

Tucson Unified School District

Performance Audit

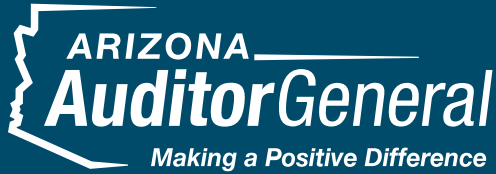
March 2018
Report 18-204



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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March 8, 2018

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Tucson Unified School District

Dr. Gabriel Trujillo, Superintendent
Tucson Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Tucson Unified School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with most of the findings and all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

Attachment



Tucson Unified School District

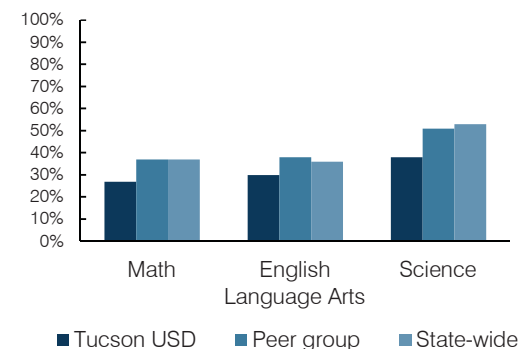
CONCLUSION: In fiscal year 2016, Tucson USD's student achievement was lower than the peer districts', and it operated with higher per pupil costs in all noninstructional areas. Specifically, the District's administrative costs were much higher than the peer districts' average because the District paid some higher salaries, employed more administrative positions, and had some additional expenses related to its court-ordered desegregation programs that the peer districts did not have. In addition, the District needs to strengthen some of its computer controls. The District's plant operations cost per pupil was much higher than the peer districts' average primarily because it operated and maintained more square footage per pupil. Although the District's food service cost per meal was slightly higher than the peer districts' average, this resulted from some additional, infrequent costs in fiscal year 2016, and the program was otherwise reasonably efficient. Lastly, the District's transportation program had much higher costs per mile and per rider than the peer districts' averages, but costs were high because of the added transportation responsibilities placed on the District by its court-ordered desegregation programs.

Lower student achievement and higher costs in all noninstructional areas

Student achievement lower than peer districts'—In fiscal year 2016, Tucson USD's student test scores were slightly lower in Math and English Language Arts and lower in Science when compared to the peer districts' averages. The District's 86 percent graduation rate in fiscal year 2015 was similar to the peer districts' 84 percent average and higher than the State's 78 percent average.

Higher costs in all noninstructional areas—In fiscal 2016, Tucson USD's administrative costs were much higher than the peer districts', on average, because the District paid some higher salaries, employed more administrative positions, and had some additional expenses related to its court-ordered desegregation programs, such as legal expenses, that the peer districts did not have. The District's plant operations cost per pupil was much higher than the peer districts' averages because the District maintained more square footage per student, and it operated some of its schools far below their designed capacities. In addition, the District had higher energy costs than the peer districts, on average. The District's food service cost per meal was slightly higher than the peer districts' average because of some additional and infrequent costs, and its food service cost per pupil was much higher because it served more meals per pupil than the peer districts, on average. Finally, the District's transportation costs per mile and per rider were much higher than the peer districts' averages because of added transportation responsibilities placed on it by its court-ordered desegregation programs. Despite the much higher costs, the District operated efficient bus routes and employed other efficient practices, such as monitoring fuel usage.

Percentage of students who met or exceeded state standards
Fiscal year 2016



Comparison of per pupil expenditures by operational area
Fiscal year 2016

	Tucson USD	Peer group average
Administration	\$ 929	\$673
Plant operations	1,127	859
Food service	405	329
Transportation	487	341

Much higher administrative costs and inadequate computer controls

Much higher administrative costs—In fiscal year 2016, Tucson USD's administrative costs per pupil were 38 percent higher than the peer districts' average primarily because the District paid some higher administrative salaries

and employed more administrative positions. Another contributor to the District's higher administrative costs were costs related to the District's court-ordered desegregation programs, including legal costs and costs for staff who administered the desegregation programs as specifically required by the District's court order. The two peer districts that also had desegregation programs in fiscal year 2016 did not spend any of their desegregation monies for administrative purposes likely because their agreements were not as complex as Tucson USD's, and the agreements did not require the districts to hire additional administrative staff as is mandated by Tucson USD's court order.

Recommendations

The District should determine and implement ways to reduce administrative costs.

High plant operations costs primarily for excess building space

In fiscal year 2016, Tucson USD's plant operations cost per pupil was 31 percent higher than the peer districts' average because it maintained a large amount of excess building space. To its credit, the District recognized that it had excess building space and high plant operations costs and closed 14 schools between fiscal years 2012 and 2016. However, the District continued to have some schools with excess space. Specifically, the District's high schools operated at an average of only 52 percent capacity in fiscal year 2016. 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. Further, having older buildings and inefficient energy management systems led to the District's higher energy costs. Although the District has taken steps to reduce its energy usage, more can be done, such as implementing comprehensive energy conservation plans.

Recommendations

The District should:

- Continue to review the use of space at its schools and implement ways to reduce identified excess space.
- Develop and implement comprehensive energy conservation plans.

District spent \$63 million on court-ordered desegregation programs

In 1974, two lawsuits alleging racial discrimination were brought against the District, and in 1978, the District reached a settlement agreement with the plaintiffs to begin the desegregation process. A federal court judge ruled in 2008 that the District had achieved unitary status, meaning it had eliminated the vestiges of past discrimination. However, the plaintiffs appealed, and in 2011, the District was placed back under court monitoring and required to develop a comprehensive unitary status plan (USP). Under the USP, the District is required to offer programs that provide meaningful access to advanced learning opportunities, extracurricular activities, opportunities to attend integrated schools, and facilities and technology for minority students and limited English proficient students among other requirements. In fiscal year 2016, Tucson USD spent \$63 million, or \$1,403 per pupil, to provide these programs, to comply with agreements it made with the U.S. Department of Education's Office for Civil Rights, and to partially fund the state-mandated Structured English Immersion program. The USP requires outside oversight and approval of many district decisions before they can be implemented as well as a review of its desegregation expenditures.

In March 2017, the District filed for partial unitary status, and in May 2017, the court ruled that the question of partial unitary status was moot because it was so close in time to the filing for full unitary status. The District faces several challenges as it moves forward with its efforts to achieve unitary status in all of the USP's areas, including attaining racial integration at its schools and providing English Language Learner and dual language programs that meet the USP's and the State's requirements.

Recommendation

The District should continue to evaluate its desegregation programs and determine practical ways to create sustainable long-term programs that will meet the USP's requirements, which would help position it to attain unitary status.



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DISTRICT OVERVIEW

Tucson Unified School District is located in Pima County in southern Arizona. In fiscal year 2016, the District served 45,398 students in kindergarten through 12th grade, making it the second largest school district in Arizona. The District operated 86 schools—the highest number of schools a district operated in fiscal year 2016.¹

In fiscal year 2016, Tucson USD's student achievement was lower than the peer districts', and it operated with higher per pupil costs in all noninstructional areas.² Specifically, the District's administrative costs were much higher than the peer districts' average primarily because the District paid some higher administrative salaries and employed more administrative positions. Additionally, the District's plant operations costs were higher primarily because it operated and maintained more square footage per pupil than the peer districts', on average, and because it had higher energy costs than the peer districts' average. Lastly, despite higher costs, the District's food service and transportation programs operated in a reasonably efficient manner.

