

# ***MARBLE FALLS INDEPENDENT SCHOOL DISTRICT MANAGEMENT AND PERFORMANCE REVIEW***

Marble Falls Independent School District's (MFISD's) school review report noted 39 commendable practices and made 68 recommendations for improvement. The following is an Executive Summary of the significant findings and concerns that resulted from the review. A copy of the full report can be found at [www.lbb.state.tx.us](http://www.lbb.state.tx.us).

## ***GENERAL INFORMATION ABOUT MFISD***

- Located in Burnet County, northwest of Austin in the Texas Hill Country.
- The county grew by 50 percent between 1990 and 2000.
- Student enrollment has not kept pace with Burnet County's growth rate. MFISD's enrollment grew by 103 students, or 2.9 percent between 1998–99 and 2002–03. Specifically, there were 3,632 students in 2002–03 compared to 3,529 in 1998–99. During this same timeframe, staff grew by 15.7 percent.
- The district was notified of its Chapter 41 status (property wealthy status), by the Texas Education Agency (TEA) in February 2004.
- Served by Regional Education Service Center XIII (Region 13).
- Rated *Academically Acceptable* by the Texas Education Agency.
- Based on the passing criteria identified by the Texas Education Agency for the 2002–03 statewide assessment, MFISD scored 50.7 percent, compared to the state average of 48.0 percent. (MFISD's 2003 scores are based on the first year of a three-year, progressive system to reach TEA's benchmark assessment.)
- Superintendent Dr. Ryder Warren was hired in July 2003.
- Senator Troy Fraser and Representative Suzanna Gratia Hupp represent Marble Falls Independent School District's area.

## ***SCHOOLS***

- Marble Falls Primary
- Marble Falls Elementary
- Highland Lakes Elementary
- Spicewood Elementary scheduled to open in fall 2004
- Marble Falls Middle School
- Marble Falls High School

## ***TWO ALTERNATIVE EDUCATION PROGRAMS***

- Educational Placement/Instruction Center (EPIC)—the district's disciplinary alternative education program that is able to accommodate as many as 30 students at one time.
- Falls Career High School—the district's dropout recovery and prevention high school accommodates up to 45 students at one time.

### ***2002–03 STUDENT DATA***

- 3,632 students enrolled
- 67.1 percent Anglo
- 30.1 percent Hispanic
- 1.9 percent African American
- 0.4 percent Asian/Pacific Islander
- 0.5 percent Native American
- 45.8 percent economically disadvantaged

### ***2002–03 FINANCIAL DATA***

- Operating total budgeted expenditures of \$28.3 million
- Fund balance of 12.7 percent of total expenditures (\$3.6 million)
- Out of the total of 549 full-time equivalents on staff, 261 are teachers
- 2002 Tax Rate: \$1.64 (\$1.47 Maintenance and Operations and \$0.17 Interest and Sinking)

### ***2002–03 PERCENT SPENT ON INSTRUCTION***

- Out of total expenditures of \$28.3 million, MFISD spent \$13.6 million or 48 percent on instruction, which is below the state average of 51 percent. Looking at operating expenditures only (excluding debt service and bond repayment), MFISD spent 54 percent on instruction, which is below the state average of 57 percent.

### ***SIGNIFICANT FINDINGS***

- MFISD's superintendent proactively planned for the district's transition into Chapter 41 status.
- MFISD uses a unique collaborative process involving teachers, principals, and administrators—The Teacher/Administrator Collaborative Teaming (TACT)—to improve instructional practices in the classroom and provide support services to enhance student achievement.

### ***SIGNIFICANT CONCERNS***

- Student graduation rates are below state and regional levels. MFISD does not have a board-approved evaluation system to ensure all programs are effective. In addition, the district's curriculum is in varying stages of alignment to state-approved standards and testing measurements.
- Children in two elementary schools are exposed to risk due to school playgrounds not being completely enclosed by a fence.
- MFISD does not effectively develop, manage, or monitor contracts.
- MFISD does not use staffing allocation formulas, resulting in over and understaffing in some departmental areas.
- MFISD has weaknesses in its internal controls for cash management and other financial areas.
- The district's lack of oversight on tax collections has contributed to a declining trend in collections since 2000–01.

## ***SIGNIFICANT RECOMMENDATIONS***

### **Recommendation: Develop and implement a board-approved program evaluation system and include program evaluation in annual District and Campus Improvement Plans.**

MFISD has a declining graduation rate and does not formally assess its programs for effectiveness. The district's graduation rates have declined 8.3 percentage points from 90.1 percent for the class of 1998 to 81.8 percent for the class of 2002. The district's economically disadvantaged students and special education students' graduation rates, in particular, have significantly declined between 1998 and 2002 by 31.5 percentage points and 22.4 percentage points, respectively. In 2002, only 57.1 percent of economically disadvantaged students and only 63.3 percent of special education students graduated. While the district implemented a variety of new programs and strategies in 2002–03 and 2003–04, aggressively monitoring individual and class progress from ninth grade through graduation and ensuring graduation rates can be tracked back to program success should help the district better determine program effectiveness, make necessary adjustments, and increase overall graduation rates.

### **Recommendation: Update and revise curriculum guides.**

MFISD's curriculum guides, developed in 1999–2000 before the implementation of the Texas Assessment of Knowledge and Skills (TAKS), are outdated and are not all complete. The district did not use a curriculum guide template in the development process to ensure consistency and adherence to development standards at all grade levels. Updating and aligning all curriculum guides for all courses will assist the district in focusing its efforts on further improving student performance.

### **Recommendation: Construct fences to reduce access to elementary school playgrounds.**

Two elementary school playgrounds are not secure, placing elementary students at risk. The playground at Marble Falls Elementary School is fenced on three sides but still provides easy access to vehicles. The playground at the Highland Lakes Elementary School is fenced on two sides and permits vehicular access. Completely enclosing all school playgrounds and restricting vehicular access to playgrounds will improve child safety. The cost to both schools is estimated at \$12,200.

### **Recommendation: Ensure that district service or product agreements include valid contracts and develop written guidelines for creating, managing, and monitoring contracts.**

The district has no written guidelines for developing, managing, and monitoring contracts. The review team identified agreements with vendors that lacked valid contracts, and contracts where performance measures were insufficient and not monitored for compliance. As an example, the district has entered into a 15-year exclusive beverage agreement without a contract. Developing guidelines for evaluating, managing, and monitoring all district contracts will ensure the vendors fulfill all legal obligations and deliver efficient services.

### **Recommendation: Use staffing allocation formulas to determine the appropriate number of positions within each campus and eliminate excess positions.**

The district does not use a staffing allocation formula to determine staffing requirements for each school. As a result, the district is understaffed in some areas and overstaffed in others. District data shows that over a five-year period, student enrollment has only increased by 2.9 percent while total staff has increased by 15.7 percent. Marble Falls ISD is overstaffed by 11.5 positions compared to staffing industry standards applied by the Southern Association of Colleges and Schools (SACS), which accredits more than 12,000 public and private institutions from pre-kindergarten through the university level. By implementing industry-staffing standards, MFISD can redirect savings toward classroom instruction while ensuring adequate staffing occurs districtwide.

**Recommendation: Implement sound internal controls for cash management.**

MFISD’s cash management processes do not have proper internal controls to reduce the opportunity for fraud, theft and unauthorized disbursements. The district’s payroll clerk has the ability to establish new employees in the payroll system, enter or change salary amounts for employees, and print and distribute payroll checks. The district’s accounting supervisor makes cash transfers between bank accounts, has access to the check stock, and reconciles all bank statements. Implementing sound internal controls in the district’s cash management functions will eliminate the possibility of improper actions going undetected and costing the district loss of funds.

