been due to having more pieces of equipment to operate and maintain

due to the larger number of schools.

- **Older buildings**—The District's buildings are also generally older than the comparable districts', which can impact costs such as utilities. The average age of the District's buildings, weighted by the amount of square feet, was 28 years, while comparable districts' buildings averaged 20 years. Although it is difficult to quantify the effect, according to district officials, the older buildings require more maintenance and are less energy- and cost-efficient.

The District is making efforts to improve energy efficiency and reduce energy and other plant-related costs—In fiscal year 2003, the District spent a total of \$2,199,374, or \$1.28 per square foot, in electricity costs. This equates to 11 percent more per square foot than the comparable districts' average. These higher electricity costs are partially due to factors within the District's control, including electricity usage and choice of rate plans. Since mid-2003, the District has been addressing its high electricity costs. Specifically:

- **Reduction in kilowatt usage**—The District has taken steps to reduce its total kilowatt usage. The District reports a reduction from January 2002 to January 2003 of approximately 3 percent in the amount of electricity it uses. This equated to a savings of approximately \$109,000, or about 5 percent of the District's total fiscal year 2003 electricity costs. While the District experienced some of these savings during fiscal year 2003, the savings should be more substantial for fiscal year 2004 because it will be the first complete fiscal year since implementing these strategies. To help it achieve these savings, the District conducted staff development and training programs that focused on ways teachers and other employees can reduce energy usage. Additionally, the District has installed programmable thermostats in its portable buildings which only allow for temperature adjustments within a 3-degree range, removed doorstops so that

doors cannot be propped open, and upgraded the temperature control system at its central plant facility. Further, the District is developing a reward system to allow students to participate in reducing electricity usage.

- **Change in electricity rate plan**—Besides reducing usage, in January 2003, the District switched to an electric rate plan based on time of use. According to district records, this change saved the District over \$100,000 between January 2003 and January 2004. Again, while the District experienced some of these savings during fiscal year 2003, the savings should be more substantial for fiscal year 2004.

Other plant cost savings efforts—The District has also implemented strategies to cut costs in other areas. For example, the District has achieved a savings of \$2,500 in garbage removal costs during its most recent winter recess by reducing the number of trash pick-ups. Further, the District has collaborated with two other Tempe-area districts to discuss ways in which the districts can pool resources. For example, the districts are compiling an equipment list so that instead of paying to rent a piece of equipment from a vendor, the districts can borrow equipment from one another. Equipment on this list includes pumps to handle irrigation flooding, lighting lifts for gymnasiums and parking lots, backhoes, tractors, and generators.

Recommendation

The District should identify further methods for reducing its plant operation and maintenance costs. For example, the District should evaluate the cost-benefit of using purchased services versus hiring employees for skilled maintenance tasks. In addition, the District should continue its efforts to monitor and reduce energy and other plant costs.

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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. In spending these monies, the District followed statutory guidelines as well as its Governing Board-approved Proposition 301 plan, and it maintained documentation supporting district-wide achievement of performance measures. The District spent all of these monies on salaries and benefits, including two additional staff development days.

Background

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

District's Proposition 301 plan

The District's Proposition 301 committee was composed of 27 members including teachers, principals, assistant principals, coordinators, a librarian, and the Executive Director of Human Resources. Under the District's fiscal year 2003 plan, all employees paid on the teacher's salary schedule were eligible to receive monies. This included 835 teachers, 29 counselors, 18 librarians, and 19 other employees such as language arts coaches, education program coordinators, and teachers on special assignment. The plan called for spending Proposition 301 monies as follows:

Plan Details

- **Base Pay**—The base pay increases were included in the salary schedule and each eligible employee's contract. The amount that employees earned varied based on their education level and years of experience. Increases were distributed throughout the year in the eligible employee's regular paychecks. In total, eligible employees each received an average of \$855 in salary and related benefits; however, actual amounts paid to employees ranged from approximately \$36 to \$1,485 per employee.
- **Performance Pay**—Each eligible employee could earn up to \$2,160 plus related benefits if specified district-wide performance measures were met. Performance pay was prorated for part-time employees. The District's performance pay plan consisted of the following components:
 - **Student achievement (70 percent of performance pay)**—This goal was based on improving standardized test results for the 2002-2003 school year. The goal was to increase the District's total "Arizona Learns" score, which is the sum of the individual school scores, by 20 points. For point increases that were less than the targeted 20 points, the plan provided a tiered system for which employees could earn a percentage of the monies.
 - **Student attendance (15 percent of performance pay)**—Eligible employees met this goal if the district-wide student attendance was 94 percent or above. Student attendance was based on the District's 100th-day attendance report to ADE.
 - **Parental satisfaction (15 percent of performance pay)**—Eligible employees met this goal if 90 percent or more of parents reported that they were "satisfied" or "very satisfied" with their child's school.