Student achievement lower than peer districts'

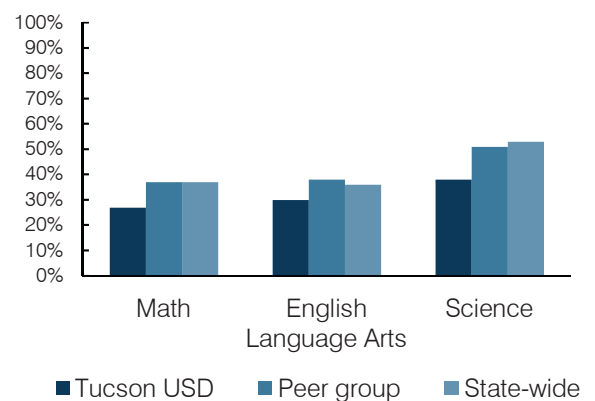
In fiscal year 2016, 27 percent of the District's students passed the state assessment in Math, 30 percent in English Language Arts, and 38 percent in Science. As shown in Figure 1, these scores were slightly lower than the peer districts' and state averages in Math and English Language Arts and lower in Science. The District's fiscal year 2015 graduation rate of 86 percent was similar to the peer districts' 84 percent average and higher than the State's 78 percent average.

Higher costs in all noninstructional areas

As shown in Table 1 on page 2, and based on auditors' review of various performance measures, in fiscal year 2016, Tucson USD operated with higher costs in all noninstructional areas when compared to peer districts' averages. The District spent \$1,091 more per pupil in total than the peer districts spent, on average, partly because it received more federal monies, such as federal grants for districts in high poverty areas. Additionally, Tucson USD was one of three districts in its peer group that levied additional monies in local property taxes to address desegregation issues. For more information on Tucson USD's desegregation programs, see Finding 3, page 11.

Much higher administrative costs and some improvements needed—At \$929 per pupil, Tucson USD's administrative costs per pupil were 38 percent higher than the peer districts' average. Tucson USD spent more on administration primarily because it paid some higher

Figure 1
Percentage of students who met or exceeded state standards
Fiscal year 2016
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2016 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

¹ The District's 86 schools consisted of 59 elementary schools, 13 middle schools, 11 high schools, 2 alternative schools, and 1 distance learning school.

² Auditors developed three peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

administrative salaries and employed more administrative staff than the peer districts, on average, and because it had some desegregation-related administrative costs that the peer districts did not have. Auditors also identified some computer controls that need strengthening (see Finding 1, page 3).

Excess building space and high energy costs led to high plant operations costs—Tucson USD’s \$6.27

plant operations cost per square foot was 7 percent higher than the peer districts’ \$5.86 average, and its cost per pupil was 31 percent higher than the peer districts’ average. The District’s plant operations costs were higher per pupil primarily because it operated and maintained 22 percent more square footage per pupil than the peer districts averaged, and it operated some of its schools below their designed capacities. Additionally, the District had higher energy costs than the peer districts, on average, because it had older buildings and its multiple energy management systems did not always operate efficiently. Although the District has undertaken steps to reduce its energy usage, more could be done to help lower energy costs (see Finding 2, page 7).

Reasonably efficient food service program—Tucson USD’s \$2.90 cost per meal was slightly higher than the peer districts’ \$2.73 average, and its cost per pupil was 23 percent higher than the peer districts’ average.

The District’s cost per meal was slightly higher partly because, during fiscal year 2016, the District incurred some additional, infrequent expenditures for temporary truck rentals to deliver refrigerated food items from the District’s central receiving site to school sites while waiting for new district vehicles to be purchased. Additionally, Tucson USD operated twice as many schools as the peer districts, on average, which increased the District’s staffing and other food-service-program-related costs. The District’s cost per pupil was higher because the District served 16 percent more meals per pupil than the peer districts, on average. Overall, auditors did not find any overstaffing or wastes of resources, and the District’s food service program appeared to be reasonably efficient.

Much higher transportation costs due to desegregation order—In fiscal year 2016, Tucson USD’s \$4.65 cost per mile was 24 percent higher than the peer districts’ average, and its \$2,033 cost per rider was 39 percent higher.

The District’s higher costs were primarily due to its court-mandated desegregation order that requires its schools to be racially integrated (see Finding 3, page 11, for more on the District’s desegregation order and programs). To address this order, Tucson USD transports students across school attendance boundaries to attend magnet schools and schools that are racially concentrated to help improve integration at those schools. Operating these additional bus routes increased the District’s transportation costs because it increased the number of bus drivers needed, as well as other related costs, such as fuel and maintenance and repair costs. If the District did not have to comply with these desegregation requirements, its transportation costs likely would have been similar to or lower than the peer districts’ averages. Despite its higher transportation costs, the District employed efficient practices, such as closely monitoring fuel usage and ensuring its buses receive periodic preventative maintenance. Additionally, the District operated three transportation centers, which were strategically located throughout the District’s boundaries to improve bus route efficiency and reduce excessive miles driven without riders. Auditors reviewed a sample of 20 buses’ routes and found that these routes were efficient, with buses filled to an average of 88 percent of seat capacity.

Table 1
Comparison of per pupil expenditures by operational area
Fiscal year 2016
 (Unaudited)

Spending	Tucson USD	Peer group average	State average
Total per pupil	\$8,422	\$7,331	\$7,746
Classroom dollars	4,009	4,121	4,145
Nonclassroom dollars			
Administration	929	673	806
Plant operations	1,127	859	939
Food service	405	329	415
Transportation	487	341	364
Student support	882	639	633
Instruction support	583	369	444

Source: Auditor General staff analysis of fiscal year 2016 Arizona Department of Education student membership data and district-reported accounting data.

District had much higher administrative costs and lacked adequate computer controls

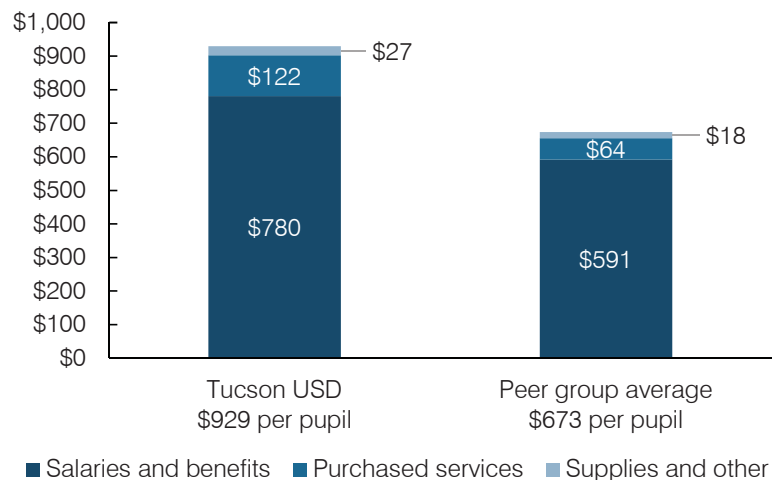
In fiscal year 2016, Tucson USD’s administrative costs per pupil were 38 percent higher than peer districts’, on average, for several reasons. Specifically, Tucson USD paid some of its administrative employees higher salaries and employed more administrative staff than the peer districts, on average, and it had some desegregation-related administrative costs that the peer districts did not have. Additionally, the District lacked adequate controls over its computer network and systems. Although auditors did not detect any improper transactions in the items reviewed, these poor controls exposed the District to an increased risk of unauthorized access to sensitive information and data loss.

District’s per pupil administrative costs were much higher than the peer districts’

In fiscal year 2016, Tucson USD spent \$929 per pupil for administration, 38 percent more than the peer districts’ \$673 per pupil average. As a result, the District spent more of its available operating dollars on administration, leaving it less money available to spend in the classroom.³ As shown in Figure 2, the District’s higher costs occurred in all three cost categories reviewed, but primarily in salaries and benefits where the District spent \$189 more per pupil than the peer districts averaged. The District’s higher administrative costs were primarily due to the District paying some administrative positions higher salaries than the peer districts, on average, and employing more administrative positions than the peer districts, on average. Additionally, the District had some administrative costs associated with its desegregation programs that the peer districts did not have, including costs for legal services.

