



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Glendale Union High School District

DECEMBER • 2004



Debra K. Davenport
Auditor General

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OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

December 6, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Glendale Union High School District

Mr. Vernon E. Jacobs, Superintendent
Glendale Union High School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Glendale Union High 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 generally agrees with all of the report recommendations.

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

This report will be released to the public December 7, 2004.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Glendale Union High 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 Glendale Union High School District had nine schools and two alternative programs and served 14,152 students in grades 9 through 12.

Administration (see pages 7 through 12)

While the District's administrative cost percentage was at the state average, its per-pupil administrative costs were about 20 percent higher than the average for similarly sized districts, mainly because of higher costs for salaries and benefits. Several factors contributed to the higher costs. First, compared to these other districts, the District has more assistant principal positions. Second, some administrators receive more generous expense allowances and compensation for accumulated leave than administrators in comparable districts. For example, principals, assistant principals, and certain other supervisors each received between \$1,500 and \$4,000 to pay for a personal car, cell phone, and other expenses. Third, the District's portion of medical insurance premiums averaged \$1,400 to \$2,500 more per employee than amounts paid by the comparable districts. Higher costs for supplies and postage also contributed slightly to the difference.

Food service (see pages 13 through 16)

The District's food service program is not currently self-sufficient, as it spent \$461,000 more than it received in revenues in fiscal year 2003. The District's cost per meal was about 12 percent higher than districts with comparably sized food service programs.

One reason for the higher costs is that the District's average wages were higher than the comparable districts'. However, the amount the District paid its workers was similar to the wages paid by adjoining districts. Also, food service costs are typically higher in high school districts because more cashiers are used and more expensive, pre-packaged food items are generally served. Another reason the program was not self-sufficient is that the District did not consider all of its costs as it evaluated the program's efficiency, meal prices, and costs. The District did not consider such costs as employee medical benefits, costs of catering some district events, and salaries and benefits paid to district-level food service management. When these costs are included, the program's average cost per meal was \$2.36, compared with its average revenue of \$2.20 per meal.

Student transportation (see pages 17 through 22)

In fiscal year 2003, the District's transportation costs were \$560,000 more than the related transportation revenues it received. The District's transportation costs per rider were three times higher than districts with comparably sized transportation programs, and its cost-per-mile was about 32 percent higher. One reason is that the District's program has a relatively high proportion of its mileage associated with special needs transportation. Transporting special needs students often requires special buses and routes, as well as additional staff to assist these students in getting to and from the schools. Another reason is that the District's regular bus drivers transport, on average, fewer than half the number of riders as drivers in comparable districts. However, the District can take steps to manage costs and improve program management by reviewing its routes, maintaining accurate mileage records for state funding purposes, and developing efficiency measures.

Plant operation and maintenance (see pages 23 through 26)

In fiscal year 2003, the District spent approximately 12.8 percent of its current dollars on plant operation and maintenance. Although somewhat higher than the state-wide average of 11.7 percent, the District's plant costs are similar to comparably sized districts. The District has actively taken steps to manage its electricity costs, which make up more than 20 percent of its total plant costs. Steps have included installing computerized climate control systems and meeting with electricity providers to ensure schools are on the most cost-effective rate plans. The District needs to take steps, however, to address higher-than-average repair and maintenance costs associated with its copiers.

Proposition 301 monies (see pages 27 through 30)

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 \$5,334 each, including base pay increases of \$1,225, performance pay of \$1,660, and menu option pay of \$2,449 per employee. The performance pay distributed was actually earned in fiscal year 2002, and to receive the performance pay district employees were generally required to return to work at the District the following year.

Classroom dollars (see pages 31 through 32)

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. Auditors reviewed the District's recording of classroom and administrative expenditures to determine if the figures the District reported were accurate. Minor errors were identified that increased the District's classroom dollars percentage slightly, by 0.1 percentage points to 59.7, which is above the state average of 58.6 percent. However, more substantial misclassifications resulted in a reduction of administrative costs. After adjustments, the District's administrative cost percentage declined from 10.7 to 9.9 percent, which is the same as the state average.

Desegregation monies (see pages 33 through 37)

The District was 1 of 19 Arizona school districts budgeting monies to address desegregation issues in fiscal year 2003. The District's desegregation plan resulted from complaints relating to the District's treatment of limited English proficient (LEP) and racial minority students. One component of the District's desegregation plan includes additional efforts to remove language barriers for LEP students. The District also agreed to implement a plan to address racial equality issues. These activities included employing an assistant principal, one or more counselors, and a social worker on each campus. According to the District, all of its students are affected by some component of its desegregation program. In fiscal year 2003, the District spent more than \$5 million, or an average of \$362 per student, to fulfill its desegregation plan. About 34 percent of these monies were spent for instruction, with the remaining monies primarily directed toward school administration and student and instructional support services. As part of its desegregation costs, the District also included expenditures for services provided to all students at risk of dropping out of school.

However, the complaints and Office of the Civil Rights findings that led to the desegregation plan did not relate to at-risk programs for non-LEP students, and dropout prevention for non-LEP students does not appear to qualify as a desegregation effort under Arizona law. The District should pay for such efforts from other funding sources.

TABLE OF CONTENTS



| | |
|--|----|
| Introduction & Background | 1 |
| Chapter 1: Administration | 7 |
| What are administrative costs? | 7 |
| The District's administrative costs were higher than comparable districts' | 8 |
| Recommendations | 12 |
| Chapter 2: Food service | 13 |
| Background | 13 |
| The District's food service program is not self-supporting | 14 |
| Cost per meal is higher than comparable districts' average | 14 |
| District analysis did not consider all costs | 15 |
| Recommendations | 16 |
| Chapter 3: Student transportation | 17 |
| Background | 17 |
| The District subsidized its transportation program, which had higher costs than comparable districts | 18 |
| Improved program management needed | 20 |
| Recommendations | 21 |

• continued



TABLE OF CONTENTS

| | |
|--|---------------|
| Chapter 4: Plant operation and maintenance | 23 |
| The District's plant costs were similar to the comparable districts' average | 23 |
| The District's repair and maintenance costs were higher than comparable districts' | 24 |
| Recommendation | 25 |
| Chapter 5: Proposition 301 monies | 27 |
| Background | 27 |
| District's Proposition 301 plan | 27 |
| Plan details | 28 |
| The District complied with law and followed its adopted plan | 29 |
| Chapter 6: Classroom dollars | 31 |
| Accounting errors did not significantly affect classroom dollar percentage but overstated administrative costs | 31 |
| Recommendation | 32 |
| Chapter 7: Desegregation monies | 33 |
| Desegregation overview | 33 |
| Arizona desegregation plans | 34 |
| District desegregation plan | 34 |
| Recommendation | 37 |

continued ♦

TABLE OF CONTENTS



Appendix

a-i

District Response

Tables:

| | | |
|---|---|----|
| 1 | Total and Per-Pupil Administrative Cost Comparison Fiscal Year 2003 (Unaudited) | 9 |
| 2 | Comparison of Per-Pupil Administrative Costs by Category Fiscal Year 2003 (Unaudited) | 9 |
| 3 | Comparison of Cost Per Meal Fiscal Year 2003 (Unaudited) | 15 |
| 4 | Students Transported, Route Mileage, and Costs Fiscal Year 2003 (Unaudited) | 18 |
| 5 | Plant Costs Comparison Per Student and Per Square Foot Fiscal Year 2003 (Unaudited) | 24 |
| 6 | Comparison of Repair and Maintenance Costs Fiscal Year 2003 (Unaudited) | 25 |
| 7 | Proposition 301 Monies Paid Per Employee Fiscal Year 2003 (Unaudited) | 29 |
| 8 | Cost Percentages for Desegregation Expenditures Fiscal Year 2003 (Unaudited) | 36 |

♦ continued



TABLE OF CONTENTS

Figures:

- 1 Food Service Expenditures
Fiscal Year 2003
(Unaudited)

14

concluded ♦

INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Glendale Union High 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 Glendale Union High School District encompasses portions of Glendale and northwest Phoenix and covers approximately 60 square miles. In fiscal year 2003, the District operated nine traditional high schools and two alternative schools that served 14,152 students in grades 9 through 12.

A five-member board governs the District, and a superintendent, an assistant superintendent, and several other administrators manage it. In fiscal year 2003, the District employed one principal and three assistant principals to oversee day-to-day operations at each of its nine high schools. One alternative school was overseen by an assistant principal and the other by the Administrator of Vocational Education and Special Programs. For the 2003 school year, the District employed 678 certified teachers, 107 instructional aides, 101 other certified employees, and 452 classified employees, such as administrative and plant operations and maintenance staff.

District programs, achievements, and challenges

The District offers a wide range of instructional and extracurricular activities (see text box on page 2). Extracurricular activities include clubs, such as the Key club, book club, and speech club; and sports, including football, track, baseball, and softball. According to district officials, approximately 70 percent of all students are involved in extracurricular activities. Additionally, the District reports that its students volunteer more than 10,000 hours per year to community service activities. The District also offers students the opportunity to earn technical certifications through its vocational education courses and programs. For example, through the District's partnerships

The District offers:

- Advanced placement
- Honors and accelerated classes
- Fine arts, performing arts, and culinary arts
- Dance, theatre, and music programs
- Mastery program in mathematics
- Dual college credit option
- Vocational education classes
- School-to-career business partnerships
- CISCO network certification program
- Certified nurse assistant program
- Community college partnership
- Alternative school programs to target students ages 17-21
- Extended day and summer programs
- Air Force and Navy Junior ROTC
- Child Oriented Occupational Program, an on-campus daycare program where students can earn child development college credits

with businesses and community colleges, students may become certified nursing assistants, automotive technicians, or computer network technicians.

For fiscal year 2004, five of the District's schools were labeled as "performing," three schools were labeled as "highly performing," and one school was labeled as "excelling" under the Arizona LEARNS program. The labels are based on whether students made adequate yearly progress, the percentage of students exceeding state standards on Arizona's Instrument to Measure Standards (AIMS) test, and graduation and dropout rates. The District's dropout rates at its nine traditional high schools averaged between 1 and 4 percent, which is below the state average of 8.5 percent according to the Arizona Department of Education's (ADE) 2002-2003 annual dropout rate study.

Since 1999, two schools have been named A+ schools by the Arizona Education Foundation for overall excellence in academic achievement, parental involvement, and quality staff. The District also reports that its teacher mentor program was one of eight nationally awarded the National Education Association/Saturn/United Auto Workers Partnership Award for Teacher Mentoring Programs.