**Recommendation: Hire an internal auditor to report directly to the Board of Trustees.**

The review team found several instances of concern including no written procedures and few internal controls for accounting, payroll, student activity accounts, investment activities, inventory balances, and budget monitoring. Despite adding new safeguards to the campus activity funds in December 2003, student activity funds and athletic event gate receipts lack formal written procedures. Written procedures are a measure that could help prevent future theft or fraud. An internal auditor reporting directly to the board will provide MFISD with independent monitoring of the district’s operations as well as alerting the board of any internal control issues and assisting the board in making more informed decisions. The cost to the district for providing an internal auditor is estimated at nearly \$61,000 annually.

**Recommendation: Improve district oversight and monitoring of the outsourced tax functions.**

MFISD’s non-delinquent tax collection rate fell from 98.3 percent in 2000–01 to 95.8 percent in 2002–03. MFISD has not reviewed the tax collection contract with Burnet County Central Appraisal District (CAD) since September 1991. MFISD has no written policies regarding the management and oversight of the district’s tax functions nor does it regularly schedule meetings with the Burnet CAD to discuss the delinquency rates and other tax services being provided to the district. By increasing district oversight and monitoring of the outsourced tax function, MFISD can benefit from improved services. For example, if the district increases its non-delinquent tax collection rate to match its 1999–2000 rate of 97 percent, MFISD could receive an additional estimated \$272,000 annually.

***FISCAL IMPLICATIONS***

The table below summarizes the fiscal implications of all 68 recommendations contained in the report.

	2004–05	2005–06	2006–07	2007–08	2008–09	Five–Year (Costs) or Savings	One Time (Costs) or Savings
<b>Gross Savings</b>	\$656,217	\$942,067	\$1,051,225	\$1,051,225	\$1,051,225	\$4,751,959	\$0
<b>Gross Costs</b>	(\$432,307)	(\$546,515)	(\$355,539)	(\$252,929)	(\$196,293)	(\$1,783,583)	(\$32,412)
<b>Total</b>	\$223,910	\$395,552	\$695,686	\$798,296	\$854,932	\$2,968,376	(\$32,412)

## ***PROGRAM EVALUATION***

MFISD has a declining graduation rate and does not formally assess its programs for effectiveness. The district's graduation rates have declined 8.3 percentage points from 90.1 percent for the class of 1998 to 81.8 percent for the class of 2002. TEA calculates graduation rates based on the number of students who started grade 9 four years before the year of graduation. During the same period, graduation rates both in Region 13 and the state increased. Region 13 graduation rates increased from 1998–99 to 2002–03 by 2.8 percentage points; state graduation rates increased 4.1 percentage points. The MFISD class of 2002 graduation rate was lower than all the selected peer districts, Region 13, and state averages.

In 2002–03 and 2003–04, the district implemented a variety of programs to address declining graduation rates. It conducts stakeholder surveys and reviews AEIS data to informally assess some of its programs, but does not have a board-approved evaluation system. In 2002, MFISD administrators attended program evaluation training and developed a program evaluation scheduled for 2003–04 through 2005–06; however, administrators never presented it to the board for approval nor officially implemented it.

In addition, the district does not have any formalized internal system to confirm or deny any ratings received through the state's evaluation process for federal- and state-funded programs. The state reviews and assigns risk levels to each data element in programs such as special education, Career and Technology Education, bilingual education, and the Gifted/Talented programs through its Program Analysis System (PAS). The district's instructional and support systems directly affect its graduating students.

MFISD had the highest graduation rate among its peers for the class of 1998 and exceeded Region 13 and state averages for the classes of 1998 through 2001 (**Exhibit 1-17**).

**Exhibit 1-17**  
**Graduation Rates**  
**MFISD, Peer Districts, Region 13, and the State**  
**Class of 1998 through 2002**

<b>District</b>	<b>1997–98</b>	<b>1998–99</b>	<b>1999–2000</b>	<b>2000–01</b>	<b>2001–02</b>
<b>Marble Falls</b>	<b>90.1%</b>	<b>85.1%</b>	<b>85.8%</b>	<b>84.0%</b>	<b>81.8%</b>
Tuloso–Midway	87.1%	92.0%	91.9%	94.8%	94.4%
Hallsville	86.2%	82.3%	84.6%	85.5%	93.2%
Sheldon	76.3%	83.4%	78.7%	84.2%	84.2%
Aransas County	75.2%	81.2%	87.8%	84.8%	87.6%
La Marque	78.4%	78.7%	84.8%	82.0%	88.0%
<b>Region 13</b>	<b>80.0%</b>	<b>80.3%</b>	<b>79.8%</b>	<b>81.4%</b>	<b>82.8%</b>
<b>State</b>	<b>78.7%</b>	<b>79.5%</b>	<b>80.7%</b>	<b>81.1%</b>	<b>82.8%</b>

*Source: Texas Education Agency, AEIS, 1998–99 through 2002–03.*

*Note: Graduating class information is reported one year behind the calendar year.*

MFISD's overall graduation rates and rates for student groups, such as economically disadvantaged, special education, Hispanic, and Anglo students, were lower for the class of 2002 than for the class of 1998 (**Exhibit 1-18**). Graduation rates of Hispanic students in the class of 2002 were 23.3 percentage points lower than in the class of 1998. The graduation rate of Hispanic students that was nearly identical to the graduation rate of Anglo students in the class of 1998 was 18 percentage points lower than the graduation rate of Anglo students in the class of 2002. Graduation rates for economically disadvantaged students decreased 31.5 percentage points and graduation rates for students in special education decreased 22.4 percentage points. Only 55.6 percent of the students with limited English proficiency (LEP) from the

class of 2002 graduated. At the same time, Region 13 and state graduation rates increased overall and for each student group.

**Exhibit 1-18**  
**Graduation Rates by Student Population**  
**MFISD, Region 13, and the State**  
**Classes of 1998 through 2002**

District	1998	1999	2000	2001	2002
<b>Marble Falls</b>	<b>90.1%</b>	<b>85.1%</b>	<b>85.8%</b>	<b>84.0%</b>	<b>81.8%</b>
LEP	*	*	*	*	55.6%
Economically Disadvantaged	88.6%	74.4%	74.4%	58.8%	57.1%
Special Education	85.7%	66.7%	75.0%	77.8%	63.3%
Hispanic	90.6%	72.0%	80.6%	72.1%	67.3%
Anglo	89.8%	87.6%	86.6%	87.5%	85.3%
<b>Region 13</b>	<b>80.0%</b>	<b>80.3%</b>	<b>79.8%</b>	<b>81.4%</b>	<b>82.8%</b>
LEP	*	*	*	*	50.6%
Economically Disadvantaged	62.7%	64.6%	62.0%	65.2%	68.5%
Special Education	69.7%	68.3%	69.4%	71.1%	71.4%
Hispanic	66.6%	66.0%	67.2%	69.7%	71.4%
Anglo	86.6%	87.1%	86.7%	87.4%	88.3%
<b>State</b>	<b>76.7%</b>	<b>79.5%</b>	<b>80.7%</b>	<b>81.1%</b>	<b>82.8%</b>
LEP	*	*	*	*	53.4%
Economically Disadvantaged	67.1%	71.3%	72.6%	73.2%	75.8%
Special Education	66.0%	69.6%	71.1%	70.9%	72.7%
Hispanic	68.1%	70.6%	72.8%	73.5%	75.7%
Anglo	82.8%	86.2%	86.7%	86.8%	88.2%

*Source: Texas Education Agency, AEIS, 1999–2000 through 2002–03.*

*\*AEIS did not provide data on LEP graduation rates until 2002–03.*

The No Child Left Behind (NCLB) Act of 2001 requires each state to develop a statewide accountability system that will ensure that all schools and districts make Adequate Yearly Progress (AYP). Districts, campuses, and the state are required to meet AYP criteria on three measures—reading/language arts, mathematics, and either graduation rate for high schools and districts or attendance rate for elementary and middle/junior high schools. If a campus, district, or state that is receiving Title I, Part A funds fails to meet AYP goals for two consecutive years, that campus, district, or state is subject to certain requirements such as offering supplemental education services, offering school choice and/or taking corrective actions. The published Adequate Yearly Progress (AYP) Status Report for 2002–03 also showed a decrease in the overall graduation rate and the graduation rates of specific student populations in MFISD.

