



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Scottsdale Unified School District

May • 2015
Report No. 15-206



Less Than Efficient Operations

- *The District's administrative cost per pupil was higher than the peer districts', on average, primarily because of higher staffing levels.*
- *In fiscal year 2012, Scottsdale USD's administrative cost per pupil was 11 percent higher than peer districts'. Scottsdale USD employed more assistant principals and information technology staff.*
- *Had the District spent the same per pupil amount on administration in fiscal year 2012 as its peer districts averaged, it would have saved more than \$1.6 million.*

(20 Assistant Principals = \$1.6 Million) * Average Salary, Benefits, ASRS, Insurance

- **Did acknowledge and showed**
 - **Student Achievement is Higher**
 - **Higher Graduation Rate**
 - **Spent \$99 MORE per pupil in the classroom**

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2012 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2012 test results on Arizona's Instrument to Measure Standards (AIMS).

- Have been working on Administrative Efficiencies and over last three years have reduced from 11% to 6.4%

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.

- Between fiscal years 2004 and 2009, the District annually reported millions of dollars of electricity costs as instructional spending rather than plant operations spending.
- 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.
- In fiscal year 2014, the District began misreporting its costs for property liability insurance as instructional spending rather than plant operations spending.

Recommendations: Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

USFR – 372 Pages

Chart of Accounts – 70 Pages

UNIFORM SYSTEM
OF
FINANCIAL RECORDS
FOR
ARIZONA
SCHOOL DISTRICTS



DEPARTMENT
OF EDUCATION

AUDITOR
GENERAL

ACCOUNT CODE FORMAT

EXPENDITURES AND OTHER FINANCING USES:

Fund	Program	Function	Object	Unit
XXX	XXX	XXXX	6XXX	XXX

FUNDS

001 Maintenance and Operation—Accounts for all of a district's financial resources except those required to be accounted for in another fund.

PROGRAM CODES

- **100 REGULAR EDUCATION**
- **200 SPECIAL EDUCATION**

FUNCTION CODES (For Classroom Spending)

- **1000 INSTRUCTION**

OBJECT CODES (For Classroom Spending)

- **6112 Teachers**
- **6114 Other**

UNIT CODES

Identifies expenditures by instructional level and school

CHART OF ACCOUNTS EXAMPLE

001 100 1000 6110 Expenditures—Certified Salaries

001 200 1000 6110 Expenditures—Certified Salaries

To record the biweekly salary of a teacher who teaches regular and special education classes

525 620 1000 6643 Expenditures—Instructional Aids

To record the purchase of baseballs to be used as athletic instructional aids

610 100 1000 6643 Expenditures—Instructional Aids

To record the payment for computer software used to teach students

610 100 1000 6643 Expenditures—Instructional Aids

To record the payment for workbooks at the beginning of the school year to be used in the classroom.

COST ALLOCATION - Per Chart of Accounts (III-A-4)

Expenditures specifically assignable to two or more programs, functions, or units **must** be allocated among those programs, functions, or units.

Districts may use an allocation base to allocate specifically assignable expenditures for which actual cost apportionment is not easily determinable.

Commonly used allocation bases include **time spent**.

Districts should choose an allocation base that will most closely approximate actual costs incurred.

CHART OF ACCOUNTS EXPENDITURES

FUNCTION CODES

1000 INSTRUCTION—

Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities and school-sponsored athletics.

It may also be provided through some other approved medium, such as television, radio, computer, Internet, multimedia, telephone, and correspondence, that is delivered inside or outside the classroom or in other teacher-student settings.

Included here are the activities of aides or classroom assistants of any type that assist in the instructional process and technology used by students in the classroom or that has a student instruction focus.

Department chairperson expenditures should be coded to function **2490**.

Fiscal Years 2004 and 2009 – Electricity Costs

Object Code:

6531 Telecommunications—Expenditures for telephone and voice communication services, and voicemail; data communication services to establish or maintain computer-based communications, networking, and Internet services; video communications services to establish or maintain one-way or two-way video communications via satellite, cable, or other devices billed by a service provider. **Used with function 1000 if supporting instruction.**

6622 Electricity—Expenditures for electric utility services from a private or public utility company. **Usually used with functions 2610 and 3100.**

- The USFR says that electricity is *usually* used with functions 2610 or 3100 -- it does **not** say that electricity must be coded there. Because Telecommunications including data is allowed to be coded to Function 1000 if supporting instruction, and SUSD has been approved to code 90% of those expenditures to Instruction, it was reasoned that 90% of electricity costs could also be included. This is to operate those computers and for the students in the classrooms to have an appropriate and comfortable learning environment.