As all of the district-wide goals were met, each full-time eligible employee received the entire amount available for performance pay. Because standardized test scores were not received until October 2003, the monies for the student achievement goal could not be distributed prior to that time. In November 2003, eligible employees received \$1,500 plus related benefits for reaching the District's student achievement goal. In fiscal year 2003, eligible employees received amounts ranging from \$71 to \$730 each in salary and related benefits, with the average being \$717. However, 12 of the 901 eligible employees did not receive performance pay because they were no longer employed at the District and the District was unable to contact them when the performance pay was distributed in the following year.

- **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 monies to increase compensation for eligible employees and to pay for two additional staff development days. These monies were built into the salary schedule and each eligible employee's contract. The amount that employees earned varied based on their education level and years of experience. Increases were distributed throughout the year in the eligible employee's regular paychecks. In fiscal year 2003, eligible employees received amounts ranging from approximately \$73 to \$3,014 in salary and related benefits, with the average being \$1,691.

The District complied with law and followed its adopted plan

As allowed by law, the District spent all of its Classroom Site Fund monies on salaries and benefits for eligible employees. Further, the District spent these monies according to the spending plan adopted by its Governing Board and maintained documentation showing that the goals were met. During fiscal year 2003, the District received a total of \$3,431,440 in Proposition 301 monies and distributed \$2,824,471 to eligible employees. Unexpended Proposition 301 monies remain in the Classroom Site Fund to be spent in future years.

As shown in Table 11, eligible employees, on average, received approximately \$3,263 each in additional salary and related benefits. The base pay increases for 42 of the 901 eligible employees were paid from the grant funds that pay their regular salaries, rather than from the Classroom Site Fund (CSF). Those non-CSF amounts are not included in these averages.

**Table 11: Proposition 301 Monies Paid Per Employee
Fiscal Year 2003
(Unaudited)**

Category	Budgeted	Actual
Base Pay	\$ 858	\$ 855
Performance Pay ¹	2,511	717
Menu Options	1,690	1,691
Total	<u>\$5,059</u>	<u>\$3,263</u>

¹ Because standardized test scores were not received until October 2003, the monies for the student achievement goal were distributed in November 2003 and are not included in this table.

Source: Auditor General staff analysis of District's fiscal year 2003 budget, accounting records, and other supporting documentation.

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CHAPTER 6

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.

Accounting misclassifications did not cause significant changes in percentages

The District did not consistently classify its fiscal year 2003 administrative employees' payroll expenditures in accordance with the Uniform Chart of Accounts for school districts and, as a result, its financial reports did not accurately reflect its costs, including both instructional and administrative expenditures. For example:

- Salaries for several director-level administrative employees and their assistants totaling approximately \$560,000 were classified as instructional support, even though they were not directly interacting with instructional staff. For example, the District classified the Assistant Superintendent's and the Director of School Leadership's salaries as instructional support.
- The District classified all unused sick and vacation leave paid to terminated or retiring employees as instruction, regardless of the employee's duties. In fiscal year 2003, the District misclassified approximately \$271,000 in unused leave and related benefit costs as instruction. Of this amount, about \$151,000 should have been classified as administrative costs.

Adjusting for these and other errors decreased the District's instructional expenditures by approximately \$214,000 and increased its administrative

expenditures by approximately \$587,000. The District's revised fiscal year 2003 classroom dollar percentage of 55.6 percent is over 5 percent lower than the comparable districts' average (see Table 12 below), and 3 percent below the state average of 58.6 percent for the same year.

Further, the District's corrected administrative costs represented 10.1 percent of its total current expenditures. While this is near the state average of 9.9 percent, it is higher than the comparable districts' average of 9.3 percent. Further, as noted in Chapter 1 (see pages 15 through 18), the District's per-pupil administrative costs were 34 percent higher than the comparable districts' average per-pupil costs.

While the District spent more per student, its classroom dollar percentage was much lower

While the District spent \$6,958 per student from current resources, or 22 percent more than the comparable districts' average and almost 15 percent more than the state average, its higher spending on support areas decreased the amount of dollars available for the classroom. In fact, as shown in Table 12, Tempe Elementary spent a greater percentage of its current dollars than the comparable districts' average in all noninstructional areas except food service. Reducing costs in these areas could potentially allow the District to move more dollars into the classroom.

**Table 12: Comparison of Expenditure Percentage by Function
Fiscal Year 2003
(Unaudited)**

	Tempe Elementary	Comparable Districts' Average	State Average	National Average 2000
Total Per-Pupil Spending	\$6,958	\$5,686	\$6,048	\$6,911
Classroom dollars	55.6%	61.0%	58.6%	61.7%
<u>Nonclassroom dollars:</u>				
Administration	10.1	9.3	9.9	10.9
Plant operations	11.7	9.8	11.7	9.6
Food service	4.8	6.2	4.6	4.0
Transportation	3.7	2.6	3.9	4.0
Student support	8.3	5.8	6.8	5.0
Instructional support	5.8	5.2	4.3	4.5
Other	0.1	0.0	0.2	0.3

Source: Auditor General staff analysis of fiscal year 2003 District Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics data from the *Digest of Education Statistics 2002*.

