



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

May 7, 2012

The Honorable Carl Seel, Chair
Joint Legislative Audit Committee

The Honorable Rick Murphy, Vice Chair
Joint Legislative Audit Committee

Dear Representative Seel and Senator Murphy:

Our Office has recently completed the third followup of the Phoenix Union High School District's implementation status for the 28 audit recommendations presented in the performance audit report released in September 2009. As the enclosed grid indicates:

- 14 recommendations have been implemented;
- 7 recommendations are in the process of being implemented;
- 5 recommendations have not been implemented; and
- 2 recommendations are no longer applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the September 2009 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bl
Enclosure

cc: Dr. Kent Scribner, Superintendent
Governing Board
Phoenix Union High School District

PHOENIX UNION HIGH SCHOOL DISTRICT
Auditor General Performance Audit Report Issued September 2009
Third Follow-Up Report

Recommendation	Status/Additional Explanation
CHAPTER 1: Administration	
1. The District should review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.	Implementation in process The District made some minor efforts to reduce its high administrative costs and its administrative costs have grown more slowly than comparable districts' since fiscal year 2007, when its costs were 15 percent higher. However, Phoenix UHSD's fiscal year 2011 administrative costs were still 12 percent higher than comparable districts' and the highest of all the comparable districts. The District should continue to review its administrative staffing and salaries to determine how administrative costs can be reduced.
2. If the District considers a severance plan in the future, it should fully analyze factors such as the loss of experienced teachers, allowing employees to return after accepting the severance, and the likelihood of retirements without offering the severance package.	Not applicable The District did not offer its employees a severance package during the audit follow-up period. According to district officials, there are no current plans to offer one in the near future.
3. The District should evaluate the necessity of providing health and life insurance benefits for retirees.	Implemented at 6 months The District has eliminated retiree health benefits for employees hired after July 1, 2009, and requires employees with less than 15 years of service as of July 1, 2010, to pay 25 percent of their retiree health insurance costs.

Recommendation

Status/Additional Explanation

4. The District should ensure that applicable discounts are obtained for p-card purchases and require employees to obtain available supplies from the district warehouse.

Implementation in process

The District has made some effort to improve its controls over p-card purchases by sending out violation letters to card holders who use their cards at vendors without negotiated discounts. However, during this followup, auditors reviewed the purchases of 24 p-card holders for two months and noted that 2 of the 24 cardholders made purchases at vendors without negotiated discounts and no violation letters were issued. Further, employees continued to purchase supplies from vendors using p-cards despite the same or very similar supplies being carried in the District's warehouse at a lower cost, including batteries, markers, and electric pencil sharpeners. Had p-card holders obtained these items from the District's warehouse, they could have saved between 28 and 63 percent.

5. The District should monitor items frequently purchased with p-cards and determine whether they should be purchased in bulk and maintained in the District's warehouse.

Implementation in process

The District stated that it reviews a list of the supplies most frequently purchased with p-cards and provided that vendor-generated list to auditors; however, the District could not demonstrate that it had used that information to make decisions pertaining to warehouse inventory items.

6. The District should develop and implement uniform policies and procedures over its cash receipt processes, and the District's business office should take an active role in overseeing such school-level activities.

Implementation in process

The District's business office has drafted written policies and procedures over school-level cash handling but has not yet finalized the policies.

7. The District should improve procedures and provide oversight over the rental of facilities, ensuring renters sign rental agreements, are charged the correct amount, and obtain liability insurance; and that charges are collected and deposited in a timely manner in the appropriate account.

Implemented at 12 months

8. The District should review its rental rate schedule to ensure rates adequately recover costs of facility usage and ensure that the approved rate schedule is being followed at all of its schools.

Implemented at 12 months

Recommendation	Status/Additional Explanation
9. The District should analyze proposed fund-raisers to ensure that expected proceeds at least cover expected costs and maintain adequate records for the fund-raiser to help ensure all monies are collected, safeguarded, and deposited into the proper account.	<p>Implemented at 24 months</p> <p>The District implemented new fundraising policies and procedures that require event sponsors to analyze the cost effectiveness of proposed events. Further, the estimates are also reviewed by the District's business office prior to organizing the event. The District's new fundraising policies also require that revenue and expenditure records be maintained to provide appropriate documentation of deposits.</p>
10. The District should ensure extracurricular tax credit donations are used for appropriate purposes.	<p>Implemented at 6 months</p>
11. The District should ensure that cash collections at school sites are deposited in a timely manner, in the appropriate account.	<p>Implemented at 24 months</p>
12. The District should deposit its Business Partnership monies, and similar monies received in the future, with the County Treasurer and account for them in its Gifts and Donations Fund. The District should ensure that gift and donation monies are spent only for allowable purposes.	<p>Implemented at 12 months</p>

CHAPTER 2: Student transportation

1. Because of the high costs of its noncity, vendor-contracted student transportation services and its large number of underused district buses, the District should perform a cost-benefit analysis to determine whether to operate more of its own routes rather than contracting for them.	<p>Implemented at 12 months</p> <p>In fiscal year 2010, the District began operating nine in-house routes to transport special needs students who were formerly transported by a contracted vendor, resulting in annual savings of approximately \$310,000. Further, the District began transporting students on ten additional contracted routes in January 2011, saving the District an estimated additional \$305,000 annually.</p>
2. Because the District is charged on a per-route basis and low-capacity usage was noted on contracted routes, the District should regularly review the routes to ensure they are operated as efficiently as possible if it continues to provide transportation through contracted vendors.	<p>Implementation in process</p> <p>At the time of the 12-month followup, the District reviewed and eliminated four contracted regular routes at an annual savings of \$179,000. However, the District has not continued to monitor ridership to ensure that its contracted routes continue to be as efficient as possible.</p>
3. The District should review vendor invoices to help ensure billings represent actual services performed and that charges are in accordance with the contract.	<p>Implemented at 24 months</p>