District paid some administrative positions higher salaries—One reason for the District’s higher administrative costs was that it paid some of its administrative positions higher salaries than the peer districts averaged. For example, although the average salaries for Tucson USD’s assistant superintendents, principals, and assistant principals were more in line with

Figure 2
Comparison of per pupil administrative costs by category
Fiscal year 2016
 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2016 Arizona Department of Education student membership data and district-reported accounting data.

³ Available operating dollars are those used for the District’s day-to-day operations. For further explanation, see Appendix page a-1.

peer districts' averages for these positions, its superintendent's salary was 30 percent higher than the average salary for the peer districts' superintendents. Also, the average salary for Tucson USD's general administration support staff, such as executive assistants, administrative assistants, and legal secretaries, was 68 percent higher than the peer districts' average for general administration support staff.⁴ Additionally, the average salary for Tucson USD's central services support staff, such as payroll and purchasing analysts, procurement specialists, and warehouse staff, was 29 percent higher than the peer districts' average for central services support staff.⁵ Further, the average salaries for Tucson USD's central services manager-level positions, such as accounting managers, business managers, and accounts payable managers, was 13 percent higher than the peer districts' average salaries for central services manager-level positions.

District employed more administrative positions—Another reason the District's administrative costs were higher was that it employed more administrative positions than the peer districts, on average. Specifically, Tucson USD employed one administrative full-time equivalent (FTE) position for every 113 students, while the peer districts averaged one administrative FTE for every 124 students. Staffing levels were higher primarily at its schools, where the District served fewer students per principal, assistant principal, and school administrative support position, such as office managers and administrative assistants. In fiscal year 2016, the District served 24 percent more students in total and operated twice the number of schools as the peer districts, on average. Therefore, more school-level positions may have been needed to adequately staff the District's schools. However, as discussed in Finding 2 (see pages 7 through 9), the District operated some of its schools below their designed capacities and potentially could operate fewer schools, which may allow it to reduce administrative staffing and costs as well.

District's spending for desegregation programs also contributed to its higher administrative costs—Another contributor to Tucson USD's higher administrative costs was the approximately \$4.3 million, or \$95 per pupil, the District spent on desegregation-related administrative expenditures. About \$2 million of these expenditures were for salary and benefit costs for positions that administered the District's desegregation programs or portions of those programs. Many of these administrative positions are mandated by the District's desegregation court order. Additionally, almost \$1.4 million of these expenditures were for outsourced legal services, including costs for a court-appointed special master who oversees the District's implementation of its desegregation programs. The remaining expenditures were for miscellaneous items, such as training, conference, and workshop registrations, temporary staffing services, marketing services and supplies, and office supplies. In comparison, the two peer districts that levied taxes for desegregation programs in fiscal year 2016 did not spend any of their desegregation monies for administrative purposes likely because their desegregation agreements were not as complex, did not span across as many operational areas, and did not require the hiring of administrative staff as is mandated by Tucson USD's court order. Finding 3 (see pages 11 through 20) discusses the District's court-ordered desegregation agreement and provides more detail on the administrative and other positions the agreement requires the District to designate or hire.

District lacked adequate computer controls

In fiscal year 2017, Tucson USD lacked adequate controls over user access to its computer network and accounting and student information systems. These poor controls exposed the District to an increased risk of unauthorized access to these critical systems. Additionally, the lack of a thorough and tested information technology (IT) contingency plan could result in interrupted operations or data loss.

Weak password requirements—The District did not have strong password requirements for access to its computer network and accounting system. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters,

⁴ General administration includes activities associated with establishing and administering policy for operating a district and includes the office of the superintendent and any activities associated with a district's governing board.

⁵ Central services are activities that support other administrative and instructional functions, including fiscal services, human resources, planning, and administrative information technology.

numbers, and symbols if permitted in the system; and be changed periodically. However, the District did not require that network and accounting system passwords meet all these requirements. Strengthening password requirements would decrease the risk of unauthorized persons gaining access to the District's computer network and accounting system.

Inadequate procedures for removing access to network and critical systems—The District did not have sufficient procedures in place to ensure that only current employees had access to its network and student information and accounting systems. Auditors reviewed the District's fiscal year 2017 user access reports and found 17 network user accounts, 13 student information system user accounts, and 41 accounting system user accounts that were linked to employees who no longer worked for the District. At least 1 of these individuals had not worked for the District for almost 1 year. Further, auditors found 10 user accounts linked to terminated employees who had the ability to access the District's network using a Virtual Private Network (VPN). To reduce the risk of unauthorized access, the District should implement procedures to ensure the prompt removal of access, including VPN access, when a user is no longer employed by the District.

Lack of IT contingency plan could result in interrupted operations or data loss—In fiscal years 2016 and 2017, the District did not have a formal, up-to-date, and tested IT contingency plan even though it maintained critical student and accounting information on its network and systems. A written and properly designed contingency plan would help ensure continued operations in the event of a system or equipment failure or interruption. The plan should include detailed information on how to restore systems in such an event. As part of a contingency plan, the District should also perform documented tests of its ability to restore electronic data files from backups, which are important to ensure continuous accessibility to sensitive and critical data.

Recommendations

1. The District should review its administrative positions, related duties, and salaries and determine and implement ways to reduce administrative costs.
2. The District should implement and enforce stronger password requirements for its computer network and accounting system related to password length, complexity, and expiration.
3. The District should develop and implement a formal process to ensure that terminated employees have their computer network, systems, and VPN access promptly removed.
4. The District should create a formal IT contingency plan and test it periodically to identify and remedy deficiencies.



District had high plant operations costs

In fiscal year 2016, Tucson USD’s plant operations cost per pupil was much higher than the peer districts’ average primarily because the District operated and maintained more building space per pupil than the peer districts, on average. To its credit, in response to its excess building space and in an effort to reduce costs, the District closed 14 of its schools between fiscal years 2012 and 2016. However, the District continued to have some schools with excess space; therefore, it should continue to identify ways to reduce excess space and associated costs. The District also had higher energy costs than the peer districts, on average, partly because it operated older buildings, which tend to be less energy efficient. However, the District’s inefficient energy management systems also contributed to its higher energy costs. Although the District has taken steps to reduce its energy usage, developing and implementing comprehensive energy conservation plans could help the District further reduce its energy costs.

District closed many schools to lower plant operations costs but still had excess building space

As shown in Table 2, Tucson USD’s plant operations cost per square foot was slightly higher than the peer districts’ average, but its cost per pupil was 31 percent, or much higher, than the peer districts’ average. The higher per pupil costs were primarily caused by the District operating and maintaining substantially more building space per pupil than the peer districts averaged. As shown in Table 2, Tucson USD operated and maintained a total of 180 square feet of building space per pupil, 22 percent more than the peer districts’ average of 147 square feet per pupil. Additionally, the number of square feet per pupil at each of the District’s schools was well above the State’s applicable minimum standards for elementary, middle, and high school facilities of 80, 80, and 94 square feet per pupil, respectively, as established by Arizona Revised Statutes §15-2011. Maintaining more building space per student 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.

Table 2
Comparison of plant operations efficiency measures
Fiscal year 2016
(Unaudited)

Efficiency measures	Tucson USD	Peer group average
Cost per square foot	\$6.27	\$5.86
Cost per pupil	\$1,127	\$859
Square feet per pupil	180	147

Source: Auditor General staff analysis of fiscal year 2016 Arizona School Facilities Board square footage information, Arizona Department of Education student membership data, and district-reported accounting data.

To its credit, the District recognized that it had excess building space and high plant operations costs and closed 14 schools between fiscal years 2012 and 2016. Many of these former school buildings have either been sold or leased to other entities. However, the District continued to have some schools with excess space. Specifically, as shown in Table 3 on page 8, the District’s high schools operated at an average of only 52 percent capacity in fiscal year 2016. This low-capacity usage was confirmed by auditors when observations of five of the District’s high schools found classrooms, and in some cases even entire buildings of classrooms, that were not being used. In light of the District’s higher-than-average plant operations costs and its low-capacity usage at its high schools, the District should look for ways to further reduce its excess building space, including closing off buildings or

portions of buildings with unused space and adjusting the levels to which it heats and cools the space.