Recommendation

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

CHAPTER 7

Desegregation monies

Tempe Elementary School District was 1 of 19 Arizona school districts budgeting monies to address desegregation in fiscal year 2003. The District's desegregation plan requires additional efforts to ensure racial/ethnic balance among its schools as well as to ensure that students become fluent English speakers and gain an adequate education. In fiscal year 2003, the District spent approximately \$13.6 million on meeting its plan goals, an average of \$1,096 per student. According to the District, all of its students are impacted by some aspect of the desegregation programs. For example, the District's multicultural sensitivity survey and resulting programs involve all students in the District. Forty-one percent of the District's desegregation monies were spent on classroom instruction costs.

Desegregation overview

The U.S. Supreme Court stated that segregation deprives students from equal protection of laws against discrimination based on race as guaranteed under the 14th Amendment. The *Civil Rights Act of 1964* broadened the definition of discrimination to include race, color, religion, or national origin, and prohibits discrimination in any program or activity receiving federal financial assistance.

The U.S. Supreme Court assigned school authorities the responsibilities for desegregation solutions and gave states the responsibilities for funding them. In Arizona, state law¹ allows school districts to budget desegregation expenditures outside of their revenue control and capital outlay revenue limits. This allows districts to gain additional funding through local property taxes and additional state aid for their desegregation activities.

¹ A.R.S. §15-910(G): "The governing board may budget for expenses of complying with or continuing to implement activities which were required or permitted by a court order of desegregation of administrative agreement with the United States Department of Education Office for Civil Rights directed toward remediating alleged or proven racial discrimination which are specifically exempt in whole or in part from the revenue control limit and the capital outlay revenue limit."

Arizona desegregation plans

In fiscal year 2003, 19 Arizona school districts spent additional monies to comply with administrative agreements with the U.S. Department of Education Office of Civil Rights (OCR) Administrative Agreements or federal court orders. These agreements and court orders address civil rights violations in the areas of race, color, religion, national origin, disabilities, or gender. All 19 districts had submitted to the Arizona Department of Education (ADE) formal desegregation plans, most of which addressed national origin or language issues.

Districts must report their desegregation expenses on their Annual Financial Reports submitted to ADE. Periodically, districts must also send ADE a copy of their court orders or agreements and other documentation. Beginning in fiscal year 2004, districts will have to report specified information to the Governor, legislators, and legislative education committee chairpersons once every 2 years.

District desegregation plan

The District's desegregation plan was established in 1973 and stems from an OCR administrative agreement. The plan addresses language barriers and imbalances due to race and national origin at individual schools, and was designed to remedy violations of Title VI of the *Civil Rights Act of 1964* and Section 504 of the *Rehabilitation Act of 1973*. Students of minority races and national origin were concentrated in certain sections of the District. Originally, five schools were involved in the desegregation agreement, but by fiscal year 2003, all of the District's students were affected by desegregation programs, with emphasis on language acquisition and meeting the needs of at-risk students as well as balancing racial ethnicity among the District's schools.

Desegregation efforts—The District's desegregation efforts work to ensure equality in educational opportunities through student transportation, community/parental awareness activities, multicultural training and certifications for teachers and staff, and instruction activities.

- **Racial and national origin balance**—Specifically, to achieve racial and national origin balance at all of its schools, the District transports some students from their local schools to other schools around the District. The District assigns students to each school based on boundaries that have been approved by OCR and are designed to ensure integration of the District's racially diverse population.

- **Community/parent relations**—To strengthen community/parent relations, the District uses print and video advertising, parent workshops, school liaisons, adult education English classes, and newsletters in both English and Spanish. The District also produced a Language Acquisition Program brochure in English, Spanish, Vietnamese, French, and Chinese. To further improve communications with the community, the District prepared bilingual notices of school activities and provided interpreters at activities. Also, teachers were encouraged to involve parents by calling them at home.
- **Cultural awareness and second language certification**—According to the District, cultural awareness among its staff has been increased through multicultural sensitivity and cultural diversity training. Further, a third of the District's 900 certified employees, most of whom are classroom teachers, has either an English as Second Language certification or bilingual endorsement.
- **Instructional Activities**—As part of its efforts to serve at-risk students, the District provides full-day kindergarten rather than the required half-day at 19 elementary schools without charging parents for the cost of the program. This added instructional cost is paid from desegregation monies for 15 of the schools. The District has also continued to maintain its efforts to enroll limited-English-proficient students in its gifted students program.

