

**REPORT HIGHLIGHTS**  
**PERFORMANCE AUDIT**

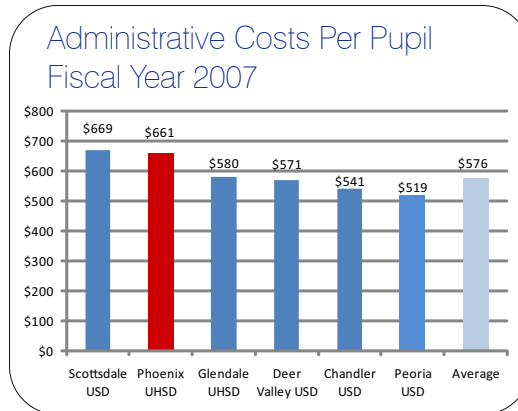
**Our Conclusion**

Phoenix UHSD's administrative costs per student were 15 percent higher than the average for comparable districts largely because of high salaries, a severance plan, and retiree benefits. In addition, we identified a number of poor management practices. Plant operation costs were 29 percent higher, largely because of employing more security guards and paying higher salaries. The District saves significant money by using public transit to transport most of its students, but the savings are offset by the high costs of transportation provided by private vendors. Phoenix UHSD spends \$49.7 million annually on desegregation programs, but these expenditures no longer have a clear link to the original court order that led to the programs, and it is likely the District could meet the court-ordered racial balance without the desegregation programs.



2009

**High administrative costs**—The District's administrative costs were 15 percent higher than the comparable districts' average.



Costs were higher primarily because of:

**Higher salaries**—Administrative salaries were higher than comparable districts'. For example, the former superintendent's compensation package totaled \$254,820, while superintendents in comparable districts received an average of \$175,056. Similarly, principals received about 13 percent more than high school principals in comparable districts.

**Severance plan**—The District offered a severance plan that provided 1 year's salary, up to \$67,200, to encourage employees to retire. The plan cost over \$25 million, but the District believed the plan would result in long-term savings. However, several concerns call this outcome into question, including:

- Savings analysis was not well supported
- Over half the employees opting for the plan were already eligible for retirement
- Retirees, including top-level administrators, returned in contract or part-time roles

**Retiree insurance costs**—The District pays 100 percent of health and life insurance costs for retirees who worked for the

District at least 10 years, until they reach age 65. In fiscal year 2007, these benefits cost the District \$3.2 million.

**Poor management practices**—This audit also found multiple examples of poor management practices including:

**Mismanagement of facility rentals**—The District has lost significant revenue by undercharging, not charging, and not collecting rent from groups using its facilities. We reviewed rentals at two of the District's schools and found they should have charged at least \$148,000 in rentals, but actually charged about \$38,000. In addition, at one of the schools auditors identified numerous uses of facilities for which the school had no rental agreements; only \$10,038 of the \$26,774 charged under rental agreements was collected; and \$2,500 of rental payments were diverted for other purposes, including gym bags purchased for school staff.

**Fund-raiser was poorly managed and costly**—In October 2007, Central High School held a 50th anniversary fund-raiser that lost \$6,300. The admission price was \$20 per person, but the total cost was \$37 per person. Also, based on the estimated attendance, there should have been at least \$4,000 collected plus proceeds from a silent auction, but district records show only \$2,826 was deposited.

**Business Partnership monies were spent inappropriately**—In 1985, the District formed a nonprofit association with Phoenix businesses to help the District's schools and students. However, the District has used the monies generated by this partnership—which appear to legally be district funds—for such things as a \$5,400 retirement dinner and \$400 gift for an assistant superintendent.

## Public transit provided very low-cost transportation, but other high-cost transportation eliminated savings—

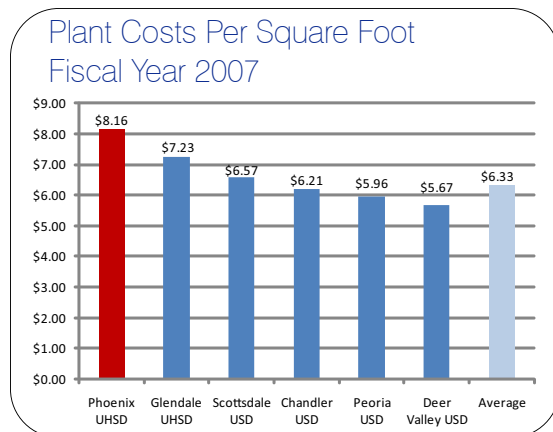
During fiscal year 2007, the District used City of Phoenix public transit buses to provide transportation for most (6,400) students. These bus passes cost the District about \$92 per student. However, another 1,700 students were transported by private companies at a cost of over \$1,800 per student. These high costs offset the substantial savings the District gained from using public transit, making the District's cost per rider about the same as the average for similar districts. The District owns many buses that are not being used, and these buses could be used to reduce the need for contracted transportation.

## State funding formula provides \$5 million windfall—

Under the current state funding formula for student transportation, Phoenix UHSD received \$5 million more in transportation funding than its reported mileage would have generated, primarily because funding is increased from year to year based on increases in mileage or bus pass costs, but it is not decreased if there is a subsequent decrease in these figures.

## High plant operation and maintenance costs—

Phoenix Union's plant operation and maintenance costs were 29 percent higher than similar districts'. The higher plant costs were mostly due to paying its maintenance employees an average of \$5,400 higher salaries than workers receive in similar districts and employing more security guards.



Further, future plant costs will likely increase because the District opened a new high school in fiscal year 2008, even though the District's schools were previously operating at just 81 percent of capacity.

## English Language Learner (ELL) program not implemented as approved—

The District received approval from the State's ELL taskforce to use an alternative model for its ELL program. However, the District is not properly implementing the alternative model. It has also failed to test the English proficiency of some students who may be eligible to receive ELL instruction.

## Desegregation program has lost link to original court order—

In 1985, the District entered into an agreement with the Office of Civil Rights to establish racial balance in its schools. At that time, the District was predominantly Anglo, but two schools were predominantly minority. The court order provided that once racial enrollment at the two schools was within 20 percent of the district-wide enrollment, the court would, upon request, terminate the order. Although the District achieved this goal in 1992, it did not request termination of the order until 2004. Instead, the District increased its desegregation spending in ways not required by the order.

In 2007, the District spent \$49 million on desegregation programs that no longer have a clear link to the original court order. The District primarily uses these monies to operate magnet programs. These programs were originally designed to attract Anglo students to the two high schools named in the order, but the District has since expanded its magnet programs to 7 of its 13 schools. Further, the District's enrollment is now 92 percent minority, resulting in schools that would likely meet its court-ordered racial balance without the desegregation programs. The District also spent \$18 million in desegregation monies for purposes that are not related to its desegregation program. This money was spent on coaches, bookstore managers, security guards, operating costs, and ELL programs.