**Exhibit 1-19** illustrates MFISD retention rates, often reviewed in connection to program evaluation, from 1998–99 through 2002–03. Compared with the state, MFISD had higher retention rates than the state in the lower elementary grades but lower retention rates than the state in grades 6 through 8, the middle school grades right before high school.

**Exhibit 1-19**  
**MFISD and State Retention Rates**  
**1998-99 through 2002-03**

Grade	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Marble Falls	State	Marble Falls	State	Marble Falls	State	Marble Falls	State	Marble Falls	State
K	2.5%	1.7%	2.6%	2.0%	3.4%	2.3%	3.1%	2.6%	5.3%	2.7%
1	7.1%	5.4%	8.9%	5.9%	7.9%	5.8%	8.8%	5.8%	6.0%	5.9%
2	4.1%	2.8%	3.0%	3.0%	6.6%	3.1%	5.7%	3.5%	5.5%	3.5%
3	2.3%	1.8%	2.5%	2.3%	5.3%	2.2%	2.5%	2.5%	3.2%	2.5%
4	1.5%	1.2%	2.0%	1.2%	5.9%	1.3%	0.9%	1.4%	1.5%	1.3%
5	1.4%	0.7%	0.0%	0.7%	1.0%	0.8%	1.7%	0.8%	0.5%	0.7%
6	1.2%	1.6%	3.1%	1.5%	3.3%	1.6%	1.4%	1.5%	0.0%	1.4%
7	0.0%	2.8%	0.4%	2.9%	0.9%	2.8%	0.9%	2.5%	0.0%	2.2%
8	0.0%	1.9%	3.4%	2.0%	1.2%	1.9%	0.5%	1.9%	1.3%	1.6%

*Source: Texas Education Agency, AEIS, 1998-99 through 2002-03.*

Following grade 8, the district does not retain students in a particular grade; they are promoted according to a set amount of earned high school credits. **Exhibit 1-20** shows the number of students promoted from grade level to grade level for five of MFISD's graduating classes from 1999 through 2003. The percentage of students graduating within four years declined by 10 percentage points from 68.2 percent for the class of 1999 to 58.2 percent for the class of 2003. Typically, academic failure in grade 9 prevents students from advancing to higher grades and accumulating enough credits to graduate with their fellow students. The percentage of students in one class moving longitudinally or from grade to grade from grade 9 to grade 10 also declined between grades 9 and 10.

**Exhibit 1-20**  
**MFISD High School Promotion and Graduation**  
**Class of 1999 through 2003**

Class	Grade 9	Grade 10	Grade 11	Grade 12	Percent Moving from Grade 9 to 10	Percent Graduated in Four Years
1999	280	226	203	191	80.7%	68.2%
2000	281	231	176	173	82.2%	61.6%
2001	301	256	226	200	85.0%	66.4%
2002	340	253	242	199	74.4%	58.5%
2003	337	255	227	196	75.7%	58.2%

*Source: Texas Education Agency, AEIS, 1999-2000 through 2002-03.*

*Note: Graduating class information is reported one year behind the calendar year.*

As shown in **Exhibit 1-21**, LEP, economically disadvantaged, special education, and Hispanic students had high longitudinal dropout rates, especially for the classes of 2001 and 2002. Both in 2001 and 2002, MFISD's overall longitudinal dropout rates and dropout rates for economically disadvantaged, special education, and Hispanic students exceeded both the Region 13 and the state dropout rates.

**Exhibit 1-21**  
**Longitudinal Dropout Rates by Student Population**  
**MFISD, Region 13, and the State**  
**Classes of 1998 through 2002**

<b>District</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Marble Falls</b>	<b>4.5%</b>	<b>6.7%</b>	<b>5.2%</b>	<b>8.9%</b>	<b>5.2%</b>
LEP	*	*	*	*	11.1%
Economically Disadvantaged	6.8%	14.0%	5.1%	23.5%	17.1%
Special Education	7.1%	19.0%	8.3%	11.1%	16.7%
Hispanic	6.3%	12.0%	2.8%	18.6%	10.2%
Anglo	4.2%	5.6%	5.8%	6.3%	4.0%
<b>Region 13</b>	<b>7.8%</b>	<b>7.9%</b>	<b>8.0%</b>	<b>6.2%</b>	<b>5.1%</b>
LEP	*	*	*	*	21.1%
Economically Disadvantaged	17.9%	18.1%	17.7%	13.4%	10.2%
Special Education	11.4%	13.2%	10.5%	8.7%	7.2%
Hispanic	15.4%	16.1%	15.2%	12.1%	10.0%
Anglo	4.1%	3.8%	4.2%	3.1%	2.6%
<b>State</b>	<b>8.9%*</b>	<b>8.5%</b>	<b>7.2%</b>	<b>6.2%</b>	<b>5.0%</b>
LEP	*	*	*	*	20.0%
Economically Disadvantaged	13.8%	13.1%	11.6%	9.9%	7.7%
Special Education	13.0%	12.1%	11.0%	9.7%	8.3%
Hispanic	13.4%	13.1%	11.2%	9.6%	7.8%
Anglo	5.5%	4.9%	4.0%	3.5%	2.7%

*Source: Texas Education Agency, AEIS, 1999–2000 through 2002–03.*

*\* The Texas Education Agency did not report LEP student data in the AEIS reports until 2002–03.*

A formal evaluation system consists of defined goals for each program, key measures, a specified evaluation methodology, detailed evaluation, data analysis procedures, identified data sources, assigned evaluation responsibility, and an evaluation schedule. A formal evaluation system also consists of an evaluation report that includes a plan for implementing recommendations. The implementation plan typically identifies who is responsible for implementation and sets an implementation schedule and milestones.

Many districts use high school promotion and graduation rates to reflect the success of the district in educating its students. Often administrators consider the extent to which the district has fulfilled its primary goal of educating students by globally reviewing the continuity of instruction, curriculum presentation, quality of student preparation, staff development, and effective instructional strategies to measure effectiveness and make continuous improvements. These districts specifically address graduation rates, high school promotion, dropout rates, and retention issues that indirectly affect graduation and dropout rates in both the DIP and appropriate CIPs. These districts detail proven success strategies for implementation of targeted goals and include specific professional development and ties to curriculum in these documents. These districts also annually review these goals and make necessary adjustments.

Many districts also annually review and consistently monitor the number of students transitioning from grade 9 to 10 to ensure students are successful in their first year of high school. Many of these districts also implement semester and mid-year program evaluations to recover immediate success levels of newly initiated or grant-funded high school programs targeted at students that do remain in the grade 9 beyond one year. Many high school students enrolled in supplemental programs, particularly those funded by grants, participate in benchmark and practice assessments providing teachers with immediate performance results. These districts use student performance results to implement new or revised strategies to the programs as identified through program evaluations.



Kerrville ISD (KISD) has a formal program evaluation system. KISD’s Program Evaluation Model, a comprehensive program evaluation, includes three evaluation phases: organization and design; information collection and analysis; and conclusion. The evaluation model consists of seven steps, as shown in **Exhibit 1-22**.