From July 1997 through October 2000, the District was required to submit periodic monitoring reports to Office for Civil Rights (OCR) documenting its desegregation plan implementation. After several on-site monitoring visits to the District during that period, on November 15, 2000, the OCR issued a letter finding Tempe ESD in compliance with the administrative agreement. While OCR's letter stated that it considered the District a closed case, it also indicated its expectation that the District would continue its desegregation efforts by maintaining the programs it instituted to obtain compliance. Further A.R.S. §15-910 allows districts to continue budgeting for expenses related to continuing its desegregation activities.

Financial impact is significant—The District reports that all of its students are served in some way by a desegregation program activity. The District's fiscal year 2003 desegregation noncapital expenditures totaled approximately \$13,652,500. This equated to \$1,096 of the District's \$6,958 total current expenditures per pupil, or almost 16 percent. Thus, the District's desegregation expenditures were a much larger proportion of its total current expenditures than the 8 percent average for the other 18 districts with desegregation expenditures.

Forty-one percent of the District's desegregation monies were spent on instruction, primarily for salary costs of teachers, classroom assistants, and reading specialists. As shown in Table 13 on page 46, the largest components of desegregation expenditures, other than instruction, included support services for students and instructional staff and administration.

The District spent approximately \$12.5 million, or 92 percent, of its desegregation monies on salaries and benefits. Desegregation monies paid a portion of the salaries of 777 employees, including:

- 104 teachers,
- 129 aides,
- 77 clerks/assistants,
- 26 bus drivers,
- 23 counselors,
- 20 nurses,
- 17 librarians,
- 16 psychologists,
- 15 translators and interpreters,
- 15 reading specialists,
- 10 principals, and
- 9 assistant principals.

Table 13: Noninstructional Cost Percentages for Desegregation Expenditures Fiscal Year 2003 (Unaudited)

Percentage	Function
19%	Student support
17	Administration
12	Instructional support
7	Student transportation
4	Plant operation and maintenance
59%	Total noninstructional costs

Source: Auditor General staff analysis of district-reported fiscal year 2003 budget, accounting data.

The District reports that all employees paid from desegregation monies perform some duties relating to its desegregation programs.

Other than payroll, the largest portion of the District's desegregation spending was for indirect costs incurred by the District in support of the desegregation programs in the amount of \$459,000. For several years, the District has allocated a portion of its electricity costs to the desegregation program. The District indicated that these costs represent a simplified method of recovering support cost increases in areas such as finance, human resources, and plant costs, resulting from the desegregation programs. In fiscal year 2003, the electricity paid from desegregation monies was 3.4 percent of the District's desegregation spending, approximately equivalent to the District's federal indirect cost rate used for calculating support costs for federal programs. However, the District did not retain documentation supporting the calculation of support costs assigned to the desegregation programs.

Recommendation

If the District continues assigning indirect costs to the desegregation programs, it should prepare and retain documentation supporting the costs included in the calculation.

APPENDIX

Appendix

Administrative Positions, Duties, Salaries, and Benefits
 Fiscal Year 2003
 (Unaudited)

Position	FTE	Duties	Salary	Benefits
District Administration				
Superintendent	1.0	Served as chief executive officer and provided educational leadership for the community. Accountable for the District's operation and performance consistent with board policies and applicable state laws and regulations	\$ 121,058	\$ 31,312 ^a
Superintendent's Administrative Assistant	1.0	Completed all secretarial duties in the Superintendent's Office and attended and took minutes of all board meetings	58,863	9,863
Assistant Superintendent for Teaching and Learning	1.0	Provided leadership in planning, managing, coordinating, and directing all aspects of the District's teaching and learning division	92,879	\$17,652 ^a
Executive Assistant	1.0	Coordinated and scheduled appointments for the Assistant Superintendent. Directed calls to appropriate teaching and learning staff, assisted staff, parents, and community members in researching school board policies	35,546	7,157
Director of Community Affairs and Marketing	1.0	Organized and conducted community affairs and marketing programs. Served as liaison and primary contact with the District's external communities to encourage community agencies to form partnerships with schools	72,072	15,696 ^a
Director of External Partnerships and Development	0.4	Responsible for supporting the district learning program through business and industry partnerships and other applicable funding sources	30,937	6,367 ^b
Executive Director of Exceptional Internal Customer Service	1.0	Evaluated all services provided to schools in the areas of information systems, nutritional services, support services, and transportation with the intent to improve service delivery models that would ultimately increase student achievement	89,145	9,302
Executive Director of Human Resources	1.0	Served as the responsible line administrator for personnel services. Responsible for overseeing the recruitment and placement of personnel and the management of employee records and benefits	81,976	28,806 ^{a c}
Director of Information Systems	1.0	Provided leadership in the planning, implementation, and technical support of district-wide data systems/communications and equipment	77,094	16,394 ^a
Director of School Leadership	1.0	Provided leadership for school administrators and district support staff to improve student achievement, provided exceptional customer service, and facilitated an environment for risk taking to promote teaching and learning	83,289	17,030 ^a
Director of English Language Learning	1.0	Developed, coordinated, and implemented the English Language Learning Program	59,190	9,898