FY 2012 and 2013 - Guidance Counseling, Psychology Services, Speech and Physical therapy, Reported as Instructional Spending

- Per the USFR Chart of Accounts, expenditures can be allocated to two or more Functions based on time spent. An analysis of duties, lessons plans, and activities dealing directly with students showed that 75% of the work time of the above classifications met the Instructional Function 1000 Code and 25% of the time for these positions was not Instructional.
- Based on this analysis completed between Human Resources, Teaching and Learning, and Finance, these positions were coded 75% to Instruction and 25% to Student Support.
- They were coded using Object Code **6114 – Other**, in order to clearly identify them and distinguish them.
- On July 15, 2013, the Auditor General notified SUSD that even though Dr. Jeff Thomas had supplied all supporting documentation (including lesson plans) they did not agree with this coding and it would be changed.
- This information was shared with the Governing Board on multiple occasions and was acknowledged at the Governing Board work-study meeting on Jan 8, 2015, with the direction to identify the new Baseline in order to move forward because SUSD and the Auditor General had agreed to disagree on this matter.

FY2014, Property/Liability Insurance was reported as Instructional Spending rather than Plant Operations

- This was strictly a coding error. It was acknowledged to the Auditor General and corrected before the FY14 Dollars in the Classroom Report was published.

District Needs to Strengthen Computer Controls

Weak controls over user access to the District's accounting and student information systems and network increased the risk of unauthorized access to these critical systems. Additionally, the District's lack of a disaster recovery plan could result in interrupted operations or loss of data.

- Generic system accounts
- Inadequate procedures for removing access to the network
- Lack of disaster recovery plan could result in interrupted operations or loss of data

IT - Generic System Accounts

- Generic accounts for SUSD's financial information system, Infinite Visions, published by Tyler Technologies, were created and utilized by Tyler Technologies staff only; we have confirmed with Tyler technologies that this is standard practice with their other Arizona Infinite Visions customers. **At no time were generic administrative accounts for Infinite Visions utilized by District employees to complete any transactions within the system.** Passwords for these accounts were created and controlled by Tyler Technologies; no District employee had access to these accounts. **We have eliminated all but one of those accounts to one system administrator account for each respective vendor.** In the Infinite Visions software, this remaining system administrator account is written into the application by Tyler Technologies as a permanent feature, however, **it is not in use by SUSD employees nor can it be accessed by SUSD employees.**
- The generic admin accounts that were created by the vendor to access the Student Information System, Synergy, published by Edupoint, all have been eliminated and replaced with one account identified by name as a vendor account for the sole purpose of technical, systems support, and maintenance of the information system.
- As an added layer of security, the District requires vendors to utilize two unique credentials to access any District-hosted information system. The first requires them to authenticate onto our network, the second requires the administrative account for the application.

Inadequate Procedures for Removing Access to the Network

- As stated in the District's response in the Report, immediately upon being alerted to this finding (In FY13), the District I.T. and H.R. staff met, developed, and implemented a process to timely remove access to our I.T. systems upon an employee's separation.
- Employee network accounts are automatically disabled upon termination of employment. This disables access to applications such as email, Synergy, Infinite Visions, and stored documents. After a period of 90 calendar days, the inactive accounts are automatically deleted.

Lack of Disaster Recovery Plan

- As stated in the District's response to the Auditor General's report, IT staff has been developing a formalized data disaster recovery plan that will be tested and updated accordingly. The plan will be placed into standard IT practice for the District. The IT department will ensure that timely back-ups and testing be done to ensure that the disaster recovery plan remains viable over time.
- The District does currently follow existing procedures for data backup, recovery and retention; the formalized disaster recovery plan will serve to augment existing procedures.

Review Options to Address Excess Building Capacity

- Cost per pupil 8% higher than peers
- 66% of building capacity utilized
- 20% more square footage than peers

- SUSD has dedicated Art, Music, Band, Strings, and PE space

- Many peers are currently building and planning additional square footage which will change this comparison

- Report acknowledged SUSD closed a campus, leased space to another entity, mothballed classrooms, and we are now moving Departments into classroom space – reducing Building Capacity

- We are currently working on an Elementary School Master Plan to address the excess space in our Elementary Schools and our enrollment is trending up by 300 – 400 students for next year.

High Transportation Costs and Some Records Could be Improved

- 63% Capacity average (75% Optimum)
- Some routes were observed in the morning when parents take their children to school and these routes are utilized in the afternoon by students traveling home.
- Some routes impacted by specific Special Education requirements
- **Did not** spend more dollars than received in Transportation Funding
 - Several peer districts used \$2Million dollars of M&O funding to supplement their Transportation
- Made Efficient Changes Already
 - Saved over \$200,000 by bringing Maintenance In-house
 - Reduced Routes from 166 to 144
 - Consolidated stops within routes
 - Will purchase appropriate sized buses for routes
- Performance Measures are being established
- Improving the Summary of reported miles and riders

DISCUSSION