**Exhibit 1-22**  
**Kerrville ISD Program Evaluation Process**

<b>Steps</b>	<b>Purpose</b>	<b>Activities</b>
Step 1	Select a steering committee and organize.	Evaluation leader selects a committee, identifies a resource person, schedules committee meetings, and establishes a deadline for the evaluation report.
Step 2	Describe the program being evaluated.	Evaluators describe the program under evaluation and where and how it has been implemented, state the goal of the program, and articulate expected outcomes.
Step 3	Select the focus of the evaluation.	Evaluators define the purpose of the evaluation and identify specific concerns about the program that should be investigated.
Step 4	Select the evaluation method.	Evaluators select the methodology associated with expected outcomes, define quantitative and qualitative measures, develop a data collection schedule, and specify the population from whom data will be collected.
Step 5	Collect data and document results.	Evaluators collect data from the target population using the specified data collection instruments.
Step 6	Analyze and interpret the results.	Evaluators analyze the data and document results. Evaluators describe program implementation, whether and how it varies from the original plan, and document the data obtained by each evaluation methodology.
Step 7	Prepare report including recommendations.	Evaluators prepare a report that shows the degree to which the program met each expected outcome and support their conclusions. The report includes a cost/benefit analysis and a recommendation of whether the program should be continued as is, modified, or discontinued. The report also includes suggestions on how the program’s weaknesses can be remedied and how its strengths can be perpetuated.

*Source: Kerrville Independent School District, Program Evaluation Model.*

**Recommendation:**

**Develop and implement a board-approved program evaluation system and include program evaluation in the annual District and Campus Improvement Plans.**

To address concerns about the district's graduation rates and dropout rates, as well as overall student performance, the district should immediately formalize program evaluation efforts including implementation of a scheduled review for all instructional programs. The district should also include supplemental programs and operational programs in a master program evaluation schedule developed, approved by the board, and implemented in 2004–05. The district should include any individual program reviews already in place and, update the master schedule as new programs are added and ineffective ones are deleted. The district should also consider including the survey system already in place as a vital piece of the program evaluation system.

In addition, the district should include any current review of disaggregated data in regards to dropout rates, retention rates, graduation rates, and yearly grade-level progression in high school as key elements to assess program effectiveness.

## **FISCAL IMPACT**

This recommendation can be implemented with existing resources.

## ***CURRICULUM GUIDES***

MFISD's curriculum guides, developed in 1999–2000 before the implementation of the Texas Assessment of Knowledge and Skills (TAKS), are outdated and are not all complete. Teams of teachers grouped by content area and grade level initially developed existing curriculum guides. The teachers, however, did not receive any training in curriculum guide development at that time. Instead of developing the guides around the Texas Essential Knowledge and Skills (TEKS), the development teams, especially those for the lower elementary grade levels, based the guides on the textbooks in use at that time. The district did not use a curriculum guide template in the development process to ensure consistency and adherence to development standards at all grade levels. According to district administrators, the curriculum guide development teams used different criteria in guide development. As a result, these curriculum guides vary in their level of completeness. The district currently has vertical teams, or teachers from the same content area, representing differing grade levels that meet on a varying basis to discuss relevant content–area information and developments.

Some of the district's existing guides or scope and sequences that are more fully developed identify the necessary instructional timeframe within each six-week grading period, topic, matching TEKS objectives, and instructional strategies. Some of the guides only identify the timeframe and the topic; they do not list corresponding TEKS objectives or applicable instructional strategies. In the math content area, the guide for grade 6 Advanced Math does not list any of the TEKS correlated with the topics under study. The grade 8 pre-algebra guide lists neither strategies nor the matching TEKS objectives. In the English/language arts content area, the guide for grade 4 does not include TEKS beyond the first week, and the guides for grades 6 and 8 do not include any strategies.

A review of the social studies guides showed that the guide for grade 6 does not include any strategies, and the government guide does not list any of the appropriate TEKS. As a whole, the curriculum guides contain few strategies and no resources. Also, only a few of the guides incorporate the use of technology as an instructional strategy. The guides do not address areas of low student performance and do not contain assessment tools or an assortment of strategies, resources, and activities. The assistant superintendent for Curriculum and Instruction ranks those at the secondary level for secondary math classes especially weak.

Vertical team minutes stated that elementary teachers are concerned about horizontal curriculum presentation and would like to ensure that teachers present the same subject information by grade-level. This was stated as a particular concern since the district is opening an additional elementary school in 2004–05.

Galena Park ISD (GPISD) routinely updates its curriculum guides and provides staff development in curriculum writing. GPISD revises and updates the curriculum through horizontal and vertical teaming and horizontal and vertical articulation. The district gives release time to curriculum teams during the year and the teams work also in the summer for stipends based upon average annual salaries. Each content area and program including special education, bilingual/ESL, Gifted and Talented, and Career and Technology Education, incorporates the district mission, the Graduate Profile, and the content area purpose statement into relevant curriculum guides. Guides also specify relevant staff development, define effective or best practices, and list assessment tools used. The curriculum specifies the state and national standards on which it is based. The Graduate Profile outlines expected knowledge, skills, and conduct of GPISD graduates in the areas of personal qualities, work habits and attitudes; new basics; thinking and reasoning skills; interpersonal abilities; and technology.

Many districts also use representatives from their local region service centers to provide assistance in curriculum development, review, and update. Many of these districts have a core team of teachers by content area to review existing curriculum guides and/or develop missing ones. These core team members often solicit additional input from broader vertical alignment team members before finalizing updated curriculum guides. After update and development efforts, principals work cooperatively with vertical alignment teams to monitor and ensure consistent use of the curriculum.

### **Recommendation:**

#### **Update and revise curriculum guides.**

The district's assistant superintendent for Curriculum and Instruction should contact Region 13 for assistance in curriculum guide development and review. The assistant superintendent for Curriculum and Instruction should also choose senior members of the district's existing vertical alignment teams to serve as core members of a curriculum management team to initially review and write curriculum guides. The assistant superintendent for Curriculum and Instruction should seek approval from the superintendent to review exiting vertical teams and ensure adequate representation to include five members on four core content area teams: Language Arts, mathematics, science, and social studies. These teams should consist of one primary teacher, one upper elementary teacher, one middle school teacher, and two high school teachers.

### **FISCAL IMPACT**

This fiscal impact is based on the assumption that MFISD will solicit assistance from Region 13 at a cost of \$300 per day per curriculum consultant. Conservatively, the district should hire five consultants for a total of five days to assist four content specific vertical teams, each consisting of five teachers. This equates to a total of \$7,500 annually for consultation fees (5 consultants x 5 days x \$300 = \$7,500).

The district should also conservatively provide a \$2,500 stipend to teachers on the core curriculum management vertical teams during curriculum review and updates. With five teachers for each of the four content specific teams, this equates to \$50,000 in stipends annually (20 teachers x \$2,500 = \$50,000). Total annual costs are calculated at \$57,500 (\$7,500 + \$50,000). The district should conservatively

reserve funding for this initiative for two years, including the assistance of curriculum specialists for a total cost of \$115,000.

<b>Recommendation</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Update and revise curriculum guides.	(\$57,500)	(\$57,500)	\$0	\$0	\$0

## ***SECURE ELEMENTARY PLAYGROUNDS***

MFISD's elementary school playgrounds are not secure from vehicular traffic and intruders, placing elementary students at risk. While the district has identified the intent to build a fence for the elementary in the district's Ten-Year Capital Improvement Program Plan, at the time of the review the district had not yet constructed the remaining sections of fence. The playground at Marble Falls Elementary School is fenced on three sides and is parallel to Highway 1431, a busy street. Although a fence stands between the playground and the highway, the fence ends at the parking lot. The present fencing layout easily allows a car to drive into the entry road, park in the corner of the parking lot, and have full access to MFISD students in the playground area. The playground at the Highland Lakes Elementary School is fenced on two sides. While the school is more remote than the Marble Falls Elementary School, the playground still permits vehicular access to the playground and to small children. While staff supervises recesses at both school playgrounds, unauthorized access to a child can happen within seconds, even in the presence of vigilant adults.

Many school districts restrict vehicular access to playground areas by using a chain link fence. The fence allows supervisors visibility of the outside environment but restricts a vehicle from direct access to students. A fence can define property boundaries and prevent someone from idly wandering onto a campus. Fencing should deter the casual passerby from entering the school grounds.