Position	FTE	Duties	Salary	Benefits
District Administration				
Director of Special Needs	1.0	Responsible for overseeing counseling, gifted, health, social, psychological, Section 504, special education, speech language, student records, and related services to school communities	\$ 77,094	\$ 11,803
Chief Financial Officer	1.0	Responsible for all financial operations including payroll, accounts payable, purchasing, accounting, budgeting, grant reporting, and fixed assets	89,145	12,902
Purchasing Manager	1.0	Managed the daily functions of the District's purchasing department and purchasing activities	58,863	9,693
Financial Services Manager	1.0	Managed the daily functions of the accounts payable/receivable, payroll, and software support departments; assisted schools and departments with budgets, financial assistance, and technical questions; assisted Chief Financial Officer	44,546	8,340
Public Information Coordinator	1.0	Planned, organized, and implemented a public information program that included a comprehensive, strategic media relations effort; served as the District's primary spokesperson	34,975	3,704
Supervisor of Information Systems	1.0	Responsible for programming, work requests, and user IDs	65,448	10,564
Supervisor of Technology Support	1.0	Supervised the design, installation, and maintenance of local and wide-area networks, and supervised service and support facility of audio-visual, communication, and computer-related equipment	58,863	9,863
Graphic Design Specialist	2.0	Coordinated and administered overall visual design direction for all external communications (e.g., brochures, logos, calendars, newsletters, various advertising pieces, maps, posters, Web page)	68,044	14,393
		Range		
		Salary	26,839	41,204
		Benefits	6,441	7,952
Human Resources Manager	2.0	Assisted in the planning and reviewing, and participated in the activities and operations of the human resources department; supervised, directed, and evaluated assigned staff	117,726	19,726
		Salary		Benefits
		Each manager received	58,863	9,863
Human Resource Specialist	2.0	Processed new-hire paperwork and maintained database for classified staff; processed paperwork for certifications and teacher and student-teacher inquiries	61,007	13,564
		Range		
		Salary	27,288	33,718
		Benefits	6,503	7,061

Position	FTE	Duties	Salary	Benefits
District Administration				
Substitute Coordinator	2.5	Composed, prepared, and assembled materials, and coordinated and maintained database of substitute assignments Range Salary 26,863 32,654 Benefits 5,758 7,045	\$ 66,644	\$ 14,266
Accounting Coordinator	1.0	Assisted Chief Financial Officer with the financial and budgetary management of daily operations of the Finance Department, ensuring compliance with district, federal, and state regulations	48,349	8,720
Account Specialist Senior	1.0	Coordinated and assisted with implementation of site-based management through technical support, customized financial information, detailed reports, and maintained ledger accounts for assigned district funds	38,321	7,531
Account Specialist	1.0	Implemented and maintained computerized accounting and bookkeeping system to ensure compliance with state and federal mandates for various funds (grants, state and federal projects, and miscellaneous deposits)	33,619	7,177
Account Technician Senior	3.5	Processed payments, purchase orders, requisitions, receipts and receiving reports; maintained inventories, records, and vendor lists Each full-time account tech received Salary 30,660 Benefits 6,862	109,885	24,808 ^d
Account Technician	1.0	Processed and inputted invoices, assisted in purchase order and bid processing, assisted accounting staff with clerical duties, and performed duties of receptionist	27,800	2,958
Senior Buyer	1.0	Provided purchasing support for all necessary classroom and departmental supplies, materials, equipment, and nonprofessional services	40,996	7,962
Benefits Specialist	1.0	Dealt with employee insurance, verifications, and new-employee orientation	32,101	7,015
Payroll Specialist	3.0	Prepared, processed, balanced, and distributed payroll; maintained payroll records to ensure proper deductions were made Range Salary 34,121 34,910 Benefits 7,089 7,231	103,528	21,441