According to the District, the number of its students coming from foreign countries is growing, and more than 30 different languages are represented on its campuses, including Spanish, Farsi, Korean, and Romanian. For students whose primary language is not English, the District provides an English Language Learners (ELL) program to facilitate instruction. The District indicates that these classes require a higher staffing level than traditional classes, which increases the cost of offering the programs. A second challenge, according to the District, is providing continued staff development focused on helping students pass the AIMS test, which will be required for high school graduation in 2006.

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 Glendale Union High School District's fiscal year 2003 detailed accounting data, contracts, board minutes, and other documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls relating to expenditure processing and tested the accuracy of fiscal year 2003 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 other, similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus routing. Auditors also reviewed fiscal year 2003 transportation costs and compared these costs to other, similar districts'.
- 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 other, 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 dollar 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 and administrative agreements, as well as the District's 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-pupil were higher than the average costs for comparable districts, primarily due to it having more assistant principal positions and higher benefit costs.
- **Food service**—The District's food service costs were generally higher than the comparable districts, primarily because of higher salary costs and because its financial analyses to determine whether the program was self-sufficient did not consider all costs associated with providing food services.
- **Student transportation**—The District's transportation costs were higher than the comparable districts, primarily because of higher salary and benefit costs and because a significant number of its miles driven are associated with more costly transportation for special education students.
- **Plant operation and maintenance**—The District's plant operation and maintenance costs were about average in comparison to 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 had only a slight effect on its classroom dollar percentage, increasing it from 59.6 to 59.7 percent. The misclassifications, however, overstated the District's administrative cost percentage. After adjustments, the District's administrative cost percentage decreased from 10.7 to 9.9 percent.
- **Desegregation monies**—According to the District, all of its students were affected by some component of its desegregation program. The District uses desegregation monies to ensure equal treatment of racial minority students and provide services to limited English proficient students. Additionally, the District offers services to students considered at risk of dropping out of school; however, dropout prevention for non-LEP students does not appear to qualify as

a desegregation effort under Arizona law. The District spent an average of \$362 per pupil toward meeting its desegregation goals, 34.5 percent of which was spent in the classroom.

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

CHAPTER 1

Administration

While the District's administrative cost percentage matched the average of 9.9 percent for all districts in the State, its per-pupil administrative costs were approximately 20 percent more per student than costs for comparably sized districts. Higher costs were primarily associated with salaries for additional assistant principal positions. Other factors that contributed to higher costs included certain administrators' expense allowances, benefit payments, supplies, and postage.

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

What are administrative costs?

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

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

- General administrative expenses 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.

The District's administrative costs were higher than comparable districts'

The District's administrative costs were higher than the comparable districts' average. As noted in the Auditor General's November 2002 special study, *Factors Affecting School Districts' Administrative Costs*, the primary factor affecting whether a district's per-pupil administrative cost is high or low is district size. Other key factors included salaries, benefits, staffing levels, and purchased services, which include such things as consultants and legal expenses. That same study, as well as analysis performed for our subsequent *Arizona Public School Districts' Dollars Spent in the Classroom* reports, found that district type did not appear to be a significant factor influencing per-pupil administrative costs.

While there are differences in the types of services and facilities operated by high school, unified, and elementary school districts, costs associated with these differences are unlikely to affect per-pupil administrative costs. For example, high school districts typically offer more after-school and extracurricular activities such as sports and clubs. These activities, however, generally affect instructional costs, not administration. Similarly, high school districts' dropout prevention efforts, counseling services, and other student support services are also not considered administrative costs. Additionally, while high school districts typically operate larger, more elaborate facilities, including laboratories, workshops, auditoriums, and swimming pools, the costs associated with these facilities are classified as plant costs, rather than administration.

Finally, while districts may choose to add administrative staff at high schools to manage student discipline or other issues, typically high schools serve a greater number of students than elementary schools. For districts with more than 200 students, the average number of students per school at union high school districts was about twice that of unified or elementary school districts in fiscal year 2003. Thus, any effect of an added school administrator on per-pupil administrative costs is minimized as the added costs are spread over more students. In fact, in fiscal year 2003, the average per-pupil administrative cost for union high school districts was below the average for unified or elementary school districts.

Consequently, when selecting comparison districts, auditors focused on characteristics demonstrated to have an impact on per-pupil administrative costs. Specifically, auditors used average daily membership counts and the number of schools information obtained from the Arizona Department of Education (ADE), to select comparison districts that had a similar number of students and/or schools as Glendale Union High School. Based on statistical analysis, auditors excluded any districts with unreasonably high or low cost data. Finally, auditors considered factors such as comparison districts' dollars in the classroom percentages to help identify

districts that may be more efficient or have practices that could be beneficial if used by the audited district.

As illustrated in Table 1, the District's administrative costs per pupil were higher than any district's in the comparison group. The District's per-pupil administrative costs were \$104 (or 20 percent) higher than the comparison districts' average of \$528.

When administrative costs are further subdivided into categories, the District's higher costs per pupil were evident mainly in salaries and benefits. As shown in Table 2, the District spent approximately \$80 more per pupil on administrative salaries and \$20 more per pupil on benefits than the comparable districts averaged. Per-pupil costs associated with supplies were also higher.

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

| District Name | Total Administrative Costs | Number of Students | Number of Schools | Cost Per Pupil |
|--|----------------------------|--------------------|-------------------|----------------|
| Glendale UHSD | \$8,946,412 | 14,152 | 9 | \$632 |
| Amphitheater USD | 9,047,580 | 16,423 | 22 | 551 |
| Sunnyside USD | 8,362,160 | 14,680 | 20 | 570 |
| Tempe UHSD | 7,376,755 | 12,975 | 6 | 568 |
| Glendale ESD | 6,769,949 | 12,263 | 16 | 552 |
| Alhambra ESD | 5,425,030 | 13,648 | 16 | 398 |
| Average of the comparable districts | \$7,396,295 | 13,998 | 16 | \$528 |

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 Administrative Costs by Category
Fiscal Year 2003
(Unaudited)

| District Name | Salaries | Benefits | Purchased Services | Supplies and Other | Total |
|--|--------------|-------------|--------------------|--------------------|--------------|
| Glendale Union HSD | \$466 | \$92 | \$48 | \$26 | \$632 |
| Sunnyside USD | 447 | 61 | 35 | 27 | 570 |
| Tempe UHSD | 378 | 70 | 102 | 18 | 568 |
| Glendale ESD | 398 | 83 | 50 | 21 | 552 |
| Amphitheater USD | 389 | 100 | 51 | 11 | 551 |
| Alhambra ESD | 316 | 52 | 18 | 12 | 398 |
| Average of the comparable districts | \$386 | \$73 | \$51 | \$18 | \$528 |

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.

Several factors contributed to higher salary and benefit costs—The District's higher administrative salaries and benefit costs can be linked to the following factors:

- **Assistant principal positions**—While the District had a similar number of total administrative positions as other districts, it had more of these positions at higher levels. In particular, the District had more assistant principals than other districts. The District's staffing model calls for 3 assistant principals at each of its 9 campuses, and salaries for these positions ranged between \$57,600 and \$82,700. In total, the District had 16 more assistant principal positions than the average of the comparable districts, which included some elementary and unified school districts. The costs associated with these positions accounted for more than 90 percent, or \$96 of the \$104 difference between the District's and the comparison group's administrative cost per pupil.

To further evaluate assistant principal staffing levels, auditors also reviewed staffing at 50 high schools in 8 other districts. Most of these high schools (37) also had 3 assistant principals each; however, on a per-pupil basis the District averaged more assistant principals than these other high schools. Specifically, these other districts' high schools served, on average, between 531 and 735 pupils per assistant principal compared to the District's 507. The District indicates that its enrollment declined in the 1980s and the possibility of closing campuses was raised at that time and continues to be an issue periodically. However, according to the District, community input and concern for student involvement in activities has led it to operate smaller schools rather than close campuses. The District also indicates that it has maintained 3 assistant principal positions, despite lower school enrollments, as part of a voluntary agreement with the U.S. Department of Education Office of Civil Rights (OCR) to address a complaint alleging discrimination in the discipline of minority students (see Chapter 7, page 33).

- **Expense allowances**—The District's salary schedule for many of its administrative positions is below comparable districts'; however, the District provides far more generous expense allowances for certain administrators with supervisory duties than the comparable districts. According to the District, the expense allowances raise its total compensation package and make it more attractive to potential employees. The District compares its salaries, including expense allowances, to high schools in 10 other districts and finds that the District's salaries rank between 5th and 9th. However, 9 of these 10 districts are among the state's largest.

The District's expense allowance, which is in addition to regular salary, is designated for a personal car, cell phone, and other out-of-pocket costs. The allowances range from \$1,500 to \$4,000, and in fiscal year 2003 equated to nearly \$10 per pupil. In contrast, one of the comparison districts does not pay any type of expense allowance, and another only reimburses district-related expenses. The highest dollar amount any of the comparison districts paid was

\$1,850, and this was limited to 5 administrators. This district also allowed 10 other employees to use district vehicles.

In addition to paying higher expense allowances than the comparison districts, the District provided these benefits to a far larger number of employees. In fiscal year 2003, more than 45 administrative employees received these allowances. In contrast, the comparison districts either did not provide expense allowances and related benefits, or substantially limited the number of administrators receiving such benefits. The highest number of administrators receiving expense allowances among the comparison districts was 19.

- **Retiree benefits and medical insurance premiums**—About 20 percent of the District's administrative benefit costs, or about \$18 per pupil, related to accumulated vacation and sick leave payouts for long-time employees and retirees. The District's policy provides for administrators who have been with the District for 15 years or administrators who retire to receive added pay for accumulated sick leave. The comparable districts typically allowed similar compensation for retirees, but most did not offer these benefits to current employees. Under the District's policy, retirees and other employees who left the District in fiscal year 2003 were paid a total of \$218,028 for accumulated sick and vacation leave, and long-time employees received a total of \$40,411 additional compensation.

Additionally, based on input from a district-wide employee survey, the District chose to remain with its existing medical insurance provider in fiscal year 2003 instead of switching to a lower-cost carrier. Between fiscal years 2002 and 2003, the District's portion of employee medical premiums increased by more than \$950 per employee, or about 25 percent. The District's fiscal year 2003 cost for medical premiums averaged between \$1,400 and \$2,500 more per employee than the comparable districts paid.

Other factors contributed to higher costs—While most of the District's higher administrative costs were related to salaries and benefits, other items also contributed. For example, the District's fiscal year 2003 administrative supplies costs were approximately \$8 more per student than the comparable districts'. Additionally, the District's postage costs were about \$22 per pupil, which was more than three times the average that comparable districts spent. Possible reasons for higher postage costs include the three annual mailings that the District sends to an estimated 155,000 households in its boundaries, as well as quarterly school newsletters sent to parents. While district officials indicated that they wish to keep the community well-informed, there are potentially more cost-effective alternatives, such as sending newsletters home with students or increased use of its Web site or e-mail notifications.