Recommendation	Status/Additional Explanation
4. To aid in evaluating the efficiency of its transportation program, the District should establish and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage.	<p>Implementation in process The District has begun monitoring performance measures for district-operated routes. However, it has not continued tracking key performance measures, such as ridership, for contracted routes.</p>
5. The District should properly report route mileage for state transportation funding purposes.	<p>Not implemented The District still has not developed a process to ensure it properly calculates and documents mileage reported for state funding purposes. During the 12-month followup, auditors found that the District overreported its fiscal year 2010 route mileage by 79,000 miles. Further, during this followup, auditors found that the District did not have support for 108,000 miles, or 16 percent, of its fiscal year 2011 reported mileage.</p>
6. The Legislature should consider modifying the transportation-funding formula to limit the impact from one-time increases in reported mileage and prior reporting errors.	<p>Implementation in process</p>

CHAPTER 3: Plant operation and maintenance

1. The District should evaluate its salary levels for its nonsecurity plant employees.	<p>Implemented at 6 months The District hired a consulting firm to complete a salary survey for fiscal year 2009, which concluded that the midpoint of the District's salary schedules was at or below comparison entities. However, auditors found that employee salaries were higher than the midpoint of the salary schedule, with many employees earning more than the highest salary on the salary schedule. According to district officials, the salary schedule was reduced several years ago, but the District chose not to reduce the salary of those employees who were beyond the revised schedule's upper range. The District's revised salary schedule is more aligned with comparable districts' and is applicable to all new employees and employees hired during the last several years. Therefore, it is expected that the District's salary levels will be similar to comparable districts' in the future as higher-paid employees resign or retire, leaving all remaining employees on the revised salary schedule.</p>
2. The District should review whether employees who are currently provided cell phones actually require these phones as a necessary part of their job duties, and develop a cell phone policy identifying the positions that require a district-provided cell phone and the allowable use of the phones.	<p>Implemented at 12 months The District eliminated one-third of its cell phones and reduced its monthly purchased minutes by one-half, reducing its cell phone costs by about \$70,000 annually. It has also created new policies regarding personal use of cell phones.</p>

Recommendation	Status/Additional Explanation
<p>3. The District should evaluate alternatives and take appropriate actions to reduce plant operation and maintenance costs and potentially redirect these monies into the classroom. At a minimum, the District should review ways to offset the high costs of maintaining excess space in its many underutilized schools.</p>	<p>Not implemented Although the District has made some efforts to reduce plant operations costs, such as implementing energy conservation efforts, obtaining a lower-cost heating and air-conditioning vendor, and reducing the number of district-provided cellphones, its plant costs continue to be 51 percent higher than comparable districts', as they were in fiscal year 2007. In fiscal year 2011, Phoenix UHSD's \$1,330 per pupil plant operations costs were \$448 higher than the comparable districts' average of \$882, and the highest of all the comparable districts. Had the District spent at the comparable district average, it could have saved \$11 million in fiscal year 2011. Further, the District's 24 percent excess building capacity was greater in fiscal year 2011 than it was in fiscal year 2007, the year of the audit.</p>

CHAPTER 4: Proposition 301 monies

<p>1. The District should ensure that its Proposition 301 plan specifies which employee groups are eligible to receive Proposition 301 monies.</p>	<p>Implemented at 12 months</p>
--	--

CHAPTER 5: Classroom dollars

<p>1. The District should review its spending on administration, student transportation, and plant operations to determine if savings can be achieved and some of these monies can be redirected to the classroom.</p>	<p>Not implemented Although the District has implemented some cost savings efforts in its transportation program, its efforts at reducing administration and plant operations costs have fallen short. The District continues to spend much more on administration and plant operations than comparable districts and it directed a lower percentage of its resources into the classroom in fiscal year 2011 than it did in fiscal year 2007, the year of the audit.</p>
--	--

CHAPTER 6: English Language Learner programs, costs, and funding

<p>1. The District should comply with its requested ELL alternative program model, which was approved by the Arizona ELL Task Force.</p>	<p>No longer applicable The District discontinued using its alternative English language learner model and adopted the standard model in fiscal year 2011.</p>
<p>2. The District should ensure that all students reporting a primary home language other than English receive an English language proficiency test as required by statute.</p>	<p>Implemented at 6 months</p>

Recommendation	Status/Additional Explanation
3. The District should begin separately accounting for the incremental portion of ELL costs, including those funded by desegregation monies, and retain documentation supporting how those amounts are determined.	Implemented at 24 months

CHAPTER 7: Desegregation monies

1. The District should collect data on the racial composition of students living in each school boundary to determine whether desegregation magnet programs are necessary to achieve its court-ordered racial enrollment percentages.	<p>Not implemented</p> <p>District officials stated that they do not intend to collect data on the racial composition of students living in each school boundary, which is needed to evaluate the effectiveness of its desegregation programs and to determine whether the programs are necessary to meet the court-ordered racial enrollment requirements.</p>
2. The District should spend its desegregation dollars on those costs that directly support the goals of its desegregation program and that do not replace costs that it would incur if it were not implementing those programs.	<p>Not implemented</p> <p>In previous followups, auditors noted that the District continued to spend desegregation monies for purposes that do not appear to be related to its desegregation goals, such as salaries of athletic coaches, bookstore managers, and custodians. District officials stated that they believe costs such as these are necessary to meet its desegregation goals and do not plan to make changes to desegregation spending.</p>