Position	FTE	Duties	Salary	Benefits
District Administration				
Micro Systems Programmer Analyst	1.0	Responsible for PC software and custom programming	\$ 47,939	\$ 8,701
Systems Programmer	1.0	Responsible for student applications and AS400 custom programming	52,709	9,208
IS Support Operations Specialist	1.0	Responsible for student applications, project lead	48,949	8,502
IS Support Operations Technician	3.0	Responsible for AS400 operations, administration, and student support	105,833	22,038
		Range		
		Salary	34,093	36,858
		Benefits	7,228	7,521
Service Manager—Technical Support	1.0	Managed the technical support department to ensure timely and efficient support and repair of the telecommunications, audio-visual, computer, and networking systems	42,179	7,893
P/C Network Support Technician	2.0	Provided technical support for all district staff, including troubleshooting and user training	67,935	14,406
		Range		
		Salary	33,834	34,101
		Benefits	7,200	7,206
Network Support Analyst	1.0	Monitored functionality on all district network devices and provided troubleshooting and resolution for all problems related to the District's 25 local-area and wide-area networks, including upgrades and enhancements	49,815	8,900
Technical Support Analyst	3.0	Provided technical support for all district computers and servers, including setup and installation of software, application development, user training, problem determination and resolution, and network maintenance	132,566	24,600
		Range		
		Salary	43,734	44,916
		Benefits	7,967	8,379
Property Control Manager	1.0	Supervised, trained, and evaluated warehouse workers. Planned and administered warehouse and property control replacement budgets. Managed the District's fixed assets, including asset identification (tagging), maintaining asset listing, and coordinating physical inventory of equipment	42,744	8,125
Warehouse Worker	6.0	Received and processed orders for materials, supplies, and equipment from district personnel. Sorted mail for delivery to appropriate district sites, and routed deliveries. Stocked warehouse and performed inventory verifications	167,875	39,040
		Range		
		Salary	26,442	34,093
		Benefits	6,183	7,058

Position	FTE	Duties	Salary	Benefits
District Administration				
Production Manager	1.0	Supervised and worked to ensure that the District's printing and copying needs were met in a cost-effective and timely manner	\$ 41,225	\$ 7,716 ^a
Printer	1.0	Duties included creating silvermaters masters, operating an offset press, and performing standard maintenance to ensure the safe, timely, and cost-efficient production of the District's printed materials	35,546	7,212
Bindery Operator	1.0	Finished and binded printed material produced by the printing department; operated high speed digital copy machine and other final print production equipment	22,809	6,027
District Receptionist	1.0	Handled all of the District's incoming calls	27,440	6,614
Courier/Mailroom Coordinator	1.0	Handled all district mail	24,122	10,904 ^e
Administrative Assistant Senior	8.5	Performed administrative duties for a director and coordinated office staff	287,992	70,385 ^f
		Range		
		Salary	28,192	38,991
		Benefits	6,401	7,746
Administrative Assistant	7.0	Provided administrative office support to a program or department requiring confidentiality and maintenance of specialized databases	194,613	40,950 ^g
		Range		
		Salary	18,532	30,748
		Benefits	3,080	6,872
Office Clerk	2.0	Assisted professional staff and departments with a variety of typing, recordkeeping, data entry, distribution, and coordination of clerical or support duties	49,098	10,230
		Range		
		Salary	9,974	29,653
		Benefits	813	6,465
School Administration				
Elementary School Principal	20.0	Through leadership, supervisory, and administrative skills, managed assigned school to promote each student's educational development and well-being	1,405,641	315,462 ^h
		Range		
		Salary	60,000	82,844
		Benefits	6,243	12,414
Middle School Principal	4.0	Through leadership, supervision, and administrative skills, managed assigned school to promote each student's educational development and well-being	296,986	56,704 ⁱ
		Range		
		Salary	71,635	77,343
		Benefits	11,222	11,777

Position	FTE	Duties	Salary	Benefits
School Administration				
Assistant Principal-Elementary School	5.0	Supported and assisted the principal in the school's operation Range Salary 52,237 63,059 Benefits 9,158 10,310	\$ 290,246	\$ 47,991
Assistant Principal-Middle School	4.0	Supported and assisted the principal in the school's operation Range Salary 62,674 62,820 Benefits 9,868 10,268	250,842	40,519
Teacher on Special Assignment-Middle School	4.0	Supported and assisted the principal in the school's operation Range Salary 38,099 61,635 Benefits 7,601 9,771	211,905	36,420
Administrative Assistant Senior	19.7	Performed administrative duties for a principal and coordinated office staff Range Salary 14,660 34,160 Benefits 3,259 7,235	580,796	132,827 ^j
Office Assistant	4.8	Assisted office secretary and principal, welcomed and provided assistance and information to parents, students, visitors, volunteers, and staff, and provided additional clerical support as needed Range Salary 5,773 30,681 Benefits 1,514 15,488	117,912	38,314 ^k
Office Clerk	1.8	Assisted with a variety of duties, such as typing, recordkeeping, data entry, and other clerical duties Range Salary 3,605 10,632 Benefits 513 4,731	23,968	9,099
Other		Additional administrative expenditures for nonadministrative employees who performed small amounts of administrative work and, therefore, have a small portion of their salaries and benefits charged to administration	19,923	1,943
		Health insurance payments not separately identified by employee		80,582
Total	144.1^l		<u>\$6,618,611</u>	<u>\$1,457,220</u>

