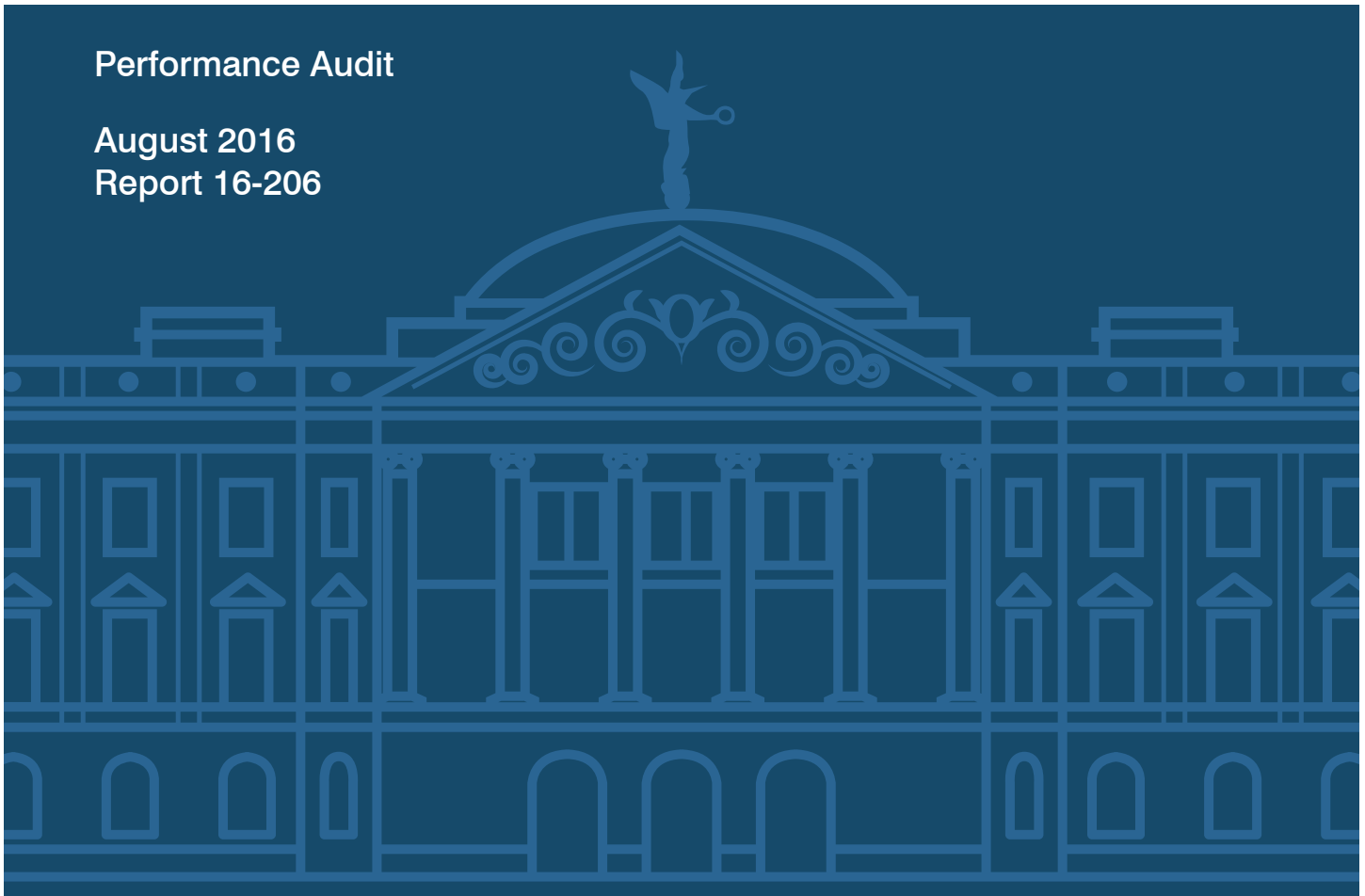


Littlefield Unified School District

Performance Audit

August 2016
Report 16-206



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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AUDITOR GENERAL

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MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 19, 2016

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Littlefield Unified School District

Ms. Lael Calton, Superintendent
Littlefield Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Littlefield 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 all of the findings and recommendations.