Recommendations

1. The District should evaluate whether it could modify its school administration staffing levels to produce cost savings.
2. The District should evaluate the cost of providing certain administrators with expense allowances and paying current employees for accumulated leave, and determine whether such benefits should be less generous or discontinued.
3. The District should evaluate more cost-effective alternatives for keeping its community informed.

CHAPTER 2

Food service

The District's food service program is not self-supporting and spent \$461,000 more than it received in revenues in fiscal year 2003. The operating loss is related to the District's higher cost per meal, which at \$2.36 was 12 percent higher than the comparable districts averaged. Additionally, when performing its own break-even and efficiency analyses, the District did not consider all of the related costs.

Background

In fiscal year 2003, the District's food service program served its nine high schools and was operated by a director, managers, full- and part-time employees, and student workers. Each school had a full-service cafeteria and kitchen and provided breakfast, lunch, a la carte, and adult meals. Lunch prices ranged between \$2 and \$3 a meal, depending on the type of meal selected. During fiscal year 2003, two schools participated in the National School Lunch and Breakfast Programs, which allowed qualifying students to receive meals free or at a reduced price and provides federal reimbursements for meals served. With only two schools participating, the District's overall percentage of students eligible for free- and reduced-price meals was about 6 percent; however, at each of these schools, the percentage of eligible students was higher. In fiscal year 2004, the District added three more schools, and beginning in fiscal year 2005, all nine schools were participating in the programs.

Food service facts for Fiscal Year 2003

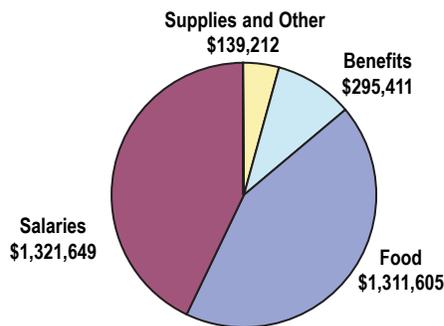
| | |
|---|------------------|
| Average cost per meal* | \$2.36 |
| Number of meals served: | |
| Breakfast | 37,602 |
| Lunch, snacks, and a la carte | <u>1,281,342</u> |
| Total | <u>1,318,944</u> |
| Schools served | 9 |
| Kitchens/cafeterias | 9 |
| Managers/directors | 11 |
| Full-time staff | 18 |
| Part-time staff | 85 |
| Total revenues | \$2,864,738 |
| Total noncapital expenditures | \$3,144,250 |
| Equipment purchases | \$ 181,925 |
| District percentage of students eligible for free and reduced-price lunches | 5.8% |
| Number of schools participating in NSLP in 2003 | 2 |
| Percentage of students eligible for free and reduced-price meals at participating schools | |
| Moon Valley | 20.3% |
| Sunnyslope | 38.6% |

*Based on lunch-equivalent meals.

The District's food service program is not self-supporting

During fiscal year 2003, the District generated \$2.9 million in revenue, but spent approximately \$3.3 million on its food service operations. The District earned almost \$2.6 million, or 90 percent, of its total revenue from daily food sales. With two of its nine schools participating in the National School Lunch and Breakfast Programs, federal reimbursements totaled about \$261,000, or 9 percent, of the food service program's total operating revenue.

Figure 1: Food Service Expenditures
Fiscal Year 2003
(Unaudited)



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

As shown in Figure 1, a majority of the District's food service expenditures were for salaries and food.

The District's Maintenance and Operations Fund supplemented the food service program by paying for more than \$261,000 of its expenditures. In total, the District spent \$461,000 more for the food service program than it received in related revenues in fiscal year 2003. This amount includes the subsidy from the Maintenance and Operations Fund and capital monies used to purchase equipment. Factors that contributed to the food service program's loss included higher salary and benefit costs, as well as meal revenues that averaged less than its meal costs.

Cost per meal is higher than comparable districts' average

During fiscal year 2003, the District served approximately 1.3 million meal-equivalents¹ at an average cost of \$2.36 each. To determine whether costs were reasonable, the District was compared to other school districts that reported a similar number of meals served. As shown in Table 3 on page 15, the District's cost per meal is \$0.26, or 12 percent, higher than the average of the comparable districts. These higher costs are evident primarily in salaries and benefits.

Salaries and benefits—The District's salary and benefit costs comprised a higher proportion of the cost of each meal served than the comparison districts averaged. The productivity of the District's food service workers appears comparable to that of the workers in comparison high school districts. Rather, the higher costs appear to result from the District paying higher salaries to its cafeteria managers and workers. On average, the District pays its cafeteria staff \$9.16 per hour, which is about \$1.60 more per hour than the comparable districts. To remain competitive in hiring, the

¹ A meal equivalent, hereafter referred to as "meal," equals one lunch, two breakfasts, three snacks, or \$2.14 of a la carte sales (which equals the federal free lunch reimbursement rate in fiscal year 2003).

District indicated that it annually compares its food service salaries to other Phoenix-area districts. Auditors reviewed salary rates at adjoining districts and found that the District's pay rates were similar.

ADE's Child Nutrition Program management guidelines recommend that salaries and benefits be kept at less than 50 percent of revenues to allow the program to break even while paying for other food service costs. The District's salaries and benefit costs were 56 percent of its total revenues in fiscal year 2003.

Table 3: Comparison of Cost Per Meal
Fiscal Year 2003
(Unaudited)

| District Name | Salaries and Benefits | Food and Supplies | Other | Cost Per Meal |
|--|-----------------------|-------------------|---------------|---------------|
| Tempe UHSD | \$1.30 | \$1.18 | \$0.01 | \$2.49 |
| Glendale UHSD | 1.24 | 1.11 | 0.01 | 2.36 |
| Yuma UHSD | .88 | 1.12 | 0.17 | 2.17 |
| Flowing Wells USD | 0.93 | 1.00 | 0.19 | 2.12 |
| Madison ESD | 0.83 | 0.96 | 0.05 | 1.84 |
| Pendergast ESD | 0.80 | 0.93 | 0.14 | 1.87 |
| Average of the comparable districts | \$0.94 | \$1.04 | \$0.11 | \$2.10 |

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

High school programs are costlier—Although Glendale's costs were higher than the comparison group's average, the District's costs were similar to the costs for the group's two union high school districts. Glendale Union High and the other two high school districts typically had more "point-of-sale" terminals than the unified or elementary districts in the comparison group had. The three high school districts averaged 13 point-of-sale terminals per cafeteria, compared to the unified and elementary cafeterias' average of 3 terminals each. These additional terminals required additional employees, which increased the food service program's costs. In addition, the 3 high school districts had more food service supervisory staff than the elementary and unified districts. The high schools also generally provided a greater variety of foods and were more likely to serve more expensive, pre-packaged items. For example, the District purchased prepared foods, such as sandwiches, from several fast-food vendors to accommodate student preferences. Items from these vendors cost between \$1 and \$1.65 each, and the District also added a drink and side dish to complete the meal. These more expensive meals, in conjunction with the higher staffing costs, contribute to the District's higher per-meal costs.

District analysis did not consider all costs

The District regularly analyzed its program to determine whether it was self-sufficient and whether its costs per meal and prices were appropriate. However, the District did not consider such costs as medical premiums, costs of catering some district events, and salaries and benefits paid to district-level food service management. When all costs are included, the program's average cost per meal was \$2.36. During this same year, the food service program averaged only \$2.20 per meal in revenue. In an attempt to increase sales, some schools discounted meals priced at \$2.50 to \$2 for students who prepaid. Additionally, schools allowed students who agreed to

work in the cafeteria for 15 minutes each day to obtain free meals. In fiscal year 2003, more than 440 students participated in this program, which cost the District an estimated \$180,000.

Monitoring costs will continue to be important as the remainder of the District's schools join the National School Lunch Program since the District's \$2.36 cost per meal exceeds the \$2.16 federal reimbursement rate. Additionally, the food service director indicated that far fewer students participate in the 15-minute work program now that the federal program's free and reduced meals are available. These changes to the food service program's revenues and costs may affect the meal prices needed to maintain self-sufficiency.

Recommendations

1. The District should continue to monitor salary and benefit costs with the goal of limiting these expenditures to no more than 50 percent of the food service revenues.
2. In its ongoing analysis, the District should include all related costs when determining whether the food service program is self-supporting and meal prices are appropriate.
3. The District should work to ensure its program is self-sufficient by considering limiting the variety and type of food choices and the negative effects of policies such as discounted meal prices, and if necessary, raising meal prices.

CHAPTER 3

Student transportation

The District subsidized its transportation program, which has higher costs than comparable districts. For fiscal year 2003, transportation costs were \$560,000 more than the related transportation revenues received. The District's cost per mile and cost per rider were both significantly higher than the average of the five comparable districts. One reason for the higher costs is the District's relatively high proportion of mileage associated with special needs transportation. However, the District can take steps to manage costs and ensure its program is efficient by reviewing its routes, maintaining accurate mileage records, and developing efficiency measures.

Background

The District transports students to and from its 9 traditional schools, 2 alternative schools, and 18 special needs programs. The District reported transporting 1,356 students to and from its regular education programs as well as 334 special needs students. In fiscal year 2003, the special needs programs were located throughout the Valley in Glendale, Phoenix, Mesa, and Scottsdale. The District also provides transportation for field trips and athletic events.

The District operated 21 regular bus routes and 29 routes for special needs students. Of the 626,764 total route miles reported by the District for the year, 76 percent were associated with special needs routes. The District coordinates and supervises its special needs routes and activity trips centrally. Individual school facilities managers supervise the regular education routes and drivers. In fiscal year 2003, the District employed a transportation director, 50 bus drivers, 25 special education bus assistants, 17 activity bus drivers, a dispatcher, a trainer, a maintenance supervisor, and 3 mechanics.

Transportation facts for Fiscal Year 2003

| | |
|-------------------------------|-------------|
| Riders | 1,690 |
| Bus drivers | 50 |
| Activity drivers | 17 |
| Mechanics | 3 |
| Regular routes | 21 |
| Special-needs routes | 29 |
| Average daily route miles | 3,541 |
| Total route miles | 626,764 |
| Total noncapital expenditures | \$2,511,704 |

The District subsidized its transportation program, which had higher costs than comparable districts

For fiscal year 2003, the District received state transportation aid totaling \$1.95 million, which was about \$560,000 less than its transportation expenditures. Districts receive state monies for transportation based on a formula that uses the number of eligible students transported and the route miles traveled.

