

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2012, Scottsdale Unified School District's student achievement was similar to peer districts', on average, but it compared less favorably in operational efficiencies. The District's food service program operated efficiently with a cost per meal that was lower than the peer district average. However, the District's administrative costs were higher than peer districts', primarily because it employed more administrative staff. In addition, the District inaccurately reported its costs on its *Annual Financial Report* and it lacked sufficient computer controls. The District's plant operations cost per pupil was higher than peer districts', on average, because the District maintained more square footage per student than the peer districts' and many of its schools operated far below their designed capacities. Further, the District's transportation cost per mile was much higher than the peer districts' average, in part, because of inefficient bus routes.



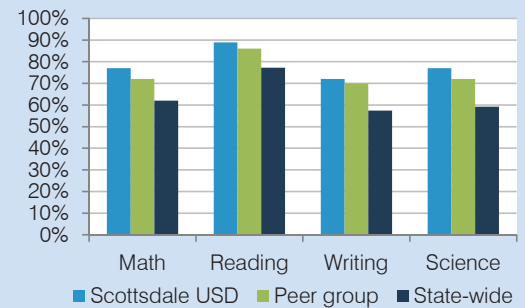
2015

Similar student achievement and less than efficient operations

Student achievement similar to peer districts'—In fiscal year 2012, Scottsdale USD's student AIMS scores were within 5 percentage points of the peer districts' averages in the four tested areas. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of A. Four of the eight peer districts also received a letter grade of A, while four received Bs or Cs. Further, the District's 90 percent graduation rate was similar to the peer districts' 89 percent average and higher than the State's 77 percent average.

Less than efficient operations—In fiscal year 2012, Scottsdale USD's food service program operated efficiently with a lower cost per meal than peer districts averaged, but its administration, plant operations, and transportation program were less than efficient. The District's administrative cost per pupil was higher than the peer districts', on average, primarily because of higher staffing levels, and its plant operations cost per pupil was higher because the District maintained excess building space. The District's transportation cost per mile was much higher than the peer districts' average, in part, because of inefficient bus routes.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2012



Comparison of per pupil expenditures by operational area
Fiscal year 2012

	Scottsdale USD	Peer group average
Administration	\$687	\$620
Plant operations	914	843
Food service	299	321
Transportation	370	340

Higher administrative costs and inaccurate reporting of costs

Higher administrative costs—In fiscal year 2012, Scottsdale USD's administrative cost per pupil was 11 percent higher than peer districts', on average. The District's higher costs occurred in its administrative salaries and benefits, with Scottsdale USD spending \$628 per pupil and peer districts averaging \$550 per pupil. Compared to a recently audited neighboring peer district, Scottsdale USD employed more assistant principals and information technology staff and paid some positions higher salaries.

Costs not accurately reported—In fiscal year 2012, the District did not always properly classify its expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, the District's *Annual Financial Report* did not accurately reflect its costs, and its reported instructional expenditures were falsely increased by over \$5

million, or 3 percentage points. Further, the District has not accurately reported its costs for many years. For example, between fiscal years 2004 and 2009, the District annually reported millions of dollars of electricity costs as instructional spending rather than plant operations spending as required by the Uniform Chart of Accounts. Additionally, in fiscal years 2012 and 2013, the District reported its costs for speech and physical therapy, guidance counseling, and psychology services for students as instructional spending although the Uniform Chart of Accounts defines these costs as student support services. Further, in fiscal year 2014, the District began misreporting its costs for property liability insurance as instructional spending rather than plant operations spending, as required by the Uniform Chart of Accounts.

Recommendations

The District should:

- Review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

District spent more on plant operations primarily for excess building space

In fiscal year 2012, Scottsdale USD's plant operations cost per square foot was lower than the peer districts' average, but its cost per pupil was 8 percent higher. As a result, the District spent more of its available operating dollars for plant operations, leaving it less money to spend in the classroom. The higher cost was primarily caused by the District maintaining a large amount of excess school building space, which was likely not needed because many of the District's schools operated far below their designed capacities. In fiscal year 2012, Scottsdale USD had total school building capacity of about 38,000 students but only had about 25,000 students enrolled, or in other terms, the District was using about 66 percent of its building capacity. Maintaining more building space is costly to the District because the majority of its funding is based on its number of students, not the amount of square footage it maintains. Had Scottsdale USD maintained a similar amount of school building space per student as its peer districts averaged, it could have saved approximately \$3.8 million, monies that the District otherwise potentially could have spent in the classroom. Although the District closed one school campus at the end of fiscal year 2014, in light of its large amount of excess building capacity, the District should continue to review options to further reduce excess space.

Recommendation

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

High transportation costs partly due to inefficient routes

Scottsdale USD's fiscal year 2012 transportation costs per mile and per rider were much higher than the peer districts' averages, in part, because many of the District's bus routes were inefficient. In fiscal year 2012, district routes filled buses to only 63 percent of bus capacity, on average, and many routes filled buses to less than 50 percent of bus capacity. Districts with efficient bus routes will typically operate routes that fill buses to 75 percent or more of bus capacity. Our observations of bus routes at a sample of five schools also confirmed the low bus capacity usage. For example, 4 of the 31 routes observed transported 7 or fewer students indicating the routes could possibly pick up additional students or be combined with other routes. District officials stated that the routes had not been reviewed and substantially modified in many years.

Recommendation

The District should review its bus routes and improve route efficiency.