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

Sincerely,

Debbie Davenport
Auditor General



Littlefield Unified School District

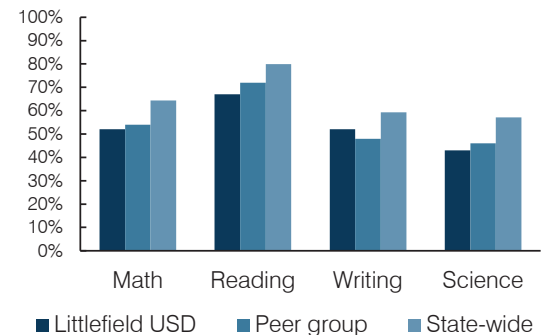
CONCLUSION: In fiscal year 2014, Littlefield USD's student achievement was similar to peer districts', and the District's operations were reasonably efficient in most operational areas. Littlefield USD's administrative costs per pupil were slightly lower than the peer districts' average primarily because it employed fewer administrative staff, but the District needs to strengthen controls over its computer systems and network. The District's plant operations costs were higher per square foot but lower per student because the District maintained less building space per student. Further, we observed the District's facilities and plant operations activities and did not identify any overstaffing, unusually high salaries, or excessive or unneeded building heating or cooling. In addition, the District's food service program was self-sufficient, operating with a cost per meal that was much lower than the peer district average, and its transportation program was reasonably efficient, with buses being filled to an average of 84 percent of seat capacity.

Similar student achievement and reasonably efficient operations

Student achievement similar to peer districts'—In fiscal year 2014, Littlefield USD's student AIMS scores in math, writing, and science were similar to peer district averages, and its reading scores were slightly lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of C. Eight of the 18 peer districts also received Cs, 7 received Bs, 2 received Ds, and 1 received an A. The District's 70 percent graduation rate was slightly lower than both the peer districts' and the State's 76 percent averages.

Reasonably efficient operations overall—Based on auditors' review of various performance measures, in fiscal year 2014, Littlefield USD operated in a reasonably efficient manner in most operational areas. The District's administrative costs per pupil were slightly lower than the peer districts' average because it employed fewer administrative staff. Littlefield USD's plant operations were reasonably efficient, with costs that were higher per square foot than the peer districts' average, but much lower per pupil because the District maintained less building space per student. In addition, the District's food service program was self-sufficient, operating with a cost per meal that was much lower than the peer district average in part because the District made full use of United States Department of Agriculture food commodities, which are available at a very low cost to school districts participating in the National School Lunch Program. Further, the District's transportation program was reasonably efficient, with buses being filled to an average of 84 percent of seat capacity.

**Percentage of students who met or exceeded state standards (AIMS)
 Fiscal year 2014**



**Comparison of per pupil expenditures by operational area
 Fiscal year 2014**

	Littlefield USD	Peer group average
Administration	\$ 1,444	\$ 1,534
Plant operations	1,090	1,518
Food service	550	448
Transportation	547	501

District needs to strengthen its computer controls

In fiscal year 2014, Littlefield USD lacked adequate controls over its computer systems and network. Although no improper transactions were detected in the items we reviewed, these poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss of data. More specifically:

- **Weak password requirements**—We found that although users developed their own passwords, network and accounting system passwords lacked length and complexity requirements—that is, passwords could be short and did not need to contain numbers or symbols. In addition, some network and accounting system users were not required to change their passwords periodically. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters, numbers, and symbols if permitted by the system; and be changed periodically.
- **Too many employees with administrator-level access**—At Littlefield USD, 23 user accounts had administrator-level access, which allows the user full control over network settings. By allowing too many users to have this level of access, the District increases its risk of security breaches because administrator accounts are typically targeted by hackers because of their high-level privileges.
- **Generic accounts**—We found that 29 network user accounts were generic accounts not assigned to specific individuals, making it difficult or impossible to hold anyone accountable if inappropriate activity occurred while using these accounts.
- **Inadequate procedures for removing access to network**—We found that 23 network user accounts were linked to employees who no longer worked for the District, including some employees who had not worked for the District for over 1 year.
- **No written agreement for maintaining district accounting system**—The District's accounting system resides at the Mohave County School Superintendent's Office, but there is no written agreement describing the responsibilities of the District and the Superintendent's Office regarding software licensing; establishing and monitoring user access; ensuring data security, backup, storage, and recovery; and removing former employees' access.
- **Lack of a contingency plan**—The District lacked a written, up-to-date contingency plan for its network and critical systems. Having a written and properly designed contingency plan would help ensure continuous operations in the case of a system or equipment failure or interruption.