As illustrated in Table 4, the District had significantly higher per-rider and per-mile costs than the comparable districts averaged. Most of the District's route miles are associated with transporting special needs riders, which can be more costly than regular route miles. Consequently, the District was compared to other school districts that also reported a high proportion of special needs miles and riders as well as a similar total number of riders and route miles. The District's \$1,486 cost per rider was approximately three times higher than the average for these comparable districts, and its \$4.01 cost per mile was about 32 percent higher.

Table 4: Students Transported, Route Mileage, and Costs
Fiscal Year 2003
(Unaudited)

| District Name | Regular Riders | Special Needs Riders | Total Route Miles | Special Needs Miles | Total Noncapital Expenditures | Cost Per Rider | Cost Per Mile |
|--|----------------|----------------------|-------------------|---------------------|-------------------------------|----------------|---------------|
| Glendale UHSD | 1,356 | 334 | 626,764 | 474,707 | \$2,511,704 | \$1,486 | \$4.01 |
| Pendergast ESD | 1,848 | 273 | 409,181 | 226,831 | 1,283,531 | 605 | 3.14 |
| Casa Grande ESD | 2,714 | 173 | 829,742 | 268,327 | 1,517,006 | 525 | 1.83 |
| Tempe UHSD | 3,220 | 276 | 499,431 | 238,361 | 1,690,998 | 484 | 3.39 |
| Apache Junction USD | 3,842 | 195 | 726,023 | 203,611 | 1,699,472 | 421 | 2.34 |
| Alhambra ESD | 4,708 | 314 | 434,793 | 262,680 | 1,960,181 | 390 | 4.51 |
| Average of the comparable districts | 3,266 | 246 | 579,834 | 239,962 | \$1,630,238 | \$485 | \$3.04 |

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

When transportation costs are further divided into categories, the District's salary and benefit costs per rider are more than triple the average of comparable districts. Key reasons for the higher costs appear to be salaries and benefits associated with having more special needs transportation routes and related staffing, and recent increases in medical insurance premiums.

Special needs services increase costs—A primary factor contributing to the District's higher costs is its transportation of special needs students. Transporting special needs students often requires special buses and routes, as well as additional employees to assist these students in getting to and from the schools, all of which

result in higher costs. In fiscal year 2003, the District's special needs riders were transported to 27 programs and schools in Glendale, Mesa, Phoenix, and Scottsdale. In total, the District's reported special needs miles were about twice the average of comparable districts. To provide this level of service, the District spent \$1.2 million, or nearly half of its transportation expenditures, for special needs route bus drivers' and assistants' salaries and benefits. In total, the District employed 29 special needs route bus drivers and 25 bus assistants. In contrast, the comparable districts employed an average of 14 special needs route drivers and 11 bus assistants each. In addition to employing more bus assistants, the District paid approximately \$1.20 per hour more for these positions, paying an average of \$9.50 per hour.

The District indicated that for fiscal year 2004, it began looking at placing students in programs that were closer to the District, where possible, and had established some new on-campus programs to serve some special needs students.

Less efficient regular routes may add to costs—Higher staffing costs could also result from less efficient regular transportation routes. Each of the District's regular-route bus drivers transports, on average, half the number of riders transported per driver at comparable districts. However, the District is relatively compact, and is not located in a rural area that might justify fewer riders per driver. A possible reason for this higher staffing level is that the District's regular routes have remained largely unchanged for the past several years and may have become inefficient. For example, at one high school, auditors observed three morning routes, each with a north and a south run. These runs averaged 10 minutes in length, and the buses dropping students off were about half full. Based on these observations and a review of the route maps, the District could combine runs to create two north and two south runs and use one bus for each. This would save the costs of one driver and bus while not significantly increasing student ride times or overloading buses. Auditors performed similar observations at two other high schools and, while the number of riders per bus averaged slightly higher, buses that could accommodate between 48 and 56¹ riders averaged 34.

In conjunction with reviewing routes, the District should also track its driver hours by daily routes, activity trips, and nondrive time. This information could be used to help determine whether the District's higher-than-average salary costs could be reduced by increasing driver productivity

Benefit costs increased—Like most of the comparable districts, the District offers paid medical benefits for bus drivers and assistants who work an average of 30 hours per week, and most receive benefits. However, providing these benefits has become more expensive for the District. As noted previously, between fiscal years

1 Although manufacturers' stated bus capacities are based on three students per seat, the Arizona Department of Public Safety recommends that school districts do not attempt to seat three larger students per seat. Consequently, for this analysis, bus capacities for the District are based on two students per seat.

2002 and 2003, the District's portion of employee medical premiums increased by more than \$950 per employee, or by about 25 percent.

Improved program management needed

In fiscal year 2003, the District did not adequately oversee its transportation program to ensure that its bus route miles were accurately recorded and reported, that driver safety requirements were met, and that the program was operating efficiently.

District lacked adequate records to ensure accurate reporting—

Funding for the District's state transportation aid is based largely on its route miles and number of eligible riders reported to ADE each year. ADE requires districts to use actual mileage for the first 100 days of the school year to calculate total mileage for funding purposes. Errors in the reported data can result in the District receiving the wrong amount of funding. Because the District lacked procedures to ensure that drivers submitted all mileage logs and to check these logs for accuracy, its monthly mileage summaries were often incomplete or inaccurate. For example, one monthly summary did not include information for any of the three buses used at one high school. Because of these recordkeeping problems, the District used total odometer readings instead of bus logs to report its mileage. However, using odometer readings can result in ineligible trips being included as route mileage for funding purposes.

The District's reported mileage for fiscal year 2003, which was based solely on its odometer readings, was 13 percent higher than miles reported from the daily bus logs for 2002 and 25 percent higher than 2004. For fiscal year 2004, the District indicated that it initiated procedures to help ensure all mileage logs were received and included in monthly mileage summaries. However, the District had not established procedures to ensure that the 2004 monthly summaries were compiled and calculated accurately, that late reports were added to the summaries, and that summaries did not contain duplicate data. When auditors confirmed the gaps in the 2003 records and raised the concerns about the 2004 summaries, the District decided to recompile all of its 2003 and 2004 detailed mileage records. Based on the results of its review, the District has submitted a revised fiscal year 2004 transportation report to ADE.

Performance measures could improve program management—

The District should develop and monitor performance measures to improve its program management. Measures such as cost-per-mile and cost-per-rider could help the District identify areas for improvement. Additionally, collecting and monitoring data on driver productivity, bus capacity rates, and ride times could help to identify routes with low ridership, buses that are overcrowded, or routes that may be effectively combined. Without measures such as these, the District cannot compare its operations to established industry benchmarks, similar school districts, or its own past performance to help ensure the program's efficiency and effectiveness.

Recommendations

1. The District should evaluate whether special education transportation costs can be reduced. Efforts may include such things as reviewing routes, using fewer or closer alternative programs, and/or reassessing its staffing needs.
2. The District should review its regular bus routes for efficiency.
3. The District should monitor daily route, activity trip, and nondrive time and evaluate driver productivity.
4. The District should improve its bus mileage reporting by ensuring drivers are adequately trained to complete bus mileage logs, all bus logs are turned in, and the monthly mileage summaries are accurate and complete.
5. The District should develop and monitor performance measures, including cost-per-mile, cost-per-rider, and measures focusing on timeliness, bus capacity, and driver productivity to enhance its ability to manage the program efficiently.

CHAPTER 4

Plant operation and maintenance

In the Auditor General's fiscal year 2003 *Classroom Dollars* report, auditors found that, on average, Arizona districts spent 11.7 percent of their current dollars on plant operation and maintenance, while the national average was 9.6 percent. In fiscal year 2003, the District spent approximately 12.8 percent of its current dollars on plant operation and maintenance. Although somewhat higher than the state-wide average, the District's plant costs are similar to comparably sized districts. While the District has taken steps to manage its electricity costs, it should also focus efforts on repair and maintenance costs, which are significantly higher than those of the comparable districts.

About 98 percent of the District's 2 million-plus square feet of facilities space is devoted to classrooms or other instructional uses. Additionally, the District also uses space at an area mall for an alternative program. These combined facilities served 14,152 students in grades 9 through 12. The District's 152 square-feet per pupil is more than the applicable 112 square-footage-per-pupil standard set by the School Facilities Board for the Students First program. Districts that fall below this standard can receive state monies to acquire additional space.

The District's plant costs were similar to the comparable districts' average

The Auditor General's *Classroom Dollars* report determined that, on average, high school and unified districts have higher plant costs than elementary districts. This is likely due to the costs associated with maintaining specialized high school facilities such as football fields, swimming pools, vocational classrooms, and science laboratories. The comparable districts selected were, therefore, limited to comparably sized union high and unified school districts.

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.

As shown in Table 5, the District's fiscal year 2003 plant costs totaled \$11.6 million, equating to \$5.41 per square foot, or \$823 per pupil. These costs are about average in comparison to comparable districts and, on a per-square-foot basis, are similar to the state-wide average for union high school districts.

**Table 5: Plant Costs Comparison Per Student and Per Square Foot
Fiscal Year 2003
(Unaudited)**

| District Name | Plant Costs | | | | |
|--|---------------------|----------------|-----------------|----------------------------|----------------------------|
| | Total | Per Student | Per Square Foot | Square Footage Per Student | Total Gross Square Footage |
| Tempe UHSD | \$11,472,837 | \$ 884 | \$5.19 | 171 | 2,211,676 |
| Glendale UHSD | 11,650,685 | 823 | 5.41 | 152 | 2,151,645 |
| Sunnyside USD | 11,485,093 | 782 | 6.59 | 119 | 1,743,389 |
| Amphitheater USD | 12,631,830 | 769 | 5.13 | 150 | 2,464,079 |
| Average of the comparable districts | \$11,863,253 | \$812 | \$5.63 | 146 | 2,139,715 |
| State-wide average of union high school districts | | \$1,065 | \$5.32 | | |

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.

While the District's overall costs are about average, its electricity costs are slightly below the comparable districts' average per square foot. The District indicated that it has taken steps to help control electricity costs, which make up more than 20 percent of its total plant costs. For example, the District has equipped each of its schools with a computerized climate control system, which allows the District to manage energy use and detect problems with the cooling or heating system. Additionally, the District's business manager regularly meets with its electricity providers to ensure the District is using the most cost-effective rate plan. In the past 2 years, two of the District's schools qualified for rate plans that each cost less, on average, per kilowatt hour of electricity.

The District's repair and maintenance costs were higher than comparable districts'

Although the District has taken steps to control its electricity costs, additional efforts are needed to manage its repair and maintenance costs. As shown in Table 6 on page 25, the District's fiscal year 2003 repair and maintenance costs were \$49 per pupil, or about 2 times higher than the comparable districts averaged.