Older buildings and inefficient energy management systems led to higher energy costs

In fiscal year 2016, Tucson USD spent \$80, or 35 percent, more per pupil on energy than the peer districts spent, on average. One factor associated with the higher costs was outside the District's control. Specifically, the District's buildings were about twice as old, on average, as the peer districts' buildings. Older buildings typically have higher costs associated with them because they require more maintenance and tend to be less energy efficient. Although it operated older buildings, auditors observed the District's facilities and grounds and found them to be well maintained and determined that the

District was following its preventative maintenance plans and checklists. However, the District's higher energy costs may also be partly attributable to its energy management systems, which did not always allow the District to control heating and cooling of unused or infrequently used space. Although the District has taken steps to reduce its energy usage, developing and implementing comprehensive energy conservation plans could help further reduce the District's energy usage and costs.

Inefficient energy management systems contributed to high energy costs—In fiscal year 2016, the District used 7 different energy management systems to control temperatures and some lighting at 77 of its 86 schools. However, the systems did not have the same capabilities, which made it difficult for the District to make equitable comparisons of energy usage and needs among its schools. Further, three of the systems were outdated and were no longer supported by a vendor. Additionally, the systems could not control temperatures in individual rooms or classrooms. For example, the District could not set the energy management systems to provide only limited heating and cooling to unused rooms or classrooms. Auditors' observations at 10 district schools found that some unused or infrequently used rooms or classrooms were being heated and cooled at the same temperatures as frequently used rooms.

District has taken steps to reduce energy usage, but more can be done—The District has taken steps to reduce its energy usage, but more can be done to help the District control its energy usage and costs. The District underwent an energy audit in 2014 and entered into multiple energy savings contracts to have vendors evaluate and install energy-saving equipment, such as more efficient lighting fixtures. Additionally, the District has been monitoring energy usage and cost measures, such as energy cost per square foot and per pupil. However, the District does not have a formal energy conservation plan. District officials indicated that this is because the District's various energy management systems make it difficult to consistently apply one district-wide energy conservation plan across all its schools and to make comparisons among schools. However, the District could develop energy conservation plans based on the capabilities of each energy management system and group its schools under a plan based on the energy management system used. Comprehensive energy conservation plans

Table 3

Number of students, designed capacity, and percentage of capacity used by high school Fiscal year 2016

(Unaudited)

School name	Number of students	Designed capacity	Percentage of capacity used
Catalina High School	761	2,871	27%
Cholla High School	1,814	2,506	72
Palo Verde High Magnet School	1,169	2,761	42
Project M.O.R.E.	78	276	28
Pueblo High School	1,572	3,005	52
Rincon High School	2,166	2,650	82
Sabino High School	946	2,488	38
Sahuaro High School	1,720	2,467	70
Santa Rita High School	511	2,613	20
Tucson High Magnet School	3,144	4,900	64
Totals and average	13,881	26,537	52%

Source: Auditor General staff analysis of fiscal year 2016 Arizona Department of Education student membership data and fiscal year 2016 building capacity information obtained from the Arizona School Facilities Board.

could help the District reduce its high energy costs by establishing acceptable room temperature settings and light settings for different times of the day. Other aspects of an energy conservation plan could be applicable to all schools regardless of their energy management system. For example, a comprehensive energy conservation plan could also set criteria regarding equipment usage, such as not allowing teachers to keep mini-refrigerators, microwave ovens, and coffee makers in their classrooms. The plan could also require other energy-saving measures, such as keeping doors and windows closed when heating or cooling rooms, and closing blinds to reduce heat loss in the winter and keep heat out in the summer.

Recommendations

1. The District should continue to review the use of space at each of its schools and determine and implement ways to reduce identified excess space.
2. The District should continue its efforts to reduce energy usage and develop and implement comprehensive energy conservation plans to help further reduce its energy usage and costs.



District spent \$63 million on court-ordered desegregation programs in fiscal year 2016

In fiscal year 2016, Tucson USD spent \$63 million, or \$1,403 per pupil, to provide various court-ordered desegregation programs with the goal of eliminating any remaining vestiges of past discrimination and providing every student the opportunity to attend a racially integrated school, to comply with agreements it made with the U.S. Department of Education’s Office for Civil Rights (OCR), and to partially fund the state-mandated Structured English Immersion (SEI) program.^{6,7,8} In 1974, two lawsuits alleging racial discrimination were brought against the District, and in 1978, the District reached a settlement agreement with the plaintiffs to begin the desegregation process. A federal court judge ruled that Tucson USD had achieved unitary status in 2008, meaning it had eliminated the vestiges of past discrimination. However, the plaintiffs appealed, and in 2011, the Appellate Court overruled the judge’s ruling and placed Tucson USD back under district court monitoring. Tucson USD then worked with the other parties in the case to develop a comprehensive unitary status plan (USP). Under the USP, the District is required to offer programs that provide meaningful access to advanced learning opportunities, extracurricular activities, opportunities to attend integrated schools, and facilities and technology for minority students and limited English proficient students among other requirements related to transportation, staffing, quality of education, and transparency and accountability. In March 2017, the District filed for partial unitary status, and in May 2017, the court ruled that the question of partial unitary status was moot because it was so close in time to the filing for full unitary status. Tucson USD faces several challenges as it moves forward with its efforts to achieve unitary status in all areas of the USP, but it should continue to work with the court to evaluate its desegregation programs and determine practical ways to create sustainable, long-term programs that will meet the USP’s requirements, which would help position it to attain unitary status.

Desegregation overview

In 1954, in one of its decisions, the U.S. Supreme Court stated that segregation deprives students of equal protection under the law as guaranteed by the 14th Amendment. The Civil Rights Act of 1964 broadened the definition of discrimination to include race, color, religion, or national origin, and prohibits discrimination in any program or activity receiving federal financial assistance. Discrimination cases can originate from a compliance review by the OCR, a complaint, or a lawsuit. If the case originated from a compliance review or complaint, the OCR investigates the matter, and if it determines that a violation occurred, it works with the school district to negotiate a voluntary administrative agreement that describes the specific outcomes necessary for the district to remedy the violation. If the district does not agree to the administrative agreement, the OCR can refer the case to the U.S. Department of Justice, possibly resulting in the matter going to trial in a federal court and a court order being issued that requires the district to take actions to remedy the violations. If the case originated from a lawsuit, the case is filed in federal court and could result in the matter going to trial and a court order being issued.

⁶ In *Fisher v. TUSD* 652 F.3d 1131 (9th Cir. 2011), the court required the District to propose a plan to eliminate any remaining vestiges of past discrimination.

⁷ “Integrated school” is defined in the textbox on page 12 of this report.

⁸ In fiscal year 2008, Arizona adopted Structured English Immersion (SEI) models to teach English Language Learner (ELL) students. Arizona Revised Statutes (A.R.S.) §15-756.02, requires school districts to select a State Board of Education-approved model for SEI or submit a proposed program to the State Board of Education for approval.

The U.S. Supreme Court assigned school authorities the responsibility for desegregation solutions and gave states the responsibilities for funding them. Arizona law allows school districts to levy additional taxes on local property to comply with administrative agreements or federal court orders.⁹ This allows districts to gain additional funding for their desegregation activities. In fiscal year 2016, 18 Arizona school districts budgeted monies because of OCR administrative agreements or federal court orders.