### **Recommendation:**

**Construct fences to reduce access to elementary school playgrounds.**

### **FISCAL IMPACT**

Highland Lakes Elementary lacks 805 feet of fencing while Marble Falls Elementary lacks another 512 feet, a total of 1,317 feet. An estimated cost to add the needed fence is \$12,213. According to a fencing contractor, the school should use nine-gauge fabric, three-inch terminal posts, two-inch line posts, and 1-5/8" top rail on a six-foot tall fence. Rough estimates are \$45 for each terminal post inserted at each corner and \$9 per foot for the fence based on 200 feet minimum. [\$9 per foot x 1,317 feet of fence = \$11,853 + \$360 for 8 terminal posts x \$45 = \$12,213].

<b>Recommendation</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Construct fences to reduce access to elementary school playgrounds.	(\$12,213)	\$0	\$0	\$0	\$0

## ***MONITOR DISTRICT CONTRACTS***

MFISD does not have written guidelines for creating, managing and monitoring contracts. It does not maintain written procedures for creating work plans or schedules, conducting inspections and monitoring the contracted work, or reviewing and accepting the vendor performance standards. The district also lacks a comprehensive list of contracts as well as a central location to file contract documentation.

The district's contracting process is decentralized. The assistant superintendent of Business and Finance manages bids for building, construction, transportation and food services; the Maintenance director manages bids for custodial and maintenance supplies; and the Technology coordinator manages all technology bids and purchases. The department manager requiring the goods or services initiates the bidding process. Once a vendor has been selected, the vendor writes the contract, which after being approved by the board, is signed by the assistant superintendent of Business and Finance. Using this process, the district has entered into contracts with the Texas Local Government Purchasing Cooperative, Texas Purchasing Consortium, Aramark, Region 8, Region 13, and the Region 4 TCPN.

During the school review, the district presented documentation for its outsourced food service operations, grounds maintenance and its 15-year exclusive agreement with Coca-Cola to supply beverages for food service, vending machines, and special and sporting events. **Exhibit 4-5** summarizes the terms of these contracts.

### **Exhibit 4-5 MFISD Vendor Proposals, Purchasing Agreements, and Contracts 2003-04**

<b>Vendor</b>	<b>Contract Terms and Conditions</b>
Austin Coca-Cola Bottling Company	<ul style="list-style-type: none"> <li>• No available contract</li> <li>• Proposal for a 15-year exclusive agreement for beverages</li> <li>• Proposal outlined terms covering funding, equipment, commission, service, food service, scholarships, and annual business review</li> </ul>
Aramark Educational Services/Food Services Operations	<ul style="list-style-type: none"> <li>• Renewal contract signed but not dated</li> <li>• Effective for the 2003-04 school year</li> <li>• Under the contract, MFISD has primary responsibility for:               <ul style="list-style-type: none"> <li>• monitoring the food service program through periodic onsite visits;</li> <li>• establishing an advisory board consisting of parents, teachers, and students to assist in menu planning;</li> <li>• retaining control of the school food service account and the overall financial responsibility for the program; paying Aramark an administrative fee of \$0.08623 per meal and meal equivalent for the 2003-04 contract year;</li> <li>• paying Aramark a management fee of \$0.04847 per meal and meal equivalent for the 2003-04 contract year;</li> <li>• developing, distributing, and collecting the parent letters and applications for free and reduced-price meals, and the conduct of any hearing related to that program;</li> <li>• providing Aramark with suitable office space, utilities, and maintenance services;</li> <li>• providing Aramark with servicewares, small expendable equipment, and cash registers;</li> <li>• reimbursing Aramark for information technology systems used in food service operations;</li> <li>• cleaning cafeteria areas not in the kitchen or serving lines;</li> <li>• providing trash removal and extermination services; and</li> <li>• reimbursing Aramark for all of its direct costs; paying for health examinations; and purchasing food and supplies for the food service program.</li> </ul> </li> </ul>
Grounds Maintenance	<ul style="list-style-type: none"> <li>• District uses purchase orders instead of a contract</li> </ul>

*Source: MFISD, contract review.*

The district does not adequately monitor contract performance measures to ensure contract provisions are met. In addition, the district accepted the Coca-Cola proposal without developing a contract. The district reviews the vendor contracts only when a problem arises or prior to contract renewal dates.

On October 3, 2001, TEA conducted a Child Nutrition Coordinated Review Effort (CRE) of the Food Services department. The CRE noted that the district did not reimburse the Food Services Department account its prorated share of commissions from Coca-Cola product sales resulting from the exclusive beverage agreement. According to a letter written by the director of TEA's Child Nutrition Program, the district responded that the intent of the contract language was to include cash reimbursement for the Food Services operations only at special and sporting events.

The TEA Child Nutrition Program director accepted the district's intent and encouraged the district to clarify this in the contract language. The letter from TEA also addressed the apparent lack of a valid contract with Coca-Cola. The only documentation supporting the district's exclusive agreement with Coca-Cola is a copy of an unsigned proposal from the beverage company with no effective dates of service and a board letter authorizing the previous superintendent to proceed with contract negotiations. The TEA letter recommended that "...since there appears to be no signed contract and no effective start date for the 15-year exclusive beverage agreement, it is recommended that the documentation be reviewed by the school district attorney to determine if a valid contractual agreement even exists." When the review team asked for the contract, the district provided the same unsigned proposal, which verified that the district had not corrected the issue identified by the CRE in 2001.

In addition, the US Department of Agriculture's (USDA) regulatory requirements pertaining to soft-drink vending contracts include the following:

- If the exclusive contracts do not involve nonprofit school food service account funds, there are no Federal Child Nutrition Program procurement issues involved.
- If a district purchases any nonprofit school food service products through the exclusive contract, then all federal procurement requirements must be met. (Reference: 7 CFR 210.21; 7 CFR 3015, Subpart S; and OMB Circular A-102, Attachment O).
- If the contract includes nonprofit school food service products, any rebates, commissions, scholarship fund contributions, or any other payments back to the school district or district-related organizations must be reimbursed to the nonprofit school food service account on a prorated basis. (Reference: 7 CFR 210.14 and OMB Circular A-87, Attachment A, and OMB Circulars A-102 and A-110).
- School procurement officials should consider the impact of multi-year contracts, as opposed to single-year contracts, for the purchase of beverage and snack items. Long-term contracts appear to be more appropriate for nonperishable products and services, such as warehousing and equipment.
- School districts with existing contracts that include school food service products must reimburse the food service account its prorata share in accordance with the third item above for the current and subsequent school years and maintain appropriate documentation.

The school review team also examined the Aramark food service contract, which is annually bid through the Texas Purchasing Consortium. The Texas Purchasing Consortium selects the vendors based on a competitive bid process and the member districts negotiate the contract details. MFISD has not included any performance expectations in its contract with Aramark. In addition, district administrators could not provide any documentation that the district complies with certain contract provisions. For example, the district did not have proof that it conducts periodic onsite visits of the program or has established an advisory board consisting of parents, teachers and students to assist in menu planning. The district outsourced the food service contract to Aramark beginning in December 1990. Cost increases have never been linked to vendor performance. All increases in price have been based on the national Consumer

Price Index. By not monitoring the quality of Food Services, the district cannot ensure it receives the best possible nutritional services for students.

The review team requested copies of a contract between the grounds maintenance vendor and the district as well as copies of any bids obtained. The district could only produce copies of purchase orders created for the services. In 2002–03, the district purchased \$11,150 in services from the grounds maintenance vendor. This amount exceeds what can legally be purchased without a competitive bidding process. The district has not entered into a contract for grounds maintenance with this company, and there are no performance expectations documented.

Contract monitoring ensures that a vendor fulfills all legal obligations and delivers acceptable service. Effective contracts include measures that establish adequate performance such as task completion dates, vendor payments and penalties, and specific standards about exactly what constitutes adequate performance.