Nearly 40 percent of the repair and maintenance costs are associated with the District's high-speed copiers. Under its copier agreement, the District pays a small per-copy service charge, about ½ cent, to cover repair and maintenance needs for the copiers. According to district officials, the District develops a significant amount of its curriculum in-house, and these materials are reproduced for students. It appears that this approach does reduce the District's expenses for textbooks and outside instructional aids. Averaged over a 3-year period, the District spent about \$66 per pupil each year for these items, which was about 50 percent less per pupil than comparable districts spent.

However, the District also produces a number of other noninstructional items that further contribute to its high repair and maintenance costs. For instance, the District produces an annual report, which is sent to all households within the District's boundaries, and schools publish newsletters and other items, such as student handbooks. While some of these materials are produced on the District's printing press, a number of them are produced using the more expensive copiers. While the District told us that it recommends its staff submit larger documents requiring more than 30 copies to the print shop for production, it is not clear that this policy is communicated to its employees and enforced. Based on the cost of these high-speed copiers, clear policies are needed to ensure that access is properly controlled and unnecessary copying is minimized.

Recommendation

The District should evaluate the use of its copiers to determine if it can reduce usage by encouraging staff to send larger print jobs to the print shop and monitoring copier use through access controls or other measures.

Table 6: Comparison of Repair and Maintenance Costs
Fiscal Year 2003
(Unaudited)

| District Name | Total Repair and Maintenance Costs | Per Pupil |
|--|------------------------------------|-------------|
| Glendale UHSD | \$687,918 | \$49 |
| Tempe UHSD | 374,548 | 29 |
| Sunnywide USD | 331,274 | 23 |
| Amphitheater USD | 328,264 | 20 |
| Average of the comparable districts | \$344,695 | \$24 |

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

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 school and district achievement of performance measures. The District spent all of its Proposition 301 monies for salaries and benefits.

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

Under the District's fiscal year 2003 plan, all employees paid on the teacher's salary schedule were eligible to receive monies. This included 678 teachers, 33 counselors, and 8 librarians. The plan called for spending Proposition 301 monies as follows:

Plan Details

Base Pay—The base pay increases were included in the salary schedule, with eligible employees receiving 2.6 percent pay increases. While actual amounts varied based upon education level and years of experience, salary and related benefits increased an average of \$1,225 per eligible employee.

Performance Pay—Each eligible employee earned an average of \$1,660 in additional performance pay salary and related benefits. The District's performance pay plan consisted of four main components, and schools were required to meet requirements in three of these four areas for their employees to qualify for performance pay. Specifically:

- **Student achievement**—Student achievement measures included the District Assessment Achievement Index, and AIMS, Stanford 9, College Board Advanced Placement, SAT, and ACT test scores. Each of these measures was assigned a point value, based on its overall contribution to the academic program. To meet the student achievement performance goal, a school was required to earn at least 75 points out of the total 100 points possible.
- **Dropout rate** —Each school's dropout rate, as reported by ADE, must be less than 6 percent each year or improve from the prior year's dropout rate.
- **Parental satisfaction**—An annual parental survey was established to measure parent satisfaction in areas such as student academic progress, safe and orderly campus, and school-home communication. The goal called for at least 80 percent of parents surveyed to indicate satisfaction with the school, or for the percentage of parents indicating satisfaction with the school to increase compared to the previous year.
- **Local school goals**—Each school must select individual measurable goals. To meet this performance pay goal, each school must meet a majority of the goals set. Examples of schools' goals included increasing student participation in extracurricular activities, increasing students' competency in technology, and revising reading and writing curricula.

All nine of the District's schools met at least three goals, and therefore, all eligible employees received the full amount of performance pay. Specifically, five schools accomplished all four goals, while four schools met three goals. The goal that these four schools did not meet was related to student achievement.

In addition to meeting at least three of the four goals, eligible employees were required to return to work during fiscal year 2004 to receive the fiscal year 2003 performance pay. However, the plan did allow the District to pay teachers who did not continue employment due to hardship, such as personal illness, family illness, or family relocation.

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 teachers for working additional instructional and staff development days. These monies were built into the salary schedule and each eligible employee's contract. The actual amount that employees earned varied based upon their education level and years of experience. Each eligible employee received a compensation increase of 5.3 percent, which averaged \$2,449 per employee.

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. 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 \$4,186,180 in Proposition 301 monies and distributed \$3,835,008 to eligible employees. Unexpended Proposition 301 monies remain in the Classroom Site Fund to be spent in future years.

As shown in Table 7, eligible employees, on average, received approximately \$5,334 each in additional salary and related benefits.

Table 7: Proposition 301 Monies Paid Per Employee Fiscal Year 2003 (Unaudited)

| Category | Budgeted | Actual |
|-----------------|-----------------------|-----------------------|
| Base Pay | \$1,224 | \$1,225 |
| Performance Pay | 4,435 | 1,660 ^a |
| Menu Options | <u>2,449</u> | <u>2,449</u> |
| Total | <u>\$8,108</u> | <u>\$5,334</u> |

^a These monies are for performance pay earned in fiscal year 2002. Fiscal year 2003 performance pay monies were subsequently distributed in fiscal year 2004.

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

CHAPTER 6

Classroom dollars

A.R.S. §41-1279.03.A.9 requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Additionally, Laws 2002, 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 errors did not significantly affect classroom dollar percentage but overstated administrative costs

The District's classroom expenditures were generally recorded in accordance with the Uniform Chart of Accounts for school districts. Auditors identified minor errors that increased the District's classroom dollars percentage slightly, by 0.1 percentage points to 59.7 percent, which is above the state average of 58.6. However, these and other more significant misclassifications resulted in an overstated administrative cost percentage. For example:

- The District misclassified more than \$438,000 in salaries and benefits as administrative costs. For instance, approximately \$245,000 of salary and benefit costs for the District's credentials secretaries were classified as administration. These positions primarily worked with student attendance records and should have been recorded as student support services.
- More than \$227,000 of telephone and various repair and maintenance costs were classified as administration, but should have been reflected as plant operation and maintenance costs.

Adjusting for these and other errors decreased the District's administrative expenditures by nearly \$756,000 and reduced its administrative cost percentage from 10.7 to 9.9 percent.

Recommendation

The District should ensure that its transactions are classified in accordance with the Uniform Chart of Accounts for school districts.

CHAPTER 7

Desegregation monies

Glendale Union High School District was 1 of 19 Arizona school districts budgeting monies to address desegregation in fiscal year 2003. The District's desegregation plan requires the District to make certain efforts to remove language barriers for limited English proficient (LEP) students and ensure equal treatment of racial minority students. In fiscal year 2003, the District spent more than \$5 million, or an average of \$362 per student, for these purposes and other services for all students at risk of dropping out of school. However, the District's expenditures for at-risk programs for non-LEP students do not appear to qualify as desegregation expenses under Arizona law. Thirty-four 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 or 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 are required to report specified information to the Governor, legislators, and legislative education committee chairpersons once every 2 years.

District desegregation plan

The District's current desegregation plan stems from both an OCR administrative agreement and a commitment to resolve, which resulted from three complaints filed against the District between August 1984 and June 1994. Two of the complaints led to OCR investigations that found inequitable treatment of LEP students. In 1984, the District entered into an administrative agreement to take actions to remove language barriers for LEP students. This agreement was later revised in 1992 to include services for all students at risk of dropping out of school. However, the complaints and OCR findings did not relate to at-risk programs, and dropout prevention for non-LEP students does not appear to qualify as a desegregation effort under Arizona law. Although the OCR approved the revisions, it noted that approval was given because the added objectives did not reduce the plan's required services for LEP students.

The other complaint resulting in an agreement with the OCR related to alleged racial discrimination in student disciplinary matters. While the OCR did not find evidence of the alleged racial discrimination, the District voluntarily offered to enter into a separate commitment to resolve, which is subject to monitoring by the OCR.

Desegregation efforts—In fiscal year 2003, the District spent desegregation monies on programs designed to remove language barriers for LEP students, provide services for at-risk students, and achieve equality in disciplinary matters for racial minorities. These efforts established specific staffing at each school, training for teachers and staff, certification requirements for teachers, and student assessment and instruction activities. According to the District, all of its students were affected by some component of its desegregation efforts even through LEP and minority

students do not make up the majority of its student population. The District reported that approximately 5.5 percent of its students were LEP, while 43.5 percent of its students were classified as minorities in fiscal year 2003.

- **LEP student services**—To assist LEP students in gaining English mastery and equal educational opportunities, the District has implemented assessment and instructional activities, teacher certification requirements, and class size goals for LEP classes. Specifically, the District has developed procedures to identify students who use a language other than English at home. Teachers with English as a Second Language certifications instruct these students in classes with lower student-to-staff ratios. To further assist these students, the District assigns social workers, who are either bilingual or who have access to interpreters, to provide increased communication between school employees and parents of LEP students.

While the District receives desegregation monies to provide these services, it also receives additional state funding for LEP students. In fiscal year 2001, the State modified its funding formula to nearly double the funding for each LEP student. This resulted in the District receiving a total of approximately \$462,000 in fiscal year 2003.

- **At-risk student services**—To better serve students at risk of dropping out of school, the District has implemented assessment and instructional activities designed to improve student learning and attendance. Specifically, under the plan, counselors review and evaluate student performance records to identify at-risk students. These students are then placed in the District's School-Within-A-School program, which is intended to help students improve study skills, monitor student progress in all classes, and provide emotional support to promote student achievement. In addition, the District provides all students access to staffed computer labs and media centers outside of normal school hours.
- **Equality in minority student discipline**—To ensure equal treatment of minority students in disciplinary matters, the District has assigned employees at each school to train the staff and teachers on cultural diversity and ethnic differences. The District uses desegregation monies to pay for an assistant principal for discipline and attendance, one or more counselors, and a social worker on each campus to address complaints to ensure minority students are free from harassment and discrimination.

OCR correspondence in August 1992 indicated that it considered the District to be in compliance with federal regulations as they pertain to the allegations of inequitable treatment of LEP students. However, in June 1994, the OCR indicated that it will monitor implementation of the commitment to resolve on racial discipline issues and reopen the case and investigations if the District fails to implement its commitment.

While the OCR has deemed the District in compliance with federal regulations, A.R.S. §15-910 allows districts to continue budgeting separately for expenses related to ongoing desegregation activities.

Financial impact—According to the District, all of its students are served by desegregation program activities related to its commitment to resolve racial discrimination issues. The District’s fiscal year 2003 noncapital desegregation expenditures totaled approximately \$5.1 million. This equated to \$362 of the District’s \$6,448 total current expenditures per pupil, or about 5.6 percent. Thus, the District’s desegregation expenditures were a smaller proportion of its total current expenditures than the 8.5 percent average for the other 18 districts with desegregation expenditures.

The District spent 34.5 percent of its desegregation monies on instruction, primarily for salary costs of teachers and classroom assistants. As shown in Table 8, the largest components of desegregation expenditures were instruction and student support services.