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- a Includes \$4,591 for additional insurance premiums.
 - b Includes \$1,860 for additional insurance premiums.
 - c Includes \$12,086 in unused leave payout.
 - d Includes \$327 in unused leave payout.
 - e Includes \$4,737 in unused leave payout.
 - f Includes \$10,011 in unused leave payout.
 - g Includes \$3,785 and \$691 in unused leave payouts for two administrative assistants.
 - h Includes \$72,316 and \$26,033 in unused leave payout for two principals.
 - i Includes \$10,787 in unused leave payout.
 - j Includes \$1,564 in unused leave payout.
 - k Includes \$8,623 in unused leave payout.
 - l This number differs from the 255.7 used for comparative analysis within the report. For comparative purposes, auditors used the only state-wide data available, the School District Employee Report, which the districts self-report to the Arizona Department of Education. The School District Employee Report groups both administrative and nonadministrative positions together in some clerical and other categories.

DISTRICT RESPONSE

May 14, 2004

Ms. Debra Davenport
Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The Tempe Elementary School District is pleased to provide the Office of the Auditor General with our response to the Performance Audit. As the audit demonstrates, Tempe Elementary is firmly committed to improving our educational services, while providing the high level of financial accountability our taxpayers expect. This strong commitment to overall excellence has garnered parent and community support and reinforced our philosophy of small, safe, neighborhood schools.

Tempe Elementary's comprehensive redesign process built the foundation for the successes the audit uncovered. Five years ago our school district redesigned the tasks and organizational structure of top leadership, middle management and every school to become a more effective and efficient educational entity. We centered these redesigns on three central goals: improving student achievement, providing exceptional customer service and creating an environment for risk-taking.

The redesigns not only accomplished the stated goals, but also led to other critical improvements. Tempe Elementary has increased student enrollment, achieved financial stability and promoted innovation and creativity in our classrooms and offices. The process used to turn Tempe Elementary around is now being heralded as a substantive road map and national model for educational and organizational change.

Thank you for your recommendations, which we will implement as we continue to realize our vision of being a lighthouse school district for urban education.

Sincerely,

Dr. John M. Baracy, Superintendent

CHAPTER 1 - ADMINISTRATION

RECOMMENDATION

The District should review its staffing levels to determine whether the number of administrative positions can be reduced. Further, the District should review the administrative costs assigned to its desegregation activities to determine if those costs can be reduced.

DISTRICT REPONSE TO RECOMMENDATION

The District cannot agree or disagree with the findings of the report regarding the number of district level administrative and support staff. The comparable information that was provided was based on different sources of data that were reviewed but were not audited. Also, the SDER report that was used does not provide enough detailed information regarding the function of those employees and therefore does not match with the schedule in the appendix as noted. Therefore, we can neither agree nor disagree with the information presented.

The district has already implemented a process by which each vacant position, including administrative support, is reviewed. In the past few months, we have eliminated two district level administrative support staff positions and we are committed to continuing the process in an effort to be effective and efficient.

In 2000-2001, the District came into full compliance with our desegregation agreement as determined by the Office of Civil Rights in Denver, Colorado. The administrative support staff assigned to desegregation activities is part of that fulfillment. In order to maintain our full compliance status, we are required to continue to maintain the same level of services and therefore would be cautious to make any staff reductions that would have a detrimental affect on our ability to continue to comply with our agreement.

CHAPTER 2 – FOOD SERVICES

RECOMMENDATION

None

CHAPTER 3 – STUDENT TRANSPORTATION

RECOMMENDATION #1

The District should develop and monitor performance measures, including cost-per-mile, cost-per-rider, and measures focusing on timeliness, bus capacity, and accidents, to enhance its ability to manage the program and demonstrate the program's effectiveness.

DISTRICT RESPONSE TO RECOMMENDATION #1

The District agrees with the recommendation and will implement the recommendation by continuing to adopt new and update current performance measures in the areas stated.

RECOMMENDATION #2

The District should ensure that each driver is notified of and obtains all necessary testing or other requirements to renew certifications and drivers' licenses in a timely manner.

DISTRICT RESPONSE TO RECOMMENDATION #2

The District agrees with the recommendation and will implement the recommendation by continuing to ensure that all transporters of learners are notified and provided forms, well in advance of their drug and medical renewal dates. Employees whose medical or drug clearances lapse, will be placed in a leave without pay status until they are in compliance.

RECOMMENDATION #3

The District should install a lock system on its diesel fuel pumps to prevent unauthorized diesel fuel usage.

DISTRICT RESPONSE TO RECOMMENDATION #3

The District agrees with the recommendation, and will implement a modification to the recommendation. Currently, nearly ninety vehicles need access to the diesel fuel at varying times throughout the day. Locking these pumps would require that each of the ninety operators have keys to the fuel dispensers; essentially the same level of security as currently exists; or would require hiring a full-time person to dispense fuel. Therefore, pumps will be accessible during peak fueling periods and will be locked at non-peak times and one-hour prior to closing each day. The fuel dispensers are less than 100 feet from the garage and within eyesight of hundreds of employees throughout the day. Non-district vehicles have never attempted to obtain fuel in this high traffic area, and records indicate that no diesel loss, other than minute spillage and evaporation amounts, currently exists. The Auditor General's recommendation of a card-lock system will be implemented however, upon availability of future funding for remodel of the garage.