Recommendations

The District should:

- Implement and enforce stronger password requirements.
- Review and reduce the number of users with administrator-level access to its network.
- Eliminate unnecessary generic network accounts and properly control any remaining generic accounts.
- Ensure that employees who no longer work for the District have their network access promptly removed.
- Establish a written agreement with the Mohave County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.
- Create and test a formal, written contingency plan.



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DISTRICT OVERVIEW

Littlefield Unified School District is a geographically large, rural district covering 3,295 square miles in northwest Mohave County. In fiscal year 2014, the District served 393 students in kindergarten through 12th grade at its two schools.

In fiscal year 2014, Littlefield USD's student achievement was similar to the peer districts' averages, and the District operated in a reasonably efficient manner when compared to peer districts.¹ Specifically, the District's administrative cost per pupil was slightly lower than the peer districts' average, and its plant operations and food service program operated efficiently. Further, despite a higher cost per mile, the District's transportation program was reasonably efficient. However, the District should strengthen controls over its computer systems and network.

Student achievement similar to peer districts'

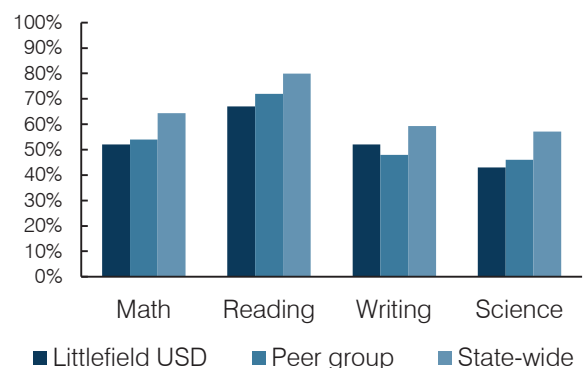
In fiscal year 2014, 52 percent of the District's students met or exceeded state standards in math, 67 percent in reading, 52 percent in writing, and 47 percent in science. As shown in Figure 1, the District's math, writing, and science scores were similar to peer district averages, and its reading scores were slightly lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, Littlefield USD received an overall letter grade of C for fiscal year 2014. Eight of the 18 peer districts also received Cs, while 7 received Bs, 2 received Ds, and 1 received an A. The District's 70 percent high school graduation rate in fiscal year 2014 was slightly lower than both the peer districts' and the State's 76 percent averages.

District's operations were reasonably efficient

As shown in Table 1 on page 2 and based on auditors' review of various performance measures, in fiscal year 2014, Littlefield USD operated in a reasonably efficient manner in most operational areas. The District spent \$1,249 less per pupil in total than its peer districts, primarily because it received less federal grant monies because of its slightly lower poverty rate and less Maintenance and Operation Fund monies primarily because it transported its students fewer miles than peer districts, on average.

Slightly lower administrative costs, but some improvements needed—In fiscal year 2014, Littlefield USD's \$1,444 administrative costs per pupil were slightly lower than the peer districts' \$1,534 average, primarily because it employed fewer administrative staff at both the school- and district-office levels. However, the District should strengthen controls over its computer systems and network (see Finding 1, page 3).

Figure 1
Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2014
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2014 test results on Arizona's Instrument to Measure Standards (AIMS).

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

Mixed plant operations costs but reasonably efficient—

Compared to peer district averages, Littlefield USD’s fiscal year 2014 plant operations costs were 11 percent higher per square foot but 28 percent lower per student. The District was able to spend less per student despite a higher cost per square foot because it maintained 33 percent less building space per student. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs per square foot, likely due to higher usage. For example, having more students per square foot likely increases that space’s maintenance and janitorial needs and would potentially require more energy to heat and cool the space. Auditors observed the District’s facilities and plant operations activities and did not identify any overstaffing, unusually high salaries, or excessive or unneeded building heating or cooling.

Efficient food service program—

Although the District’s food service cost per pupil was much higher than the peer districts’ average, its \$2.87 cost per meal was 15 percent lower than the \$3.36 peer district average. The District’s cost per pupil was high because the District served 36 percent more meals per pupil than its peers, on average. The District’s cost per meal was lower in part because the District made full use of United States Department of Agriculture food commodities, which are available to school districts participating in the National School Lunch Program and require districts to pay only a small shipping charge to receive the commodities. By maintaining a low cost per meal, the District was able to cover all of its program costs, including indirect costs such as utilities.