**Table 8: Cost Percentages for Desegregation Expenditures
Fiscal Year 2003
(Unaudited)**

| Percentage | Function |
|---------------|------------------------|
| 34.5% | Instruction |
| 26.3 | Student support |
| 20.5 | School administration |
| 18.3 | Instructional support |
| 0.4 | Student transportation |
| 100.0% | Total |

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

Nearly 100 percent of the District’s desegregation expenditures were for salaries and benefits, paying a portion of the salaries for 372 full- and part-time employees. For example, the District paid about half of the total salaries and benefits for 24 counselors from desegregation monies and nearly all of such costs for an assistant principal, a social worker, and a credentials secretary for each campus. Other employees paid from desegregation monies included teachers, teacher aides, and clerical staff. The District reported that all of these employees performed some duties relating to its programs for LEP, at-risk, and minority students.

At-risk services for non-LEP students should not be paid from desegregation monies—While the District’s OCR agreement includes services for all at-risk students, the non-LEP services were not required by the OCR. Further, A.R.S. §15-910(G) does not provide for desegregation monies to be used for dropout prevention or other programs not directed at addressing discrimination. The District’s expenditure records do not specifically identify the costs of providing at-risk services from desegregation monies. Therefore, the District should separately identify such costs and reduce its desegregation expenditures accordingly.

Recommendation

The District should discontinue paying for the cost of non-LEP at-risk student services from its desegregation monies.

APPENDIX

Appendix

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

| Position | FTE | Duties | Salary | Benefits |
|---|-----|---|-----------|-----------------------|
| District Administration | | | | |
| Superintendent | 1.0 | Served as the executive head of the school district responsible for developing and maintaining a positive educational program designed to meet the needs of the community. Accountable for the District's operation and performance consistent with district policies and applicable state laws and regulations. | \$138,160 | \$15,470 |
| | | Accrued leave payout and performance award for former superintendent. | \$900 | \$64,201 |
| Associate Superintendent of Finance | 1.0 | Supervised business services, reviewed and developed policy recommendations, served as spokesperson in negotiations with employee groups, and prepared the final budget for the Superintendent and Governing Board. | \$116,404 | \$15,430 |
| Administrator of Operations | 1.0 | Responsible for determining and recommending activities needed to organize and support bond and/or override elections, and ensuring facilities are safe and maintained. | \$88,227 | \$23,280 ^a |
| Administrator of Personnel | .5 | Recruited and screened administrative and certified staff and provided standards of performance and guidance in the areas of employee hiring, evaluation, discipline, and termination. Provided workplace policy training and monitored professional growth hours for staff recertification and salary schedule credit. | \$58,163 | \$48,158 ^b |
| Administrator of Operational Support | 1.0 | Recruited, screened, and recommended support staff for clerical, maintenance, and instructional aide positions. Assisted with certified and administrative recruitment selection. Provided guidance in the areas of employee hiring, evaluation, discipline, and termination. Monitored unemployment claims, appeals, and related issues for support staff. | \$90,127 | \$13,101 |
| Administrator for Career and Community Partnerships | 1.0 | Researched and identified high-demand career pathways for post-high school training and employment, assisted schools in identifying staff interests, student needs, and strategies to align career pathways, and identified potential entities that could provide career pathways. | \$90,027 | \$13,998 |
| Administrator of Information Technology | 1.0 | Responsible for the efficient functioning of all the technology and computerized reporting systems throughout the District. | \$86,338 | \$13,725 |

| Position | FTE | Duties | Salary | Benefits |
|--|-----|---|-----------|----------|
| District Administration | | | | |
| Administrator of Vocational Education and Special Programs | 0.9 | Supervised the Special Education Director and the Guidance/Support Services Coordinator, developed and managed external projects including federal and state vocational and special programs, and assisted in long- and short-range planning. | \$82,077 | \$11,449 |
| Director of Public Affairs | 1.0 | Promoted programs through advertising, press releases, newsletters and the District's Web page. Facilitated Governing Board communication, and acted as the District's spokesperson and media contact. | \$74,237 | \$12,679 |
| Business Manager | 1.0 | Maintained district accounting records, was responsible for budget preparation, reconciliation and monitoring, and coordinated financial audits. | \$71,662 | \$10,949 |
| Director of Special Education | 1.0 | Assisted principals with evaluation of special education teachers and staff and directed the District's special education program. | \$67,692 | \$12,107 |
| Payroll and Accounting Supervisor | 1.0 | Oversaw the operation of the Payroll and Accounting departments, filed governmental and agency reports, and maintained records for research, verification, and audits. | \$56,999 | \$9,362 |
| Computer Repair Supervisor | .9 | Maintained the administrative Linux computer system at all schools, oversaw the computer repair department, and maintained computer parts inventory. | \$51,209 | \$8,347 |
| Supervisor of Network Systems | .85 | Maintained district lab operating systems, and tape backup, and managed Novell Netware and virus control. | \$46,017 | \$7,976 |
| Director of Purchasing | 1.0 | Oversaw the procurement of goods, services, and equipment for the operation of the District and schools. | \$51,452 | \$10,460 |
| Hearing Officer | .3 | Worked with student discipline issues, ensured suspensions and expulsions were within district policy, and conducted hearings for expulsions and student and parent appeals. | \$26,187 | \$5,574 |
| Computer Programmer/Analyst | 4.0 | Created computer programs and applications, evaluated computer systems, participated in staff development programs to instruct district personnel, and prepared program and system documentation. | \$182,378 | \$37,948 |
| | | Range | | |
| | | Salary | \$40,246 | \$48,505 |
| | | Benefits | \$ 8,280 | \$10,161 |

Appendix (continued)

| Position | FTE | Duties | Salary | Benefits |
|---|-----|---|----------|----------|
| District Administration (Continued) | | | | |
| Secretary to the Superintendent and Governing Board | 1.0 | Recorded, typed, and distributed board minutes, compiled special reports, and completed all secretarial duties in the Superintendent's office. | \$42,614 | \$9,538 |
| Computer Technician | 2.6 | Maintained local networks, Novell, and NetWare; installed and maintained computer and printer equipment; and troubleshoot for computer and network problems. Range Salary \$20,466 \$26,519 Benefits \$ 4,612 \$ 6,097 | \$93,013 | \$21,347 |
| Communications Assistant | 1.0 | Assisted in developing press releases and publications, arranged logistics for district events, performed general office duties, designed bulletin board and décor in district office lobby, and directed district clean air campaign. | \$37,932 | \$9,051 |
| Employee Benefit Coordinator | 1.0 | Served as liaison to district insurance companies, maintained statistical profiles, resolved insurance company and employee concerns, and input all employee payroll insurance deductions. | \$37,487 | \$8,000 |
| Printshop Supervisor | 1.0 | Scheduled workflow of print shop, and maintained shop equipment and up-to-date standard forms catalogs. | \$37,244 | \$8,718 |
| Word Processing Coordinator | 1.0 | Maintained Internet access and GroupWise programs, created NetWare accounts, troubleshoot Word, Filemaker Pro, and Excel application problems, created forms, and generated course description booklets. | \$36,424 | \$7,643 |
| Assistant Buyers | 2.0 | Maintained equipment inventory, processed requisitions, requested and evaluated quotes and bids, and performed tasks assigned by Director of Purchasing. Range Salary \$33,190 \$36,274 Benefits \$ 8,609 \$ 8,625 | \$69,464 | \$17,234 |
| Payroll Clerk | 2.0 | Prepared bi-weekly payroll, processed changes to payroll, and coded and computed employee contracts. Range Salary \$30,197 \$35,383 Benefits \$ 7,102 \$ 8,831 | \$77,979 | \$16,764 |
| Accountant I | 1.0 | Processed vendor invoices and payments. Coded all district requisitions, processed travel claims, and prepared tax forms. | \$34,792 | \$8,457 |

Appendix

(continued)

| Position | FTE | Duties | Salary | Benefits |
|---|-----|---|----------|------------|
| District Administration (Continued) | | | | |
| District Printer | 3.0 | Produced standard district forms and special projects and maintained graphics arts equipment. Range Salary \$27,550 \$34,535 Benefits \$ 6,900 \$ 8,443 | \$91,988 | \$23,379 |
| Secretary to Director of Special Education | 1.0 | Maintained appointments schedule, answered incoming phone calls, distributed forms, and maintained supplies and program records. | \$33,474 | \$8,419 |
| Secretary to Associate Superintendent of Operations | 1.0 | Assisted in responding to community inquiries, complaints, and inquiries from regulatory agencies. Assisted in preparing annual district calendars. | \$33,206 | \$7,313 |
| Finance Secretary | 1.0 | Maintained the District's computerized budget system, entered budgets into district accounting system, and allocated school and department capital budgets. | \$31,534 | \$8,441 |
| Accounts Payable Clerk | 2.0 | Processed vendor payments. Filed invoices and purchase orders, and maintained master vendor identification file. Range Salary \$28,618 \$31,342 Benefits \$ 6,958 \$ 7,101 | \$59,960 | \$14,059 |
| Personnel Records Specialist | 1.0 | Assisted in organizing teacher recruiting events, maintained certified employee files, tracked extra-duty and department chair assignments. | \$32,182 | \$7,254 |
| Purchasing Clerk | 1.0 | Typed and distributed purchase orders and invitations for bids, maintained departmental files and vendor bid lists. | \$29,682 | \$8,227 |
| District Substitute Coordinator | 1.0 | Maintained up-to-date files on substitute teachers, secured long-term and daily substitute teachers as needed, reviewed substitute evaluations, and conducted employment verifications. | \$27,100 | \$7,991 |
| Accounting Specialist and Auxiliary Fund Treasurer | 1.0 | Prepared weekly expenditure vouchers, monthly-use tax filings, semi-monthly voucher reports, and monthly revenue deposits with county treasurer. | \$32,020 | \$19,742 ° |
| District Receptionist | 1.0 | Operated main switchboard telephone, trained substitute receptionist, greeted visitors, ran weekly backup voice mail reports, mailed applications to prospective employees, and processed applications for substitute teachers. | \$26,278 | \$6,864 |