History of District's desegregation plan, court order, and agreements

Tucson USD's desegregation plan developed from two lawsuits and three agreements with the OCR. Figure 3 on page 13 presents a timeline of key Tucson USD desegregation events. In 1974, two separate racial discrimination lawsuits, which were later consolidated as *Fisher v. TUSD*, were brought against Tucson USD on behalf of the District's minority students, charging the District with segregating and otherwise discriminating against its African American and Mexican American students. In 1978, the plaintiffs and Tucson USD reached a settlement agreement and began an agreed-upon desegregation process. The original court-ordered agreement was set to last for a minimum of 5 years before the District could file for dissolution or dismissal of the case in 1983. However, no significant court-related activity related to this case took place again until fiscal year 2005 when the District petitioned for unitary status (see textbox) and the removal of court oversight. In 2008, the court ruled that Tucson USD had achieved unitary status, meaning it had eliminated the vestiges of past discrimination, and in December 2009, the court accepted the District's post-unitary status plan (PUSP), which was put into place to ensure the District would be held accountable after court oversight was removed. The PUSP covered the same areas as the original 1978 settlement agreement, with additional internal compliance monitoring and public reporting requirements to provide the public with the ability to monitor the District as well. In July 2011, the Appellate Court placed the District back under court oversight after ruling in favor of an appeal filed by the plaintiffs arguing that the District had not met its burden in demonstrating good faith and had not eliminated all evidence of past discrimination and therefore should not have been granted unitary status. In addition, the court established new requirements for the District, including the appointment of a Special Master (see textbox) the District had to pay to help it develop a unitary status plan (USP) and to oversee the USP's implementation.

In addition to the court case, the District entered into three additional agreements with the OCR to address other complaints. In 1984 and 1996, the District entered into agreements with the OCR to address meaningful access to curriculum and services for minority and limited English proficient students. Additionally, in 2002, the District entered into additional agreements with the OCR to provide meaningful access to translation and interpretation services and meaningful access to services at family resource centers for limited English proficient students and their families.

Unitary status is when the court decides that the District has met all requirements of the desegregation order and demonstrated a commitment to continued operations in a nondiscriminatory manner. Once unitary status is achieved, judicial oversight will be terminated.

Special Master is the judge's designee who helped the District develop the USP and oversees its implementation.

Integrated schools are schools in which no racial or ethnic group varies by more than 15 percentage points from the district average for that grade level, and no single racial or ethnic group exceeds 70 percent of the school's total enrollment.

Racially concentrated schools are schools in which any racial or ethnic group exceeds 70 percent of the school's total enrollment.

⁹ A.R.S. §15-910(G): "The governing board may budget for expenses of complying with or continuing to implement activities that were required or permitted by a court order of desegregation or administrative agreement with the United States Department of Education Office for Civil Rights directed toward remediating alleged or proven racial discrimination that are specifically exempt in whole or in part from the revenue control limit and district additional assistance." School districts receive these additional monies by levying, without voter approval, local property taxes, which may be supplemented by the State General Fund through additional state aid.

Figure 3
Key events in Tucson USD desegregation as of November 2017

1974	Two separate racial discrimination lawsuits, which are later consolidated as <i>Fisher v. TUSD</i> , are brought against Tucson USD by parents of African American and Mexican American students.
1978	Plaintiffs and Tucson USD reach settlement agreement and begin agreed-upon desegregation process.
1983	The first year Tucson USD is eligible to file for dissolution or dismissal of agreement.
1984	Tucson USD enters into OCR agreement requiring meaningful access to high school curriculum for minority students after complaints of inequities at multiple district high schools.
1996	Tucson USD enters into OCR agreement requiring meaningful access to curriculum and services for limited English proficient students in the District.
2002	Tucson USD enters into OCR agreements requiring meaningful access to translation and interpretation services and meaningful access to services at family resource centers for limited English proficient students and their families.
2005	Tucson USD petitions for unitary status and the removal of court oversight.
2008	Tucson USD's petition for unitary status is granted pending the acceptance of a post-unitary status plan to ensure that racial imbalances do not reoccur.
2009	Court accepts post-unitary status plan with additional internal compliance monitoring and public reporting requirements.
2010	Plaintiffs appeal court's decision.
2011	Appellate Court reverses and remands prior court decision, placing Tucson USD back on court monitoring.
2012	Court appoints a Special Master to work with the District on developing a new unitary status plan and overseeing its implementation.
2013	Unitary status plan is accepted by the court and becomes the agreement between Tucson USD and the court.
2017	District files for partial unitary status, but the court denies it as moot because it is waiting for more information before considering the District's request.

Source: Auditor General staff analysis of court and district records and interviews of district personnel and district counsel.

With the court-appointed Special Master's oversight, the District developed a USP that the court approved in February 2013 and encompasses requirements from the original *Fisher v. TUSD* court case and activities that began under the previous OCR agreements. The USP is described in more detail in the next section.

District's unitary status plan and expenditures

The stated goals of the District's USP are to eliminate any remaining vestiges of past discrimination and for all students to have the opportunity to attend racially integrated schools instead of racially concentrated schools (see textbox on page 12). Table 4 on page 14 outlines each section of the USP, briefly describes the requirements of each section, and reports the District's fiscal year 2016 expenditures for each section. In fiscal year 2016, the District spent over \$63 million on its desegregation programs, to comply with OCR agreements, and to partially fund the state-mandated SEI program. This equates to about \$1,403 per pupil. For the purposes of this report, the three sections with the highest spending are discussed in more detail below.

Table 4
Desegregation requirements and expenditures by USP section
Fiscal year 2016
(Unaudited)

USP section	Description of requirements	Expenditures and percent of total program spending
Quality of education	Requires the District to evaluate currently available advanced learning experiences and ensure African American and Latino students have equal access to these programs to improve their academic achievement. Requires the District to expand its dual language program and support services provided to African American and Latino students and requires the District to hire or designate director-level positions to coordinate programs and services for these students.	\$16,068,618 25%
Student assignment	Requires that students of all racial and ethnic backgrounds have the opportunity to attend an integrated school and outlines strategies for assigning students to schools. These strategies include implementing magnet schools and programs, guidelines for school boundaries, and open enrollment policies.	\$11,868,363 19%
Transportation	Requires the District to provide free transportation for students enrolled in magnet schools and students enrolled in non-magnet schools at racially concentrated schools whose transfers improve the schools' integration and requires transportation services to support students' participation in extracurricular activities at integrated and magnet schools.	\$10,520,200 17%
Compliance and good faith	Compliance and good faith represents the District's costs to administer its desegregation programs, including legal fees, and the costs of monitoring and reporting the District's efforts to implement the USP in addition to the costs to implement OCR and SEI requirements.	\$9,174,443 14%
Facilities and technology	Requires the District to biennially evaluate and rate the condition of its school sites and create a multiyear plan to address repairs and improvements. Also requires the District to biannually evaluate and rate the technology at its schools and create a multiyear plan to provide for enhancements and improvements. After ensuring health, safety, and required repairs are met, the District is to give priority to racially concentrated schools.	\$7,623,336 12%
Student discipline	Requires the District to reduce racial and ethnic disparities in the administration of student discipline and work to ensure that students remain in the classroom setting as often as practicable. Outlines policies and practices for the District to implement and follow.	\$2,973,810 5%
Administrators and certificated staff	Establishes requirements related to the recruitment, hiring, assignment, promotion, pay, demotion, and dismissal practices of staff to enhance racial and ethnic diversity. Requires the hiring or designation of various positions, including teacher mentors and professional development and recruitment directors, and outlines requirements related to professional staff development.	\$2,778,186 4%

Table 4 (continued)

Accountability and transparency	Establishes requirements for annual reporting; procedures for notifying and seeking approval from the plaintiffs and Special Master on changes related to student assignment, attendance boundaries, the closing or opening of magnet schools or programs, or facilities; USP information available on the Tucson USD website; and improvements to the District's accounting and student information systems to facilitate budget needs and data monitoring.	\$1,911,674 3%
Family and community engagement	Requires the District to expand its existing family resource centers and/or develop new centers to educate the community on the transportation, education, and student support services available at the District. Also addresses the translation and interpretation services to be provided.	\$698,544 1%
Extracurricular activities	Requires the District to provide opportunities for interracial contact and equitable access to extracurricular activities regardless of students' racial or ethnic background or language proficiency, including opportunities for students to participate in a range of sports as well as programs to develop leadership skills and pursue shared interests.	\$93,873 <1%
Total		\$63,711,047

Source: Auditor General staff analysis of court and district records, interviews of district personnel and counsel, and analysis of district-reported fiscal year 2016 accounting data.