Transportation program reasonably efficient despite higher costs—

Littlefield USD’s \$2.89 cost per mile was 11 percent higher than the peer districts’ average of \$2.61, and its \$774 cost per rider was equal to the peer districts’ average. The District’s cost per mile was higher primarily because the District incurred some additional, infrequent transportation costs in fiscal year 2014 for a bus that required major transmission and engine repairs. Despite the higher cost per mile, auditors found the program to be reasonably efficient. The District operated efficient bus routes, which resulted in buses being filled to an average of 84 percent of seat capacity, and auditors did not identify any routes that could be eliminated or combined to improve efficiency.

Table 1
Comparison of per pupil expenditures by operational area
Fiscal year 2014
 (Unaudited)

Spending	Littlefield USD	Peer group average	State average
Total per pupil	\$8,765	\$10,014	\$7,578
Classroom dollars	4,538	5,015	4,073
Nonclassroom dollars			
Administration	1,444	1,534	757
Plant operations	1,090	1,518	923
Food service	550	448	405
Transportation	547	501	373
Student support	402	626	600
Instruction support	194	372	447

Source: Auditor General staff analysis of fiscal year 2014 Arizona Department of Education student membership data and district-reported accounting data.



District needs to strengthen controls over computer systems and network

In fiscal year 2014, Littlefield USD lacked adequate controls over its computer systems and network. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors, fraud, and unauthorized access to sensitive information. Additionally, the lack of a written, up-to-date, and tested contingency plan could result in interrupted operations or loss of data.

Increased risk of unauthorized access to critical computer systems and network

In fiscal year 2014, weak controls over user access to the District's computer network and accounting system increased the risk of unauthorized access to these critical systems.

Weak password requirements—The District did not have strong password requirements for its network and accounting system. Although users developed their own passwords, network and accounting system passwords lacked length and complexity requirements—that is, passwords could be short and did not need to contain numbers or symbols. In addition, some network and accounting system users were not required to change their passwords periodically. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters, numbers, and symbols if permitted by the system; and be changed periodically. Strengthening password complexity requirements and implementing password expirations would decrease the risk of unauthorized persons gaining access to the network and systems.

Too many employees with administrator-level access are able to make changes to computer network settings—Administrator-level access allows the user full control over network settings, including the ability to add new users and modify the level of access users have in the network. At Littlefield USD, 23 user accounts had this access. By allowing too many users to have this access level, the District increases its risk of security breaches because administrator accounts are typically targeted by hackers because of their high-level privileges. A compromised administrator account could result in unauthorized access to and loss of sensitive data or disruption of district operations.

Generic user accounts—Auditors reviewed the District's user access reports for its network and found that 29 network user accounts were generic accounts not assigned to specific individuals. Generic accounts create additional risk because it is difficult or impossible for the District to hold anyone accountable if inappropriate activity were conducted using these accounts. The District should examine these network generic accounts and determine if they are necessary. Further, the District should eliminate any unnecessary generic accounts and minimize the number of remaining generic accounts and establish proper controls over them, such as disabling them, if appropriate, when not being used.

Inadequate procedures for removing access to network—The District did not have sufficient procedures in place to ensure that only current employees had access to its network. Auditors found that 23 network user accounts were linked to employees who no longer worked for the District, including some employees who had not worked for the District for almost 6 months. To reduce the risk of unauthorized access, the District should

implement procedures to ensure the prompt removal of access when a user is no longer employed by the District.

No written agreement for maintaining district accounting system—Like other small districts in Mohave County, Littlefield USD's accounting system resides at the Mohave County School Superintendent's Office, and the District accesses the system remotely from its offices. However, the District did not have a written agreement that stipulated each party's responsibilities. An agreement should specify responsibilities such as software licensing; establishing and maintaining user access; ensuring the security of data; data backup, storage, and recovery; and removal of terminated employees' access. Lack of clearly defined responsibilities increases the potential for such essential tasks and controls to be ineffectively performed or missing altogether.

Lack of contingency plan could result in interrupted operations or data loss

In fiscal year 2014, the District did not have a written, up-to-date, and tested contingency plan even though it maintained critical information, such as student data, on its systems and network. A written and properly designed contingency plan would help ensure continued operations in the case of a system or equipment failure or interruption. The plan should include detailed information on how systems could be restored 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 data backups, which are important to ensure continuous accessibility to sensitive and critical data.