Appendix (continued)

| Position | FTE | Duties | Salary | Benefits |
|--|------|---|-----------|--------------------------|
| District Administration (Concl'd) | | | | |
| Secretary II to the Administrator of Personnel | 1.0 | Answered phones and correspondence, maintained personnel applicant filing system, maintained up-to-date knowledge of department concerns and dispensed authorized information, and tracked, recorded, and processed certification information. | \$25,500 | \$7,685 |
| Special Programs Secretary | .6 | Assisted in monitoring basic federal, state priority, and Title I grants. Prepared enrollment reports, assisted in monitoring teacher certifications, state requirements, and performance standards. | \$19,000 | \$4,270 |
| Education Technician | .5 | Assisted Supervisor of Network Systems with installation and upkeep of network systems. | \$12,293 | \$1,230 |
| School Administration | | | | |
| Principal | 9.0 | Supervised the school's operation, recommended personnel for employment, directed local school budget preparation and control, and implemented district policies. Range Salary \$80,360 \$89,189 Benefits \$13,078 \$14,044 | \$762,916 | \$122,583 ^d |
| Assistant Principal, Operations and Resources | 8.65 | Oversaw extra-curricular activities program including athletics and bookstore operations and school accounting procedures. Supervised extra-duty assignments, general inventories, property control, and school facilities usage. Range Salary \$67,178 \$82,790 Benefits \$ 10,851 \$13,524 | \$665,411 | \$115,685 ^{e,f} |
| | | Accrued leave payout for two retired assistant principals | | \$63,257 |
| Assistant Principal, Student Services | 9.0 | Oversaw the guidance and career information center, monitored counselors, directed registration program and student records office, prepared reports, organized and implemented the student testing program, and supervised the selection of students for honors and awards. Range Salary \$68,175 \$78,776 Benefits \$11,122 \$13,211 | \$675,456 | \$123,779 ^{g,h} |
| Assistant Principal, Discipline and Attendance | 9.0 | Formulated and enforced student policies and code of ethics, supervised school student activity programs, and assisted in coordinating student teacher programs. Range Salary \$57,679 \$75,166 Benefits \$ 9,668 \$12,862 | \$600,993 | \$101,176 |

| Position | FTE | Duties | Total Salaries | Total Benefits |
|--|-----|--|----------------|-----------------------|
| School Administration (Continued) | | | | |
| Assistant Principal at Northern Annex | 1.0 | Acted as liaison between home, school, and community, supported administration and local schools' counseling and psychological services, assisted families in understanding resources, and provided information and referral services. | \$60,175 | \$11,345 |
| School Secretary | 9.0 | Performed secretarial and clerical duties, received incoming calls, maintained personnel files and principal's appointment calendar. Range Salary \$23,644 \$39,937 Benefits \$ 6,385 \$ 9,293 | \$301,531 | \$72,608 ⁱ |
| Secretary III, Operations and Resources | 9.0 | Performed secretarial duties for the Assistant Principal for Operations and Resources and coaches, verified eligibility and cleared athletes, and maintained files. Range Salary \$14,047 \$28,810 Benefits \$ 2,754 \$ 8,164 | \$213,741 | \$58,778 |
| Receptionist | 9.0 | Received incoming calls, welcomed visitors, sorted mail, and typed bulletins. Range Salary \$19,210 \$24,910 Benefits \$ 1,876 \$ 7,769 | \$201,417 | \$59,077 |
| School Data Processing Operator | 9.0 | Maintained and organized computer files, organized data processing functions and coordinated departments' computer usage, assigned student ID numbers, and assisted counselors with building student schedules. Range Salary \$28,678 \$35,708 Benefits \$ 7,341 \$ 8,789 | \$289,084 | \$72,152 ^j |
| Clerical Aide | 9.0 | Compiled and maintained data for school records, assisted in mail distribution, and other clerical duties . Range Salary \$ 8,176 \$14,447 Benefits \$ 829 \$ 6,706 | \$108,448 | \$45,266 ^k |
| Lunch Duty, Saturday Detention | | Additional pay for staff who supervised lunch periods or Saturday detentions. | \$94,581 | \$9,296 |

Appendix (concluded)

| Position | FTE | Duties | Total Salaries | Total Benefits |
|--|-------|--|--------------------|-----------------------|
| School Administration (Continued) | | | | |
| Other | | Administrative expenditures for nonadministrative and substitute staff who performed small amounts of administrative work. | \$103,197 | \$41,320 ^l |
| | | Benefit costs not separately identified by employee. | _____ | <u>\$52,972</u> |
| Total | 128.3 | | <u>\$6,376,371</u> | <u>\$1,522,172</u> |

a Includes \$10,999 for accrued leave for staff within 5 years of retirement.

b Includes accrued leave payment of \$40,910.

c Includes accrued leave payment of \$11,548.

d Includes salary schedule step increases totaling \$6,462 in salaries and \$628 in benefits in exchange for accrued sick leave for two principals.

e Includes payments totaling \$11,672 for accrued leave for two assistant principals within 5 years of retirement.

f Includes salary schedule step increases totaling \$5,781 in salaries and \$576 in benefits in exchange for accrued sick leave for two assistant principals.

g Includes accrued leave payment of \$14,663 for one assistant principal.

h Includes a salary schedule step increase of \$2,844 in salary and \$275 in benefits in exchange for accrued sick leave for one assistant principal.

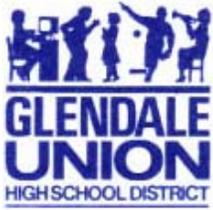
i Includes accrued leave payment of \$3,304.

j Includes a salary schedule step increase of \$1,066 in salary and \$108 in benefits in exchange for accrued sick leave for one data processing operator.

k Includes accrued leave payment of \$1,773.

l Includes accrued leave payments totaling \$18,371 for employees who left the District in fiscal year 2002.

DISTRICT RESPONSE



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SUPERINTENDENT OF SCHOOLS
Vernon E. Jacobs

December 1, 2004

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

Dear Ms. Davenport:

Enclosed is the Glendale Union High School District response to the Performance Audit. The report indicates findings which we are in general agreement; however, the district continues to question the methodology used to determine the outcomes. As we previously expressed, high school districts are not comparable to elementary districts or unified districts.

We appreciate you taking the time to meet and discuss your audit and our concerns two times. During our recent meeting you encouraged us to contact your office if we felt the report was unfair or biased. We did indeed contact your office to gather additional information about your current methodology for selecting the comparison schools that were included in your report. Based on these conversations and following a review of the 2000 and 2002 reports on factors impacting school district administrative costs published by your office, we are even more concerned that your methodology for selecting comparison schools is based on invalid assumptions. Enclosed with our response to the performance audit you will find our discussion of why your methods may be invalid in terms of selecting comparison schools.

Glendale Union High School District has a strong state and national reputation for outstanding staff, curricular and extra-curricular programs. At the same time, we have been conservative in our taxing and have developed an enviable reputation for wise expenditures of monies for school operations. As indicated, your report does conclude that our administrative cost percentage matched the average of 9.9% for all districts in the state and our funding in the classroom is 59.6%, which is higher than state average of 58.6%.

The District continues to improve the educational experience offered, while providing financial accountability to the community taxpayers. It is unfortunate that your audit does not take into consideration how successful a school district is and what these practices are that contribute to the success. As a school district, our bottom line should be measured in terms of student achievement and success.

Empowering All Students For The Choices And Challenges Of The Twenty-First Century

Apollo•Cortez•Glendale•Greenway•Independence•Moon Valley•Sunnyslope•Thunderbird•Washington•Metrocenter Academy

Office of the Auditor General

December 1, 2004

Page Two

Glendale Union celebrates diverse cultures and socioeconomic backgrounds, yet, all nine of our high schools have earned excelling, highly performing or performing labels under the Arizona LEARNS program. Our school district consistently reports a low drop out rate, high graduation rate and strong participation in the fine arts, athletics and community service. Our faculty and staff are well trained, and students benefit from a low pupil/teacher ratio and more school days for instructions. As a result, nearly 80% of our students go on to higher education and training upon graduation.

In closing, we are not disputing the reasons for the audit; in fact we want to improve from the audit. Presently from the comparison group we have 63 elementary schools and 13 high schools to call. Looking at their combined data does not give our nine high schools clear direction. We believe the sample number of high schools is too few to be reliable when added to 63 elementary schools. Currently in the state of Arizona there are 58 high schools whose student count range is from 950 to 1899 students, and another 58 high schools whose student count range is from 1900 to 4000 students. These are the schools that we must compete with in all areas. Data generated from these schools would be a great benefit to all 116 high schools.

We strongly encourage your department reconsider the current methods used to determine outcomes. We are asking your department to use type of school, elementary or high school, as factors in your formulas.

I look forward to the continued dialogue between your office and the Glendale Union High School District and would be interested in participating in a project that would make the above comparison possible.

Sincerely,

Vernon Jacobs
Superintendent

Enclosure: District Response

Glendale Union High School District

District response to Auditor General audit findings and recommendations

Chapter 1 - Administration

The Glendale Union High School District believes the method for selecting comparable schools used by the audit team for the comparison of administrative cost leads to invalid conclusions. The auditors' primary criterion for determining comparative districts is average daily membership counts and number of schools. In the audit report this has resulted in the comparison of Glendale Union High School District with five other districts with a combined total of 63 elementary schools and only 13 high schools. We believe a criterion that compares elementary schools to high school programs leads to invalid conclusions. The Auditor General's staff references the 2002 Special Study, Factors Affecting School Districts' Administrative Costs, as the basis for their decision not to include type of school in the comparative school selection. In that study, the Auditor General states:

“In addition, because of questions raised following a previous administrative cost study, auditors also examined special education expenditures and district type. However, we found that these factors do not appear to impact administrative costs.”

While this conclusion was reached in this study, no data was provided to support the result. The Glendale Union High School District gathered the data provided in both the 2002 study and the previous 2000 study and found the following.

Using the same methods as the Auditor General, we examined whether there were significant differences based on school district type in per pupil administrative costs. In addition we examined if there was any interaction between school district size and type that would contribute to differences in per pupil administrative costs.

Our analysis of school district type indicated that despite significant observable differences in the group means (greater than \$100 per pupil) there were no statistically significant differences. However, upon examination of observed statistical power, the reason that no significant differences were noted was likely due to the fact that statistical power was too low to detect a difference between group means if one actually existed. Statistical power for the test we performed showed a 68 percent chance that the conclusion that type is not a significant factor is in error. Statistically speaking this is called a Type II error. As a result of our analysis, there is strong evidence that a difference may exist between school districts based on type of district but that such differences were not noted in the 2002 Special Study because the Auditor General's staff failed to take into account the impact of statistical power and the extremely high probability of Type II error in their analysis.

As a result of our analysis and based on our discussion with the Auditor General's staff, we contend that the conclusion above, indicating that district type is not a factor that affects administrative costs, is likely an inaccurate conclusion based on the data.

Finally, we examined the impact of school size and type combined on administrative costs and determined that there was a significant impact. Additionally the interaction between these two variables does seem to be significant when they are examined simultaneously.

As a result, this analysis provides additional support that school district type may impact administrative costs.