Some school districts use the state of Colorado's *Contract Procedures and Management Manual* to help create contract management procedures. Colorado's manual contains information on planning, vendor selection, contract pricing, contract writing, contract management, and vendor performance.

### **Recommendation:**

#### **Ensure that district service or product agreements include valid contracts and develop written guidelines for creating, managing, and monitoring contracts.**

The district should seek legal counsel to determine whether it has a valid beverage contract. It also should contract for grounds maintenance, instead of relying on purchase orders and running the risk of non-compliance with state purchasing guidelines.

MFISD should designate a contract manager to develop guidelines that clearly outline the district's contract management duties. The guidelines should include the following:

- developing the bid or request for proposal and writing the contract;
- monitoring the vendor's progress and performance to ensure that goods and services provided conform to the contract requirements;
- identifying any need for contract changes and amending the contract to reflect the changes;
- conducting financial reviews and audits during the contract period;
- maintaining appropriate records;
- working with the vendor to resolve any problems;
- terminating the contract, if necessary, which includes determining performance or contractual provisions breached and documenting efforts to correct the breach and recommending termination to the office that has authority to cancel the contract;
- managing the contract close-out;
- evaluating the contract results, and if the evaluation discloses a systematic problem, recommending corrective action to eliminate the problem; and
- managing staff access to legal counsel and associated costs.

The designated contract manager should identify and attend an appropriate training program for contract managers. Training is available from professional organizations such as the Institute for Supply Management (ISM).

## FISCAL IMPACT

This fiscal impact is based upon a self-study course such as the one offered on the Institute for Supply Management’s (ISM) website, “Contract Development and Administration,” at a one-time cost of \$199. The ISM course covers how to define the elements of an enforceable contract, integrating contract development into all phases of the source selection process, negotiating contract terms, appreciating the cost and risk aspects of various contract provisions, and measuring, and monitoring contract performance. This course also provides the basic details needed for successful contract management.

<b>Recommendation</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>	<b>2007–08</b>	<b>2008–09</b>
Ensure that district service or product agreements include valid contracts and develop written guidelines for creating, managing, and monitoring contracts.	(\$199)	\$0	\$0	\$0	\$0

## *MONITOR OUTSOURCED TAX FUNCTION*

MFISD is not adequately monitoring or overseeing its outsourced tax collection function. The district’s tax collection rate has declined more than 1 percentage point per year since 2000–01 while its delinquent tax collection rate has improved every year since 1998–99. If the 2000–01 collection rate of 98.3 percent had been sustained in 2002–03, more than \$500,000 in additional non-delinquent tax revenues would have been available to fund district operations. MFISD has contracted with Burnet County Central Appraisal District (Burnet CAD) to perform all tax functions for the district—appraisal, collection, and delinquent collections. Burnet CAD handles tax functions for all of the taxing entities in the county, including the only other school district, Burnet CISD.

According to the assistant superintendent of Business and Finance, the district has a close relationship with the tax collector. The district and tax collector speak by telephone weekly during the high collection season—December through February. The assistant superintendent of Business and Finance did not mention the declining tax collection rate or the improving delinquent tax collection rate during interviews. The district did not indicate or provide proof that written policies or procedures for overseeing the tax function exist. Although the contract agreement between the district and Burnet CAD calls for documentation of the annual mailings from Burnet CAD, including the proposed budget or annual financial audits that are conducted each year, the district did not indicate that such documentation was received or kept.

Burnet CAD operates as a non-profit, allocating its total operating budget to all the entities on whose behalf they collect taxes, based on each entity’s total tax levy. The agreement automatically renews annually unless terminated by either party. MFISD, with all other entities that contract with Burnet CAD, receives a budget proposal for the upcoming year in mid-July for review. If no comments or protests are filed within the designated time period, the budget is automatically adopted. A history of the district’s property appraisals and tax rates is shown in **Exhibit 2-30**.



**Exhibit 2-30**  
**MFISD Tax Rates and Collection Information**  
**1998–99 through 2002–03**

<b>Category</b>	<b>1998–99</b>	<b>1999–2000</b>	<b>2000–01</b>	<b>2001–02</b>	<b>2002–03</b>
Maintenance and operations tax rate	\$1.4990	\$1.4590	\$1.4730	\$1.4730	\$1.4730
Interest and sinking Fund	0.2610	0.2210	0.2070	0.1717	0.1692
<b>Total Tax Return</b>	<b>\$1.7600</b>	<b>\$1.6800</b>	<b>\$1.6800</b>	<b>\$1.6447</b>	<b>\$1.6422</b>
Total Collections	\$13,161,870	\$14,126,914	\$16,075,158	\$19,112,442	21,706,625
Total tax levy including adjustments	\$13,685,122	\$14,566,762	\$16,359,206	\$19,768,266	\$22,654,720
Appraise Value	\$827,193,318	\$870,578,274	\$1,032,233,746	\$1,368,560,864	\$1,450,227,551
<b>Collection Rate</b>	<b>96.2%</b>	<b>97.0%</b>	<b>98.3%</b>	<b>96.7%</b>	<b>95.8%</b>
<b>Overall Delinquency</b>	<b>9.6%</b>	<b>8.9%</b>	<b>8.0%</b>	<b>7.9%</b>	<b>7.5%</b>

*Source: MFISD, Audited Financial Reports, August 31, 1999 through 2003.*

The tax collection rate fell from 98.3 percent in 2000–01 to 95.8 percent in 2002–03. The Burnet CAD representative familiar with tax collections said in interviews that he could not identify any specific cause for the drop in non-delinquent collections. Delinquent accounts are assigned to the law firm that collects delinquent taxes starting one year after the tax due date. While the total tax rate remained essentially the same from 2001–02 to 2002–03, the tax base grew, causing the tax levy after adjustments to increase by almost 15 percent, or \$2.9 million. Burnet CAD’s representative attributed the growth to new commercial businesses in Marble Falls including a car dealership, tractor sales and service facility, and home improvement store, coupled with new home sales.

As part of the district’s contract, Burnet CAD is responsible for the contract with the law firm that collects delinquent taxes. According to the Burnet CAD representative, the law firm is paid only when past due tax amounts including principal, penalties, interest, and attorney’s fees are paid. Formal progress updates from the law firm on delinquent tax collections seldom occur, so no explanation was provided for the increased collection rate for delinquent taxes. The law firm invoices the district directly for all accounts collected on the district’s behalf.

The district does not have written delinquent tax collecting policies or procedures. A formal review of the contract for all of the outsourced tax functions has not occurred in almost 10 years. No policies or procedures exist that specify the district’s position on initiating lawsuits for back taxes, and for dealing with foreclosures and the sale of delinquent properties.

In many districts the superintendent or his designee regularly reviews the status of the tax functions with the team in charge to ensure the functions are handled efficiently and effectively.

## **Recommendation:**

### **Improve district oversight and monitoring of the outsourced tax functions.**

The district needs to improve tax collection oversight policies and regularly communicate with the Burnet Central Appraisal District and the attorney responsible for delinquent tax collection.

Quarterly meetings should be established with the law firm, the tax assessor collector, and the superintendent to discuss the progress of current and delinquent tax collections and any other tax function issues. Annually, the tax collector and a representative from the law firm should present a plan of action and goals for the upcoming tax levy to the board.

Policies should be written that thoroughly address the district's position on seizing and handling the property of delinquent taxpayers, including those that have been obtained by the district in lawsuit judgments. If the policies call for more aggressive collection practices, their impact on poor and elderly homeowners should be minimized.

## **FISCAL IMPACT**

The district's 2002 tax year levy (2002–03 data) after adjustments was \$22,654,720 of which 95.8 percent was collected. The district, working with Burnet CAD, should improve the tax collection rate to match or exceed the 1999 tax year non-delinquent tax collection rate of 97 percent. It is assumed that the collection rate would be increased by 1.2 percent in 2004–05 to 97 percent and remain stable through 2008–09.