RECOMMENDATION #4

The District should validate its route mileage estimates by comparing them to the mileage based on bus odometer readings from the beginning and ending of each school year. If significant discrepancies are noted through the comparison, the District should file a corrected route mileage report with the Arizona Department of Education as soon as possible.

DISTRICT RESPONSE TO RECOMMENDATION #4

The District agrees with the recommendation and will implement the recommendation. Upon reconciliation of the odometer readings on or about July 1st, the 100-Day Route Mileage Report will be modified to reflect higher or lower route mileage, as appropriate, based upon end of year actual figures.

CHAPTER 4 – PLANT OPERATION AND MAINTENANCE

RECOMMENDATION #1

The district should identify further methods for reducing its plant operation and maintenance costs.

DISTRICT RESPONSE TO RECOMMENDATION #1

The district agrees with the recommendation and strives to meet all the needs of our students and community, within the confines of our small, aging schools. Prior to the audit, we began an aggressive pro-active redesign of our Facilities Management for Learners department. This redesign evaluated every aspect of our operation. A few of the factors that will assist the implementation of this report are:

- 1) Continue establishing a work request software system, which will provide detailed labor and material cost tracking,
- 2) Initiate an extensive cross-training program for all employees, which will allow a single technician to address and resolve a variety of issues other than their specific area of expertise. This will significantly reduce the number of dispatched calls.
- 3) Expand our preventive maintenance programs, which will extend the life cycles of our facilities and equipment. This will result in significant cost savings.

RECOMMENDATION #2

The district should continue its efforts to monitor and reduce energy and other plant costs.

DISTRICT RESPONSE TO RECOMMENDATION #2

The District agrees with the audit recommendation and will continue to review all expenditures to ensure we are achieving the highest attainable cost savings.

Regarding the recommendation of energy reduction, as stated in the report, we have made significant steps in reducing our total kWh usage.

- 1) While withstanding a rate increase, we have reduced our energy costs by approximately 3% in the first year of implementation. This is a result of developing and conducting staff training programs that focus on energy reduction, installation of programmable thermostats, removal of all exterior door stops so doors cannot be propped open, and upgrading our temperature control systems on central plant facilities as funding allows.
- 2) The district also currently reviews on a monthly basis its utility consumption and trends by making monthly and yearly comparisons.
- 3) We have also begun to restructure our disposal services, which will result in an estimated 14% cost reduction.

In closing, we are collaborating with our utility providers, private industries and other school districts to develop strategies to further reduce our operation costs and energy consumption.

CHAPTER 5 – PROPOSITION 301 MONIES

RECOMMENDATION

None

CHAPTER 6 – CLASSROOM DOLLARS

RECOMMENDATION

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

DISTRICT RESPONSE TO RECOMMENDATION

The District agrees and will make the minor account code changes as recommended.

CHAPTER 7 – DESEGREGATION MONIES

RECOMMENDATION

If the District continues assigning indirect costs to the desegregation programs, it should prepare and retain documentation supporting the costs included in the calculation.

DISTRICT RESPONSE TO RECOMMENDATION

The District agrees and will follow the methodology of the Arizona Department of Education in calculating the indirect cost rate. Detailed worksheets will be prepared and kept on file to support the indirect costs assigned to our desegregation programs.

AUDITOR GENERAL COMMENTS TO DISTRICT RESPONSE

Based on records examined and discussions with the District during the audit and at the draft report meeting, the following auditor comments are provided to address certain district responses to the report recommendations.

Chapter 1, Administration

More administrative positions than similar districts—The information contained in the report regarding administrative positions for the District and the comparable districts was based on data collected by the Arizona Department of Education (ADE). Through the standard position definitions that ADE has established for the School District Employee Report (SDER), each school district provides data that is then comparable across school districts for the various position classifications. Using the SDER data, Tempe Elementary had about 24 percent more administrative positions than the comparable districts averaged.

The audit report also contains an appendix providing a detailed listing of the positions within Tempe Elementary's administrative functions based on auditors' analysis of the District's accounting records, job descriptions, and employee interviews. Laws 2002, Chapter 330, Section 54 requires the Auditor General to list each administrative position and its duties, salary, and related costs. This detailed level of information is not currently available for each Arizona school district, and the appendix information is not used to draw any comparisons.

Significant administrative costs allocated to desegregation activities—The District's desegregation agreement with the Office of Civil Rights (OCR) requires it to maintain the same level of services that allowed it to come into full compliance, but it does not require the District to maintain a specified level of administrative staff or overhead costs.