We believe that, even if it was determined that type of district was not a factor affecting administrative costs, type of district would be a factor in evaluating administrative staffing of a school district. The Auditor General's staff expanded their research to evaluate 50 high schools and compared their administrative staffing to that of Glendale Union. The Auditor General reported most high schools had three assistant principals, similar to Glendale Union High School District's staffing. The finding that the district has 16 more administrators than the comparable districts does not take into consideration the difference in staffing resulting from type of district.

The Glendale Union High School District also questions the significant spread of administrative costs for the comparable districts. The lowest spending district spends \$153 less per student than the next lowest district of the comparative group and about 29% less than the average of all the schools. This significant spread raises the concern that administrative costs may not be consistently reported at all schools. If the Auditor General is going to use comparative districts that include such significant spread, we suggest that the median cost would provide a more appropriate measure of central tendency than the average. In the case of the current comparative districts, the median cost is \$560 and places Glendale Union administrative costs at 13% above these districts.

The Glendale Union High School District believes that issues, such as school size, should also be relevant. Glendale Union has purposely maintained smaller school sizes to address such issues as dropouts and student involvement in extracurricular activities, which we believe significantly enhances student achievement.

Audit Recommendation

1. The District should evaluate whether it could modify its school administration staffing levels to produce cost savings.

District Response

The district agrees it will continue to evaluate its school administrative staffing levels. Our current school administrative staffing levels are appropriate. As is pointed out in the Auditor General report, the district staffing for high schools with three assistant principal positions is comparable to other high schools. Our

administrative costs as a percentage of total costs are below the national average and are equal to the state average. In our evaluation of administrative staffing, we will also study the appropriate classification of each of the administrative positions to the 2400 function. We believe that a significant portion of these costs may be more properly coded toward the 2200 function, which may be more consistent with how other districts are recording costs.

Glendale Union maintains community-based high schools with lower student populations than those selected by the Auditor General for comparative purposes. While we recognize there is a cost to this decision, we also recognize there is a consequence to increasing the school size. Our district's nine highly academically performing schools have maintained significantly lower dropout rates than the state average and below that of the comparative districts. We have also engaged 70 percent of our students into extracurricular programs, which would not be possible in a larger school program.

Audit Recommendation

2. The District should evaluate the costs of providing certain administrators with expense allowances and paying current employees for accumulated leave and determine whether such benefits should be less generous or discontinued.

District Response

The district agrees it will continue to evaluate the use of expense allowances and paying current employees for accumulated leave. Administrators' expense allowances have been utilized in lieu of providing district cell phones and a fleet of district vehicles. The district estimates savings annually to its operating budget of approximately \$100,000 as a result of this expense allowance. These savings will be considered in the district's determination whether to continue the expense allowances or not.

The district does annually compare its salary schedules to that of the following districts—Phoenix Union, Tucson Unified, Gilbert Unified, Peoria Unified, Mesa Unified, Tempe Union, Chandler Unified, Paradise Valley Unified, Scottsdale Unified and Deer Valley Unified. We find that our administrative salaries, including expense allowances, rank from 9th to 5th in comparison to these larger districts. The buyout of accumulated leave is used as an incentive to reward employees for good attendance.

Audit Recommendation

3. The District should evaluate more cost-effective alternatives for keeping its community informed.

District Response

The district agrees to evaluate more cost-effective alternatives for keeping its community informed. The Glendale Union High School District has always worked to provide strong communication back to our community. The use of electronic communication is currently being developed in our district but at this time it is considered a poor method due to the large number of our families that do not have access to this media and because of the large number of our community members for whom the district does not have access to their e-mail addresses. The district is also exploring expanded bulk mailing options for some district mailings.

Chapter 2 - Food Service

The Glendale Union High School District's food service operation has been undergoing several changes which impact the overall program operations and results. Beginning in the 2005 school year, all nine of the district's campuses participate in the federal meal program. Eight of the district's nine campuses are also closed. Both of these changes have significantly affected the district food program and improved the results from our operations.

Audit Recommendation

1. The District should continue to monitor salary and benefit costs with the goal of limiting these expenditures to no more than 50 percent of the food service revenues.

District Response

The district agrees with this finding and has already implemented the recommendation. According to the district's last reporting, current salaries and benefits fall below the state guideline of 50 percent of total food service revenues. The district continues to evaluate its salaries in comparison to the surrounding districts and strives to offer a competitive salary and benefit package. As found by the Auditor General, our food service salaries are similar to those of our adjoining districts.

Audit Recommendation

2. In its ongoing analysis, the District should include all related costs when determining whether the food service program is self-supporting and meal prices are appropriate.

District Response

The district agrees with this finding and has already implemented the recommendation. The district has changed its practice of paying for employee

benefits through the district operation budget. The district will include all costs in its analysis for meal costing purposes.

Audit Recommendation

3. The District should work to ensure its program is self-sufficient by considering limiting the variety and type of food choices and the negative effects of policies such as discounted meal prices and, if necessary, raising meal prices.

District Response

The district agrees with this finding and has already implemented the recommendation. With the movement of all district schools into the federal meal program, the district has been able to replace the Earn and Learn program with the federal free and reduced price meal program. We believe there are many positive effects of discounted pricing as incentive to use credit accounts. These include reduced overt identification for students on the federal program, less cash handling, and increased food line speed. Expansion of the federal program, closed campuses, and other enhancements have enabled the district food service program to become self-sufficient.

Chapter 3 - Student Transportation

The Glendale Union High School District has expressed its concern to the audit team regarding the use of comparable districts in this area. As is reflected in Table 4, significant differences in the populations of districts used for comparative purposes exist. We appreciate that the audit team attempted to find districts with similar special need populations. As pointed out in your report, Glendale Union High School District is the only district in the group with such a high concentration of special needs students. This factor alone accounts for most of the difference in the district costs.

The district has hired a new Director of Transportation. The new director is doing a complete evaluation of the department's operations to improve efficiencies and cost effectiveness.

Audit Recommendation

1. The District should evaluate whether Special Education transportation costs can be reduced. Efforts may include such things as reviewing routes, using fewer or closer alternative programs, and/or reassessing its staffing needs.

District Response

The district agrees with this finding and is implementing the recommendation. The district continually evaluates its special education transportation program. We will continue to do so and reduce costs where possible and not in conflict with student individual educational plan requirements. We have reviewed special

education routes in common with our largest feeder district and have found minimal opportunity for joint special education routes. The district has made significant progress in the last three years in returning private school special education students back to district schools.

Audit Recommendation

2. The District should review its regular bus routes for efficiency.

District Response

The district agrees to continue to review its regular bus runs and will implement bus route efficiencies where possible. While it is the district's goal to maximize the efficiency of each bus run, it clearly is not possible in all instances, especially with overflow runs and low population areas.

Audit Recommendation

3. The District should monitor daily route, activity trip, and non-drive time and evaluate driver productivity.

District Response

The district agrees with this finding and is implementing the recommendation. The district will monitor daily route, activity trip and non-drive time and evaluate driver productivity.

Audit Recommendation

4. The District should improve its bus mileage reporting by ensuring drivers are adequately trained to complete bus mileage logs, all bus logs are turned in, and the monthly mileage summaries are accurate and complete.

District Response

The district agrees with this finding and is implementing the recommendation. The district has implemented new procedures to assure the accuracy and completeness of its bus mileage reporting.

Audit Recommendation

5. The District should develop and monitor performance measures, including cost-per-mile, cost-per-rider, and measures focusing on timeliness, bus capacity, and driver productivity to enhance its ability to manage the program efficiently.

District Response

The district agrees with this finding and is implementing the recommendation. The district will monitor performance measures, including costs per mile, to enhance its ability to manage the program efficiently.

Chapter 4 - Plant Operation and Maintenance

For this section of the report, the Auditor General excluded elementary districts to determine districts for comparative purposes. We believe this enhanced the validity of the analysis.

Audit Recommendation

1. The District should evaluate the use of its copiers to determine if it can reduce usage by encouraging staff to send larger print jobs to the print shop and monitoring copier use through access controls or other measures.

District Response

The district agrees to continue to encourage staff to utilize more efficient means, like our in-house print shop, to create efficiencies and to try to keep costs down. We believe the use of copiers is not only cost effective but is also critical to our assessment philosophy and provides teachers with the most current teaching materials. As found by the Auditor General, the textbook savings of \$66/pupil exceeds the \$49/pupil increased maintenance costs. While the use of copiers poses a significant cost to the district, we believe that our approach to curriculum development has resulted in significant improvement in learning for our students.

Chapter 5 - Proposition 301 Dollars

The Auditor General had no recommendations for the district in this section.

Chapter 6 - Classroom Dollars

Audit Recommendation

1. The District should ensure that its transactions are classified in accordance with the Uniform Chart of Accounts for school districts.

District Response

The district agrees with this finding and is implementing the recommendation. The district will ensure that all transactions are classified in accordance with the Uniform Chart of Accounts for school districts.

Chapter 7 - Desegregation Monies

Arizona Revised Statutes §15-910(G) permits expenditure of desegregation monies for “complying with or continuing to implement activities which were required or permitted by a court order of desegregation or administrative agreement with the United States Department of Education’s Office for Civil Rights directed toward remediating alleged or proven racial discrimination.” There is no limit on the types of activities or programs that may be funded, provided they are required or permitted by the Office of Civil Rights agreement and are directed toward remediating past discrimination.

In order to be eligible for funding under Arizona Revised Statutes §15-910(G), an activity must meet two criteria. First, it must be “required or permitted by . . . an administrative agreement” with the Office of Civil Rights. Second, the activity must be “directed toward remediation of alleged or proven racial discrimination.”

Audit Recommendation

1. The District should discontinue paying for the cost of non-limited English proficient at-risk student services from its desegregation monies.

District Response

The district agrees to identify the limited English proficient students served in the “at-risk” services provided under the district’s desegregation agreement. The “at-risk” programs described in the 1991 and 1992 Revised Plans clearly meet the criteria as set forth in Arizona Revised Statutes §15-910(G). By their own terms, the Office of Civil Rights’ letters accepting the changes to the Plan and the Revised Plan state that all of the activities set forth in the Plans are required for the district to meet its obligations under Title VI. It follows, therefore, that these activities are directed toward remediation of past alleged discrimination against national origin language minority and other minority students. Clearly, at-risk programs qualify under the terms and conditions of Arizona Revised Statutes §15-910(G). Under the current structure of the district’s program, students would not be identified as limited English proficient once they have been mainstreamed. It has been the district’s preference not to label the students once they are moved out of the English language learner classroom. The “at-risk” services are there as a support system. It is possible that some non-limited English proficient students participate in the program to provide mentoring and peer modeling. The Glendale Union High School District will review enrollments in its “at-risk” classes and will ensure that all students served are qualified for limited English proficient services. Non-limited English proficient at-risk students will be funded through non-desegregation monies.