Based on the adjusted 2002 tax year levy, MFISD would gain an estimated \$271,857 annually (\$22,654,720 adjusted tax levy multiplied by 1.2 percent equals \$271,857). A conservative estimate, this figure does not take into account the added collections benefit to: the growing tax base, increasing the M&O tax rate to the \$1.50 limit, or any future I&S taxes.

<b>Recommendation</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>	<b>2007–08</b>	<b>2008–09</b>
Improve district oversight and monitoring of the outsourced tax functions.	\$271,857	\$271,857	\$271,857	\$271,857	\$271,857

## ***USE STAFFING ALLOCATION FORMULAS***

MFISD does not use a staffing allocation formula to determine staffing requirements for each school. The administrative staff classification consists of principals, assistant principals, counselors, secretaries, and clerks. According to the assistant superintendent of Business and Finance, the district bases staffing on student enrollment and comparison group studies. In February 2004, MFISD's board extended one-year contracts to all principals and all but two of the assistant principals. The assistant principals at Marble Falls Primary School and Marble Falls Elementary School received two-year contract extensions. In addition, the district announced plans at the March 2004 board meeting to reduce two teaching positions and eight paraprofessional positions for 2004–05 through attrition.

However, district data shows that over the last five years student enrollment has increased 2.9 percent while total staff has increased by 15.7 percent. **Exhibit 5-36** compares the current staffing levels for each of MFISD's schools to minimum staffing levels for elementary and secondary schools recommended by the Southern Association of Colleges and Schools (SACS). SACS accredits more than 12,000 public and

private institutions, from pre-kindergarten through the university level, in 11 states in the Southeastern United States, including Texas, and in Latin America.

**Exhibit 5-36**  
**MFISD Staffing Compared to SACS Minimum Personnel Requirements**  
**2002-03**

School	MFISD or SACS	Enrollment	Principal	Assistant Principal	Counselor	Secretaries or Clerks
Marble Falls Primary	MFISD	682	1.0	1.0	1.0	1.0
	SACS	660-879	1.0	0.5	1.0	1.5
	<b>Difference</b>		<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>(0.5)</b>
Highland Lakes Elementary	MFISD	561	1.0	1.0	1.0	1.0
	SACS	440-659	1.0	0.0	1.0	1.0
	<b>Difference</b>		<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
Marble Falls Elementary	MFISD	510	1.0	1.0	1.0	1.0
	SACS	440-659	1.0	0.0	1.0	1.0
	<b>Difference</b>		<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
Marble Falls Middle	MFISD	833	1.0	2.0	2.0	3.0
	SACS	750-999	1.0	1.0	2.0	1.5
	<b>Difference</b>		<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.5</b>
Marble Falls High	MFISD	1,046	1.0	4.0*	4.0	9.0
	SACS	1,000 - 1,249	1.0	2.0	2.5	4.0
	<b>Difference</b>		<b>0.0</b>	<b>2.0</b>	<b>1.5</b>	<b>5.0</b>
<b>Total Overstaffed or (Understaffed)</b>			<b>0.0</b>	<b>5.5</b>	<b>1.5</b>	<b>6.0</b>

*Source: Texas Education Agency, AEIS, 2002-03, MFISD Employee Management Reports, August 25, 2003, SACS, Checklist of Standards for the Accreditation of Middle Schools, Secondary Schools and Elementary Schools, 2002-03.*

*\*The district includes the director of the alternative programs as an assistant principal for state reporting purposes.*

According to SACS standards, the district has five and a half assistant principals over recommended levels, one and a half counselors over recommended levels, and six secretaries or clerks over recommended levels.

**Exhibit 5-37** shows the average MFISD salaries for these positions.

**Exhibit 5-37**  
**MFISD Average Salaries by Position Category**  
**2002-03**

Position	Salary
Principals	\$61,350
Assistant Principals	\$50,352
Guidance Counselors	\$47,357
Secretaries/Clerks	\$19,489

*Source: MFISD, Human Resources Department and SoCo Consulting, Inc. analysis.*

The district calculates benefits for employees at \$2,700 per year for health insurance. Professional employees receive another 3.032 percent of annual salary in benefits. Other employees receive a variable rate based on the classification of the employee. Employees who work more than 20 hours per week receive full benefits.

Many districts use established staffing formulas such as those developed by SACS or other applicable industry standards. Other districts internally develop their own formulas to use for annual staffing ratios

or combine industry formulas with internal priorities based upon campus or district needs. Sometimes professional positions, such as guidance counselors, are assigned priorities or given special consideration in staffing calculations based upon individual campus needs including but not limited to numbers of students at-risk or violence statistics.

Some districts use funding partnerships with parent organizations or allow individual schools to optionally ask parents of students to completely fund or partially fund staff in excess of recommended levels. The Parent Teacher Association at Highland Park Elementary School in Austin Independent School District provided funding for a half-time counselor and a half-time assistant principal prior to 2003–04. School administrators also ask parents for an optional donation at the beginning of each year to fund a full-time Spanish teacher’s position. The Parent Teacher Association also contributes funds to assist in this endeavor. In 2003–04, the PTA is funding the salary for a full-time reading recovery teacher and continues to assist with funds for two part-time Spanish teachers.

**Recommendation:**

**Use staffing allocation formulas to determine the appropriate number of positions within each campus and eliminate excess positions.**

The district should continue to consider individual campus needs when making professional staffing decisions and include industry standards or develop internal formulas to use in conjunction with reviews of enrollments and other comparative studies. The district may also want to explore partnerships with parent organizations or other groups to partially fund any positions in excess of recommended staffing levels.

**FISCAL IMPACT**

This fiscal impact is based upon the elimination of 12 positions and the addition of 0.5 of a position for a net total of 11.5 positions. No counseling positions or the assistant principal designated as director of Alternative Programs at the high school level have been included in these calculations. Salary and benefit reduction estimates are shown in **Exhibit 5-38**. Some savings will not be realized until 2005–06 since contracts have already been offered to employees for 2004–05.

**Exhibit 5-38  
Salary Reduction Estimate**

School	Recommendation	Estimated Average Annual Salary	Annual Salary Savings (Cost)	Annual Benefit Savings (Cost)	Total Salary Savings (Cost)
Marble Falls Primary School	Eliminate 0.5 assistant principal	\$50,352	\$25,176	\$3,463	\$28,639
	Add 0.5 secretary/clerk	19,489	(9,745)	(3,786)	(13,531)

**Exhibit 5-38 (continued)  
Salary Reduction Estimate**

<b>School</b>	<b>Recommendation</b>	<b>Estimated Average Annual Salary</b>	<b>Annual Salary Savings (Cost)</b>	<b>Annual Benefit Savings (Cost)</b>	<b>Total Salary Savings (Cost)</b>
Highland Lakes Elementary School	Eliminate 1.0 assistant principal	50,352	50,352	4,227	54,579
Marble Falls Elementary School	Eliminate 1.0 assistant principal	50,352	50,352	4,227	54,579
Marble Falls Middle School	Eliminate 1.0 assistant principal	50,352	50,352	4,227	54,579
	Eliminate 1.5 secretaries/clerks	19,489	29,234	8,657	37,891
Marble Falls High School	Eliminate 2.0 assistant principals	50,352	100,704	8,454	109,158
	Eliminate 5.0 secretaries/clerks	19,489	97,445	24,355	121,800
<b>Total</b>	<b>11.5</b>	<b>N/A</b>	<b>\$393,870</b>	<b>\$53,824</b>	<b>\$447,694</b>

Source: SoCo Consulting, Inc. analysis.

This fiscal impact assumes that 0.5 positions receive full benefits including insurance benefits valued at \$2,700 per employee per year. The district pays full health insurance coverage for employees who work 20 or more hours per week. Only savings for secretaries and clerks are recognized for the first implementation year due to professional positions already contracted for 2004–05. In addition, in 2005–06, no savings are calculated for the two high school assistant principals that received two-year board contract extensions.