Quality of education—At over \$16 million, quality of education was the USP section with the highest spending in fiscal year 2016. This USP section requires the District to improve the quality of education for African American and Latino students through various strategies including but not limited to:

- Providing equal access to advanced learning experiences (ALEs), which are programs offered at the District's schools, including Advanced Placement (AP) and honors courses, Gifted and Talented Education (GATE), language acquisition courses, and dual language programs;
- Building and expanding dual language programs;
- Addressing disparities in exceptional/special education, if or where they exist;
- Providing academic and behavioral supports, including implementation of a Dropout Prevention and Graduation plan and positive alternatives to suspension;
- Implementing a system to automatically flag and provide supports for struggling students;
- Providing support services for African American and Latino students;
- Providing professional development for administrators and certificated staff on creating supportive and inclusive learning environments emphasizing curriculum, pedagogy, and cultural responsiveness;
- Implementing a multicultural curriculum;
- Implementing culturally relevant courses; and
- Implementing strategies for reducing the achievement gap and improving educational outcomes for African American and Latino students.

Of the over \$16 million spent in this area, the majority of these monies were spent on salaries and benefits for teachers and for support staff who ensured that the District complied with this section's USP requirements. To address this USP section, the District has taken the following steps:

- **Expanded the number of programs and increased student access**—As of fiscal year 2017, the District had a total of 53 ALEs across its campuses, and it continued to identify schools at which it can provide additional opportunities. Since the USP's inception, the District has expanded access to programs, such as AP, by reducing the prerequisites to allow opportunities for any students who are interested in attempting these courses. Additionally, the District offers assistance, such as mentors, tutors, and summer school classes, to help students be successful in these programs. Further, the District continued to implement and expand its Advancement Via Individual Determination (AVID) program, which is designed to increase the number of students enrolling and succeeding in higher education and in their lives beyond high school and includes school-wide instructional practices and an AVID elective class to provide additional support for college readiness.
- **Increased teacher training**—The District's ALE department provides training and pays for additional external training for teachers to be able to teach AP courses. Each summer, the District also offers an institute where teachers can earn GATE teaching certifications for free. Other department staff, such as counselors, are trained on the opportunities available for students so they can help students find an appropriate program and then transition them into the identified programs.

Student assignment—This section of the USP, the District's second-highest area of spending at almost \$11.9 million, covers not only the traditional activities of student assignment, such as evaluating and implementing school attendance boundaries and open enrollment policies, it also includes the District's magnet school programs because magnet schools are identified in the District's USP as a tool used to attract students to schools outside of their attendance area.¹⁰ The District spent the \$11.9 million primarily on salaries and benefits for magnet school teachers, additional and sometimes specialized education equipment and supplies, and teacher training and support. The USP's goal for student assignment is that students of all racial and ethnic backgrounds have educational choices and the opportunity to attend an integrated school. To address this, the District has taken the following steps:

- **Magnet schools**—According to the USP, a magnet school focuses on a theme, such as a specific academic area, a particular career, or a specialized learning environment; attracts students of diverse racial or ethnic backgrounds; and encourages students to choose a school outside of their attendance area school to participate in the magnet theme offered at the school. In fiscal year 2016, the District operated 19 magnet school programs and was surveying parents for interest in future magnet school themes. In addition to providing specialized educational opportunities, such as engineering and visual and performing arts, the goal of the magnet school programs is to attract students to these school sites to help meet integration goals. Therefore, the District has located its magnet programs in schools that were previously racially concentrated. To fund magnet school programs, the District uses not only desegregation monies, it also seeks out competitive private grants as required by the USP. In fiscal year 2017, three of the District's magnet schools received merit awards from the National Association of Magnet Schools of America.
- **Open enrollment**—As with typical open enrollment policies, students at Tucson USD can attend a district school outside of their attendance area as long as there are seats available. In addition to traditional open enrollment, the District operates an incentive program that encourages students to attend schools outside their regular attendance area to improve the schools' integration by providing them with free transportation. Further, the District uses a lottery system for cases where more students want to attend a particular school than there are seats available. Priority is given to those students whose attendance at another school would improve the schools' integration.

¹⁰ A.R.S. §15-816(2) defines open enrollment as "...a policy adopted and implemented by a school district governing board to allow resident transfer pupils to enroll in any school within the school district, to allow resident pupils to enroll in any school located within other school districts in this state, and to allow nonresident pupils to enroll in any school within the district"

- **School boundaries**—According to the USP, the District must review and/or redraw its attendance boundaries when it opens a new school; closes, repurposes, or consolidates a school; alters a school’s capacity; or designates a school without an attendance boundary. When the District draws or redraws attendance boundaries, the USP requires it to consider the following criteria: current and projected enrollment; capacity; compactness of the attendance area; physical barriers; demographics, such as race, ethnicity, and socioeconomic status; and the effects the new boundaries will have on school integration. In applying these criteria, the District must propose and evaluate various scenarios with, at a minimum, the plaintiffs and the Special Master to increase its schools’ integration. In fiscal year 2016, the District used this process to examine attendance boundaries to determine if it could make any changes to improve integration. As a result, the District proposed grade configuration changes at five schools.
- **Marketing, outreach, and recruitment plan**—According to the USP, the District must inform African American and Latino families and community members about the educational options available in the District. To address this requirement, the District implemented a marketing, outreach, and recruitment plan that is designed to improve outreach to students and families about available school choices and free transportation options. In fiscal year 2016, the District updated its marketing, outreach, and recruitment plan, focusing on increasing the use of videos and other platforms to showcase schools and programs, improving social media, and implementing other strategies to support choice and integration at magnet schools and non-magnet schools.
- **Coordinated Student Assignment Committee**—The District coordinates its student assignment efforts through a multi-departmental committee that develops initiatives and monitors the implementation of efforts to improve integration.

Transportation—In fiscal year 2016, Tucson USD spent \$10.5 million on transportation activities to improve integration at its school sites. To ensure that transportation services support this goal, the District has implemented several strategies, most notably:

- **Magnet and incentive program routes**—In accordance with the USP, the District provides transportation for all students who attend a district magnet school outside of their regular attendance area. Additionally, the District provides transportation to students who live within the boundary of a racially concentrated school who choose to attend schools where the students’ attendance would improve integration. According to district officials, to reduce ride times for students on these routes, the District implemented express shuttles in fiscal year 2017. The District transports students to the closest school in their area offering shuttle service and then transports the students on shuttles to their magnet schools.
- **Extracurricular activity transportation**—To further promote attendance at integrated schools and as required by the USP, the District provides additional transportation services for extracurricular activities such as after-school student clubs, tutoring, and sports at integrated and magnet schools. According to district officials, insufficient transportation services for extracurricular activities had kept students from participating in these types of activities in the past.

Other requirements—In addition to the three sections previously discussed, the other six sections of the USP contain various requirements that affect the District’s operations in noninstructional areas such as administration and support services. Among other requirements, the USP stipulates:

- **Outside-party involvement**—As required by the USP, the District must submit to the Special Master and plaintiffs for comment and review many decisions the District makes before it can implement them, including decisions to change grade configurations or school boundaries, open or close schools, and sell or lease district property. After the comment and review period, the District must formerly seek approval from the Special Master and the court. Additionally, the Special Master and plaintiffs are heavily involved in the District’s desegregation budgeting process. There are also numerous community members who are unofficial advocates for the plaintiffs, and the District extends invitations to these individuals to be involved in the desegregation budgeting process to ensure that its programs are addressing its current students’ needs. Further, the District is required to have an independent accounting firm conduct a separate external

review of its desegregation expenditures each year to ensure the District has spent its desegregation monies in accordance with its budget. Additionally, both the District and the Special Master separately prepare and issue annual reports to the court on the District's USP implementation progress.

