

REPORT HIGHLIGHTS PERFORMANCE AUDIT

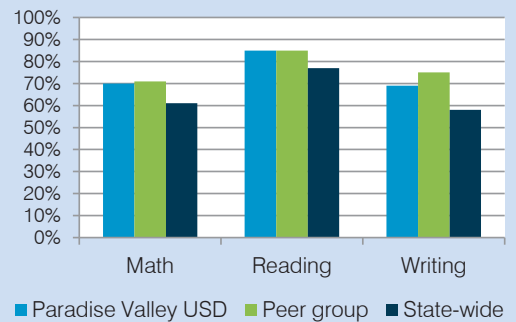
Similar student achievement and efficient operations overall

Our Conclusion

In fiscal year 2011, Paradise Valley Unified School District's student achievement was similar to peer districts' and it operated efficiently overall. The District's per pupil administrative costs were lower than peer districts', and its food service and transportation programs operated efficiently. The District's plant operations cost per square foot was lower than peer districts'. However, the District did not gain the full benefit of potential savings from this lower cost per square foot because it maintained a large amount of excess building space. The District should continue to review options to address its excess building capacity. Additionally, the District's solar power system contracts are unlikely to meet expectations for cost savings, and although the District has taken action to recover estimated financial losses, it should continue to monitor its solar power production and electricity usage. The District also needs to strengthen controls over its computer systems.

Student achievement similar to peer districts'—In fiscal year 2011, Paradise Valley USD's student AIMS scores were similar to peer districts'. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B, and the District's 89 percent high school graduation rate was similar to the peer districts' 90 percent average and higher than the State's 78 percent average.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2011



District operated efficiently overall—In fiscal year 2011, Paradise Valley USD operated efficiently overall with similar or lower costs in all operational areas. The District's per pupil administrative costs were lower than peer districts', its food service and transportation programs operated efficiently, and its per pupil plant operations costs were similar to peer districts'.

Comparison of per pupil expenditures by operational area
Fiscal year 2011

Per pupil	Paradise Valley USD	Peer group average
Administration	\$559	\$613
Plant operations	837	855
Food service	229	317
Transportation	275	330

District's solar power system contracts unlikely to meet cost-saving expectations, but District has taken action

Between March 2010 and February 2011, the District entered into contracts for 26 solar power systems in an effort to help lower its electricity costs. However, the contracts are unlikely to meet expectations for saving energy costs because of high initial contract rates for the solar power and because several systems were sized too large resulting in excess electricity that the District sells at a loss. To its credit, the District negotiated with its vendor to recover \$1.34 million of estimated financial losses and reduce the size of some of its solar power systems.

High initial rates and oversized systems reduce the likelihood of cost savings—The District pays between 10.5 and 12.9 cents per kilowatt hour for solar power at 22 of the 26 sites. These rates are higher than the 9.4 cents per kilowatt hour that the District was paying its utility for electricity, on average, at these sites. Further, because several of the solar power systems were designed too large, they will generate more power than the District uses. This excess solar power is sold to the electric utility at a price far below what it costs the District to produce the electricity, resulting in a financial loss for the District.



2013

District negotiated to obtain \$1.34 million to cover estimated financial losses on solar power system contracts—To its credit, after seeing similar issues reported in prior reports we have issued, the District sought and obtained \$1.34 million from the vendor to cover estimated financial losses. The District also reduced the size of some of its solar power systems that were under construction and connected some of its solar power systems to additional meters to help reduce the amount of excess solar power it sells at a loss. The District should continue to monitor electricity costs and energy usage to help minimize potential future financial losses.

Recommendation

The District should continue to monitor its solar power production and electricity usage and costs.

District should continue to review options to address its excess building capacity

In fiscal year 2011, Paradise Valley USD had a total school building capacity of about 42,000 students but had less than 32,000 students enrolled. Maintaining more building space per student is costly to the District since the majority of its funding is based on its number of students, not the amount of square footage it maintains. Although enrollment had been declining and it had excess building space, the District opened a new school in August 2012. District officials stated that they wanted the new school to be a neighborhood school and that having neighborhood schools is important for the District to compete with charter schools. Four months after the opening of this new elementary school, the District's Governing Board approved the closing of two elementary schools at the end of the 2013 school year. However, the District's trend of declining student enrollment continued in fiscal years 2012 and 2013 as the District lost almost 300 additional students during those years, further increasing the District's amount of excess space.

Recommendation

The District should continue to evaluate how it can reduce its excess building space.

District needs to strengthen controls over computer systems

Paradise Valley USD needs to improve controls over its computer systems. The District needs stronger password controls over its critical applications and needs to improve procedures to ensure that only current employees have access to critical systems. The District also allowed too many employees to have high-level access to make changes to system settings. Additionally, the District did not always perform a thorough cost benefit and risk assessment for service providers of on-line computing and remote storage services, and the District did not have a formal disaster recovery plan.

Recommendations

The District should:

- Improve password controls and ensure that terminated employees' system access is promptly removed.
- Reduce its number of users with high-level access to its critical systems.
- Conduct a more thorough cost-benefit analysis and risk assessment for using on-line computing and storage services.
- Create a formal disaster recovery plan and test it periodically.