<b>Recommendation</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>	<b>2007–08</b>	<b>2008–09</b>
Use staffing allocation formulas to determine the appropriate number of positions within each campus and eliminate excess positions.	\$146,160	\$338,536	\$447,694	\$447,694	\$447,694

***ESTABLISH CASH MANAGEMENT INTERNAL CONTROLS***

MFISD’s cash management processes do not have proper internal controls to reduce the opportunity for fraud, theft, and unauthorized disbursements. The lack of sufficient internal controls provides employees the opportunity to conduct improper financial activities; in many cases, the actions could go undetected for long periods of time or never be detected. Although no improper activity was noted, weak internal controls do provide the opportunity for unauthorized activities.

The district has a special network printer in the business office that produces authorized signatures on district checks. Check stock is located in the office supply closet that is also located in the business office. Business office employees have access to this printer and to the office supply closet 24 hours a day, seven days a week because they have keys to the business office and to the closet. This provides employees the opportunity to take a blank check, make it out for a certain amount, use the special network printer to print the check with the authorized signatures, and either mail the check to an address or leave with the check, without being detected.

The district's payroll clerk has the ability to set up new employees in the payroll system, enter or change salary amounts for employees, print payroll checks, and also distribute payroll checks. Proper internal controls would not allow a single employee to have the ability to set up employees and their related salaries or to change the salary amount for existing employees and then print a paycheck. Under MFISD's process, the payroll clerk could set up a fictitious employee or change her own salary amount, print a paycheck with the appropriate signatures, and leave with the check undetected.

The district's accounting supervisor makes cash transfers between bank accounts, has access to the check stock, and reconciles all bank statements, which creates a serious internal control issue. Separation of cash processing duties is necessary for proper internal control. The bank reconciliation process is a control function designed to ensure that unauthorized transfers or other transactions from district bank accounts are identified and immediately reported. If the same person has authorization to transfer funds and is also responsible for reconciling the bank statement, irregular bank activity is likely to go undetected. Allowing the accounting supervisor to perform multiple cash-related processes is a significant breakdown in internal controls.

The Texas Education Agency (TEA) Financial Accountability System Resource Guide (FASRG) states that as a school district writes an information management plan, internal controls should be considered. Each school district needs an internal control structure in place to ensure that school district assets are safe from unauthorized use or disposition. The attitude of the district administration about internal controls is a key factor in the successful implementation of an internal control system. Development of policies and procedures that include internal control elements is critical. Willingness to immediately take corrective action when deficiencies are discovered is also important.

School districts that create strong internal controls take into consideration many components:

- security measures to safeguard the school district's assets from internal or external misuse (such as video monitoring, limiting access, security codes, and computer passwords);
- segregation of duties;
- hardware and software controls;
- internal audit and review functions; and
- external audits.

## **Recommendation:**

### **Implement sound internal controls for cash management.**

Employees with access to the printer that prints checks with authorized signatures should not have access to the check stock. All check stock should be stored in a locked file cabinet. The assistant superintendent of Business and Finance should designate the accounting secretary to retain the keys to the file cabinet. The accounting secretary should unlock and lock the cabinet when check stock is needed. A log should be kept for each amount of check stock, detailing the date the stock was issued, the recipient, and the check

numbers given. Another person within the business office should have a backup set of keys to the file cabinet.

The assistant superintendent of Business and Finance should designate an employee to perform the bank reconciliations who does not have other cash-processing duties such as bank transfers, deposit of cash, or the ability to issue checks on district bank accounts.

## **FISCAL IMPACT**

This recommendation can be implemented with existing resources.

## ***HIRE AN INTERNAL AUDITOR***

The district exhibits weaknesses in its financial controls and reporting system. With only five employees in the Business Office including the assistant superintendent of Business and Finance, the staff is stretched to accomplish many important district accounting functions. The review team found several issues as follows:

- Even though the district's investment policies require a written internal control manual in the investment area, one does not exist.
- The 2001–02 financial statements were issued with a negative \$12,526 inventory amount, which means that more inventory was used than existed, an impossibility. When the review team inquired about how this could happen, the district discovered that an adjustment was made to accounts payable at the end of 2002 that incorrectly impacted inventory.
- The district overspent its 2001–02 budget because collection fees for delinquent taxes and the final food service invoice from Aramark were not included in the budget amendment approved by the board.
- The district does not have written procedures to safekeep student activity funds. An employee at the primary school, who embezzled money from the school, was caught by another employee at the school.
- Football gate receipts exceeding \$30,000 per year are not properly counted and secured. When the review team inquired into how the receipts are monitored, no one in the Business Office could explain how money is provided to the gates, how the money is safeguarded or the controls that should be in place to properly account for the money.

At the December 15, 2003 board meeting, the assistant superintendent of Business and Finance reported on the handling of the campus activity funds since the embezzlement incident that occurred in May 2001. **Exhibit 2-23** presents the board minutes covering this segment.

**Exhibit 2-23**  
**Excerpt from Board Minutes**  
**Handling of Campus Activity Funds**  
**Before and After Embezzlement Incident**

The assistant superintendent of Business and Finance reported the following safeguards are currently in place:

1. Uniform software (Quicken) is used at each campus, along with staff training.
2. Bank statements are reconciled to the register each month and a copy is provided to the central office for review.
3. Cash transactions are maintained by the sponsor and the campus secretary. Both parties are to confirm the count of cash and checks.
4. Regular reports of account activity are given to each sponsor.
5. Cash is deposited immediately. All payments are made by check only.
6. Principals review the payments and deposits from the activity funds.
7. More samples of account activity are provided for the auditor review.

*Source: MFISD, Board of Trustees Minutes from December 15, 2003 meeting.*

However, district staff told the review team that they were behind schedule on reconciling bank statements during its September 2003 site visit.

An internal audit function supplements the work of the external auditor and can add an extra layer of district internal controls. The work performed by an internal auditor can often reduce fees paid to complete external audits by ensuring sound processes and procedures. The Texas State Auditor's Office recommends districts with more than 5,000 students or a \$20 million annual budget have an internal audit function. The internal audit function examines specific areas to determine the adequacy of internal controls: compliance with procedures, regulations, policies, and applicable law; efficiency and effectiveness of operations; and assisting districts put necessary controls and reporting structures in place. Most internal auditors are Certified Public Accountants and provide a direct communication link to the board.

Corpus Christi ISD hired an internal auditor to eliminate contracted auditing service costs and reduce auditing costs. Previously, the district contracted routine internal audit procedures. However it is not cost-effective to do so. The district has hired an internal auditor and is eliminating contracted internal audit services except for specific technical expertise not available from district staff. Hiring an internal auditor and developing a transition plan to significantly reduce outside audit assistance is in effect. Administrators say this recommendation is the key to directing more resources to improving district operations. The district expected estimated savings of \$534,000 over five years.

**Recommendation:**

**Hire an internal auditor to report directly to the board.**

**FISCAL IMPACT**

The district's average administrator salary is \$56,547. Annual benefits for this administrator salary would be \$820 (Medicare) plus \$600 (worker's compensation) plus \$2,700 (health insurance) plus \$69 (unemployment compensation) plus \$226 (Teacher's Retirement System) for a total of \$4,415. The total cost to the district for salary and benefits would be \$56,547 plus \$4,415 or \$60,962.



Given the importance of the position's responsibilities, the review team estimates that the district could post and fill this position by October 2004. The total cost for 2004–05 is calculated by dividing the annual salary of \$60,962 by 12 months and then multiplying by 11 months; to equal an annual salary of \$55,882 for 2004–05.

<b>Recommendation</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>	<b>2007–08</b>	<b>2008–09</b>
Hire an internal auditor to report directly to the board.	(\$55,882)	(\$60,962)	(\$60,962)	(\$60,962)	(\$60,962)