- Additional positions and requirements—** Table 5 provides detail on the nearly 20 positions or job duties the USP requires. Some of these positions or duties were for administrative positions at the school level and district office level, which increased the District's overall administrative spending (see Finding 1, page 3, for further information on the District's administrative spending). The USP also requires various support positions that have resulted in higher spending for student and instruction support (see Table 1 on page 2). The District estimates that approximately one-third of the positions or additional job duties required by the USP were performed by individuals who were already district employees. However, the District reported that it had to hire individuals to fill the remaining two-thirds of the positions required by the USP.

Table 5
Positions required to be designated or hired per the USP

District-level directors

Student Assignment
 Magnet Strategy and Operations
 Culturally Responsive Pedagogy and Instruction
 Multicultural Curriculum
 African American Student Achievement
 Latino Student Achievement

District-level coordinators

Advanced Learning Experiences
 Family Engagement
 Outreach, Recruitment, Hiring, Assignment, and Retention
 Personnel Recruitment Efforts
 Professional Development and Support Efforts

School-level directors

Drop out
 Academic and Behavioral Supports
 Restorative and Positive Practices
 Magnet School
 Professional Development Trainers

Source: Auditor General staff analysis of court and district records and interviews of district personnel and district counsel.

District's challenges in achieving unitary status

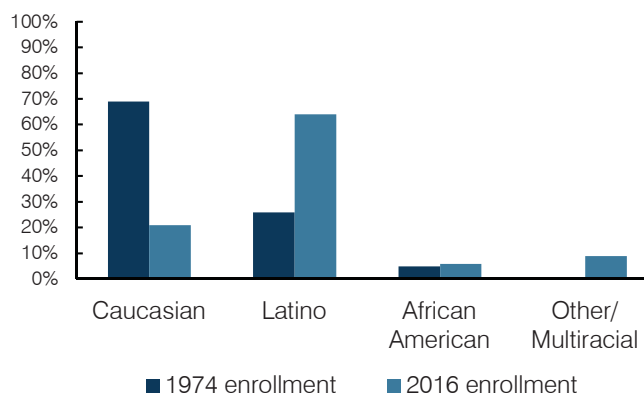
The District continues to experience challenges in achieving unitary status. As discussed earlier and as shown in Figure 3 on page 13, the District petitioned for unitary status in 2005 and was granted it in 2008. However, the plaintiffs appealed the court's decision, and in 2011, the Appellate Court ruled in favor of the plaintiffs, placing the District back under court oversight.

District officials indicated that the District continues to face several challenges in meeting some of the requirements set forth in the USP, including attaining racial integration at its schools, providing English Language Learner (ELL) and dual language programs that meet the requirements of the USP as well as state requirements, restructuring its student discipline policies and procedures, and ensuring its magnet schools attract students to help with integration efforts. Specifically:

- Racial integration—**As stated earlier, the USP requires that students of all racial and ethnic backgrounds have the opportunity to attend an integrated school. The racial/ethnic composition of the District has changed dramatically in the 40 years since the lawsuits were filed. As shown in Figure 4 on page 19, at the time of the lawsuits in 1974, the racial/ethnic composition of the District's students was 69 percent Caucasian, 26 percent Latino, and 5 percent African American. As of fiscal year 2016, the racial/ethnic composition of the District had significantly changed so that Latino students composed 64 percent of total student enrollment, Caucasians composed 21 percent, and African Americans remained similar at 6 percent. Additionally, the USP and A.R.S. §15-816.01(A) require the District to allow for open enrollment, meaning Tucson USD students can apply to attend any school within the District, Tucson USD students can apply to attend a school in a different district, or students from outside Tucson USD's boundaries can apply to attend one of the District's schools. According to district officials, this greatly reduces the District's ability to adjust its school attendance

boundaries to help reach integration goals. Prior to open enrollment and the USP, the District could adjust a school's boundaries to achieve integration or eliminate racial concentration. However, because students can choose to go to any school in the District if there are open seats, and because the USP requires that the Special Master and the plaintiffs approve of any school boundary changes, the District can no longer change boundaries as it sees fit in order to meet integration goals. Further, parents must choose to move their children to schools outside their regular attendance area in order to integrate all of its schools, which district officials indicated is difficult for some neighborhoods. Therefore, the District offers magnet schools, ALEs, and specialized transportation routes to provide incentives for students to attend certain schools where they will improve any racial imbalances. In fiscal year 2016, over 70 percent of the District's \$63 million of desegregation monies were spent on these programs and objectives (see Table 4, page 14). Despite spending the majority of its desegregation monies on school integration efforts, according to the District's fiscal year 2016 annual desegregation report, only 18 district schools met the definition of an integrated school, 36 were defined as racially concentrated, and the remaining 32 were undesignated because they did not fit either USP definition (see textbox, page 12).¹¹

Figure 4
Tucson USD enrollment by race/ethnicity
Fiscal year 1974 versus fiscal year 2016
 (Unaudited)



Source: Auditor General staff analysis of court and district records and district-reported fiscal year 2016 enrollment data.

- ELL and dual language programs**—As part of the USP requirements, the District is filing for an exemption through the Arizona Department of Education (ADE) from delivering its ELL program using the SEI models required by statute. Because these models require intensive English instruction outside the regular classroom, involved parties have expressed concern that this leads to additional segregation of students by national origin. Further, the USP directs the District to expand its dual language (English/Spanish) program, which requires a certain number of English proficient speakers and Spanish proficient speakers at early elementary grade levels. However, the dual language program is often unable to enroll enough students for a successful cohort because many Spanish-proficient speakers are not yet proficient in English, and state statute requires ELL students to be placed in separate SEI classes if they are not proficient in English. To be in compliance with the legal requirements of its desegregation order and state statute, the District should continue working with ADE to develop an alternative model for ELL instruction.
- Student discipline**—According to district officials, the District has had difficulties in restructuring its student discipline policies and practices to ensure that students remain in the classroom setting as often as possible, as required by the USP. Some parents and district staff members have spoken against these changes and are concerned that discipline is not being properly followed through on or is not adequate for the safety of other students. The District is currently taking into consideration community input on potential changes to the District's policies and practices.

¹¹ As defined in the textbox on page 12, the District's schools can be considered integrated or racially concentrated or not meet either of these definitions. Schools do not fall into either category when no single racial or ethnic group exceeds 70 percent of the school's total enrollment, but one or more racial or ethnic group varies by more than 15 percentage points from the district average for that grade level. For example, in fiscal year 2016, one of the District's K-8 schools did not meet either definition because, although no racial or ethnic group exceeded 70 percent of the school's total enrollment, the school's Native American enrollment was more than 15 percentage points higher than the district average, and its Latino enrollment was more than 15 percentage points less than the district average.

- **Magnet schools**—As stated earlier, in fiscal year 2016, the District operated 19 magnet schools. However, six schools lost their magnet status in fiscal year 2017 because they did not meet the USP’s integration requirements. Because these schools are no longer considered magnet schools according to the USP’s requirements, the District is seeking feedback from parents to determine what they are looking for in magnet programs so that the District can attempt to establish other magnet schools in the future. As mentioned earlier, magnet programs are a tool used to attract students to schools outside of their attendance area in an effort to balance the student population at racially concentrated schools. The lack of consistency in which schools have these programs could potentially hinder parents’ incentive to move their children to a magnet school.

Despite these challenges, the District should continue to work toward unitary status in each USP area. The District’s USP, which was accepted by the court in 2013, stipulates that the District may seek partial unitary status at any time, but may not file for complete unitary status until the end of the 2016-2017 school year. In March 2017, the District filed for unitary status in the following areas: transportation, family and community engagement, extracurricular activities, facilities and technology, and accountability and transparency. However, in May 2017, the court denied the District’s request as moot because it was so close in time to the filing for full unitary status. Despite the court’s denial of the District’s request for partial unitary status, the District should continue to work with the Special Master and the court to evaluate its desegregation programs and determine practical ways to create sustainable, long-term programs that will meet the USP’s requirements, which would help position it to attain unitary status. At the time of this report’s release, the District and the Special Master were working to develop roadmaps and timelines for attaining unitary status for each USP area that had not been fully and successfully implemented.

