

**REPORT  
HIGHLIGHTS**  
PERFORMANCE AUDIT

**Our Conclusion**

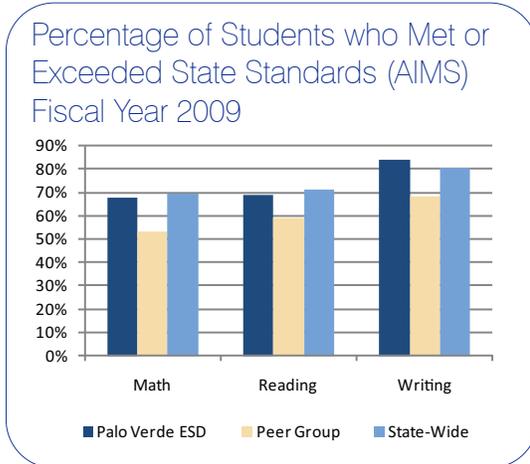
Palo Verde Elementary School District's student achievement, while comparable to the state average, was much higher than that of its peer districts with similar poverty rates. Further, although the District has slightly higher administrative costs due to administrative staffing differences, the District's plant operations, food service, and student transportation programs operated efficiently. In addition, the District draws many students from outside its boundaries likely because of its higher student achievement. However, the District needs to improve controls over its accounting system.



2010

**Higher student achievement and efficient operations**

**Student achievement higher than peers'**—In fiscal year 2009, Palo Verde ESD's student AIMS scores were similar to the state averages but were much higher than those of peer districts with similar poverty rates. Further, the District has made significant progress in student achievement in recent years, with 17 percent more students meeting or exceeding state standards than in fiscal year 2005. The District's one school also met "Adequate Yearly Progress" for the federal No Child Left Behind Act.



**District operates efficiently overall**—The District's per-pupil spending was higher in some areas and lower in other areas compared to its peer districts', but the District operated efficiently overall. The District's plant operation costs and food service costs were lower than its peer districts', but its administrative costs were higher. The District spent \$4,596 per pupil in the classroom, much lower than that of peer districts but more than the state average.

**Expenditures by Function  
Fiscal Year 2009**

Per Pupil	Palo Verde ESD	Peer Group Average
Administration	1,294	1,199
Plant operations	879	1,077
Food service	519	559
Transportation	659	474

**Palo Verde ESD has higher administrative costs**

In fiscal year 2009, Palo Verde ESD's administrative costs per pupil were 7.9 percent higher than those of peer districts. The higher cost was primarily the result of the District's employing a full-time superintendent and a full-time principal. At most of the peer districts, the superintendent was also the school principal. District officials indicated that having a full-time principal permits the employee to spend more time with teachers in the classroom and to meet with students individually to discuss

academic goals and progress.

Palo Verde ESD's Superintendent also had more longevity with the District than superintendents at peer districts, and accordingly, earned a higher salary. The Superintendent has been in that position for 13 years, while superintendents at peer districts averaged 6 years.

**Recommendation**—The District should review its administrative costs to determine if it can achieve savings.

## Palo Verde ESD has efficient plant operations

In fiscal year 2009, the District's plant costs were 16 percent lower per square foot and 18 percent lower per student than peer group averages. The lower costs are partially the result of the District's having 0.5 fewer employees than peer districts. In addition, the District's two part-time maintenance employees, one part-time groundskeeper, and one part-time custodian also served in other capacities, such as

bus drivers and mechanics, which limited nonproductive time and likely contributed to the lower plant costs.

The District's water and sewer costs were also 30 percent lower than peer districts averaged. The lower costs were the result of the District's using well water instead of a public utility for its water needs.

## District draws many students from outside its boundaries

The District's high student achievement has likely helped it attract a large portion of its students from outside its district boundaries. In fiscal year 2009, approximately 33 percent of Palo Verde ESD's students were open enrollment students from

nearby school districts. Further, review of AIMS test scores of surrounding districts showed Palo Verde ESD had a higher proportion of students who met or exceeded state standards.

## Inadequate controls over accounting system

Some district employees had more access to the accounting system than their job responsibilities require. Although no improper transactions were found in our sample, such access increases the risk of financial errors, fraud, and misuse of money, such as creating and processing false invoices or adding

nonexistent vendors or employees.

**Recommendation**—The District should limit employees' access to only those accounting system functions needed to perform their job duties.