Recommendations

1. The District should continue working with ADE to develop an alternative model for ELL instruction that meets the legal requirements of state statute and its desegregation order.
2. The District should continue to work with its Special Master and the court to evaluate its desegregation programs and determine practical ways to create sustainable long-term programs that will meet the USP’s requirements, which would help position it to attain unitary status.

Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Tucson Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on classroom dollars, as previously reported in the Office of the Auditor General's annual report, *Arizona School District Spending*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2016, was considered.¹² Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2016 summary accounting data for all districts and Tucson USD's fiscal year 2016 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Tucson USD's student achievement peer group includes Tucson USD and the 6 other unified school districts that also served student populations with poverty rates greater than 17 percent and were located in cities and suburbs. Auditors compared Tucson USD's graduation rate and its percentage of students who passed state assessments to its peer group averages for these measures.¹³ Generally, auditors considered Tucson USD's percentages to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in the percentage of students who passed state assessments between Tucson USD and its peers, as well as differences between their graduation rates.

To analyze Tucson USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Tucson USD and 8 other unified school districts that also served 20,000 or more students and were located in cities and suburbs. To analyze Tucson USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group includes Tucson USD and 12 other school districts that also traveled more than 335 miles per rider and were located in cities and suburbs. Auditors compared Tucson USD's costs to its peer group averages. Generally, auditors considered Tucson USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11

¹² Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with the acquisition of capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

¹³ The percentage of students who passed state assessments is based on the number of students who scored proficient or highly proficient on the Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) Math and English Language Arts tests and those who met or exceeded the state standards on the Arizona's Instrument to Measure Standards (AIMS) Science test. Test results were aggregated across grade levels and courses, as applicable.

to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Tucson USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2016 administration costs and staffing levels and compared them to peer districts'.
- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2016 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To report information about the District's desegregation program, auditors interviewed district personnel and reviewed the District's court order, desegregation plans, other court documents, and related expenditures.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2016 expenditures to determine whether they were appropriate and if the District properly accounted for them. Auditors also reviewed the District's performance pay plan and analyzed how it distributed performance pay.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2016 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2016 transportation costs and compared them to peer districts'.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2016 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 8,519 individuals who received payments in fiscal year 2016 through the District's payroll system and reviewed supporting documentation for 30 of the 146,762 fiscal year 2016 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that they considered significant to the audit objectives and reviewed fiscal year 2016 spending and prior years' spending trends across operational areas.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and her staff express their appreciation to the Tucson Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

TUCSON UNIFIED SCHOOL DISTRICT

Office of the Superintendent

February 28, 2018

Ms. Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Ms. Davenport,

The Tucson Unified School District respectfully submits the following response to the letter dated February 22, 2018 regarding the preliminary performance audit report for the Tucson Unified School District.

The District is committed to maintaining operations in the most efficient and effective manner possible and will work closely to ensure that the recommendations set forth by the Auditor General are implemented.

Thank you for your time and professionalism throughout this process.

Respectfully,

Gabriel Trujillo, Ed.D.
Superintendent

Finding 1: District had much higher administrative costs and lacked adequate computer controls

District Response: The District agrees with the finding and recommendations. The District paid salaries that were higher than peer groups in administrative positions and employed more administrative positions. Specifically, administrative assistant and related positions, salaries are higher as a result of long-term employees. The average years of service in this category for general administrative support services and central services combined is over 17 years.

In past years, the District implemented a compensation program that allowed for participation in professional development as a means to increasing the employee's base salary. This program was eliminated. However, the increases incurred through the program were sustained for those employees.

The District is under a desegregation court order and is mandated to employ a number support positions that affects administrative position comparisons to other districts.

Tucson Unified is a pilot district and assumes accounting responsibility which means it operates with full independence from the county school superintendent with respect to revenues and expenditures, including allocating revenues, monitoring vouchers, authorizing and issuing warrants and maintaining and verifying staff records for certification and payroll purposes. This responsibility warrants hiring higher qualified staff and higher salaries.

Recommendation 1: The District should review its administrative positions, related duties, and salaries and determine and implement ways to reduce administrative costs.

District Response: The District paid some administrative positions higher salaries. The salary for the district superintendent was subsequently been reduced in the 2017-18 school year by \$70k, which is more in line with other school districts of similar size.

The District has many long-term employees in the centralized finance support staff but will conduct a review of the average salary of business managers, payroll, and purchasing and procurement analysts.

The District employed more administrative positions. The district will implement a review of site and central administrative positions to include site level administrative staffing levels.

The District is working on a restructuring plan for 2018-19 that will reduce administrative costs while sustaining school-level support.

Recommendation 2: The District should implement and enforce stronger password requirements for its computer network and accounting system related to password length, complexity, and expiration.

District Response: The District is working to strengthen its password requirements, and plans to enable the new requirements by August 1, 2018.

Recommendation 3: The District should develop and implement a formal process to ensure that terminated employees have their computer network, systems, and VPN access promptly removed.

District Response: For critical requests, system access is removed or modified immediately for terminated or transferred employees. By August 1, 2018, system access will be removed within one week after termination/transfer for all non-critical requests.

Recommendation 4: The District should create a formal IT contingency plan and test it periodically to identify and remedy deficiencies.

District Response: The District will finalize its Disaster Recovery Plan by August 1, 2018. Data will continue to be backed up daily.

Finding 2: District had high plant operations costs

District Response: The District agrees with the finding and recommendations. The average age of school structures within the District is 46 years. As a result, the District's cost to maintain them is high. A master facility plan was developed in order to prioritize and address these concerns.

Recommendation 1: The District should continue to review the use of space at each of its schools and determine and implement ways to reduce identified excess space.

District Response: The district maintains a room use database, derived from master schedules, for each school. This allows us to calculate operating capacities for each school. Using this, we compile an annual report of utilization rates based on enrollment and capacity. These are used for facility planning such as program additions or changes, or for determining how many open-enrollment students can be accepted by a school. The bond, which was presented to the voters in November, included funding to reduce portables. With the failure of that bond, there are no existing programs to reduce space in the district. Having gone through the painful process of closing 20 schools in the last 8 years, with the resultant enrollment losses, our current goal, at least in the short-term, is to increase enrollment or at a minimum reduce declines.

Recommendation 2: The District should continue its efforts to reduce energy usage and develop and implement comprehensive energy conservation plans to help further reduce its energy usage and costs.

District Response: The District is implementing Phase 3 of a solar plan. Upon completion of this project, the District will be one of the largest energy conservation school districts. The District has schools that participate in the Energy Star Program. As a result of the District's \$29 million ESCO project, energy costs have been reduced over 5% since 2012.

Finding 3: District spent \$63 million on court-ordered desegregation programs in fiscal year 2016

District Response: The District agrees with the facts and recommendations contained in this finding, which confirms that the District is following state law regarding the expenditure of A.R.S. 15-910(G) funds.

Recommendation 1: The District should continue working with ADE to develop an alternative model for ELL instruction that meets the legal requirements of state statute and its desegregation order.

District Response: The District presented an alternative model for ELL instruction to the State Board of Education on September 25, 2017. The State Board did not approve the model because the Board determined that the alternative would violate state law.

The District has worked with, and will continue to work with, ADE to develop alternative strategies that meet the legal requirements of state statute and its desegregation order.

Recommendation 2: The District should continue to work with its Special Master and the court to evaluate its desegregation programs and determine practical ways to create sustainable long-term programs that will meet the USP's requirements, which would help position it to attain unitary status.

District Response: At the recommendation of the court, Special Master, and plaintiff representative parties, the District is working jointly to develop a completion plan that will lead to unitary status.