Recommendations

1. The District should implement and enforce password requirements related to password length, complexity, and expiration.
2. The District should review and reduce the number of users with administrator-level access to its network.
3. The District should eliminate unnecessary generic network accounts and minimize and properly control any generic accounts that are considered necessary by establishing proper controls over them, such as disabling them, if appropriate, when not in use.
4. The District should develop and implement a formal process to ensure that terminated employees have their computer network access promptly removed.
5. The District should establish a written agreement with the Mohave County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.
6. The District should create a formal contingency plan and test it periodically to identify and remedy deficiencies.



Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Littlefield 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 (Classroom Dollars report)*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2014, was considered.² 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 2014 summary accounting data for all districts and Littlefield USD's fiscal year 2014 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. Littlefield USD's student achievement peer group includes Littlefield USD and the 18 other unified school districts that also served student populations with poverty rates between 28 and 36 percent in towns and rural areas. Auditors compared Littlefield USD's graduation rate and its student AIMS scores to those of its peer group averages. The same grade levels were included to make the AIMS score comparisons between Littlefield USD and its peer group. AIMS scores were calculated using test results of the grade levels primarily tested, including grade levels 3 through 8 and 10 for math, reading, and writing, and grade levels 3 through 12 for science. Generally, auditors considered Littlefield USD's student AIMS scores and graduation rate 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 AIMS scores between Littlefield USD and its peers, as well as the District's graduation rate and Arizona Department of Education-assigned letter grade.³

To analyze Littlefield 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 Littlefield USD and 18 other unified and union high school districts that also served between 200 and 599 students and were located in towns and rural areas. To analyze Littlefield 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 Littlefield USD and the 17 other school districts that also traveled between 260 and 369 miles per rider and were located in towns and rural areas. Auditors compared Littlefield USD's costs to its peer group averages. Generally, auditors considered Littlefield USD's costs to be

² Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

³ The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades primarily based on academic growth and the number of students passing AIMS.

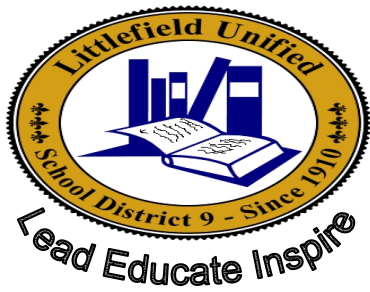
similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Littlefield 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 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'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 2014 administration costs and compared them to peer districts'.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2014 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2014 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 2014 transportation costs and compared them to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2014 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2014 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 83 individuals who received payments in fiscal year 2014 through the District's payroll system and reviewed supporting documentation for 30 of the 2,579 fiscal year 2014 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 2014 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 Littlefield Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



Littlefield Unified School District #9

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*Rena Moerman, President
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Edwina Jauregui, Board Member*

*Lael Calton, Superintendent & Jr/Sr. H.S. Principal
Phyllis Leavitt, Elementary Principal
Kevin Boyer, Business Manager*

August 9, 2016

State of Arizona
Office of the Auditor General
2910N. 44th Street, Suite 410
Phoenix, AZ 85018

Attn: Ms. Debbie Davenport, Auditor General
Ms. Ann Orrico, Audit Manager

Dear Ms. Davenport and Ms. Orrico:

Littlefield Unified School District #9 has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2014. Littlefield would like to commend and extend appreciation to Ms. Orrico for her professionalism and patience throughout this process.

The information shared throughout the process has provided Littlefield an opportunity to make improvements toward continued efficiency, compliance and transparency. The District will continue to strive toward 100% compliance in all areas and will comply with recommendations as noted in the District's response.

Please find attached the District's response to each finding and recommendation.

Sincerely,

Lael Calton
Superintendent

Littlefield Unified School District is committed to providing opportunities for all students to learn and develop socially, emotionally, and academically.

Finding 1: District needs to strengthen controls over computer systems and network

District Response: Littlefield Unified School District #9 does agree with strengthening the controls over the computer systems and network and has begun implementing the auditor's recommendations.

Recommendation 1: The District should implement and enforce password requirements related to password length, complexity, and expiration.

District Response: The District agrees with improving password requirements. The District has implemented new password procedures that address password length, complexity, and expiration.

Recommendation 2: The District should review and reduce the number of users with administrator-level access to its network.

District Response: The District agrees on reducing the number of users with administrator-level access. Currently, the only users that are allowed administrator-level access are: Business Manager-IT Director, ETC Employees, High School Computer Teacher-IT Support, Superintendent . To add additional admin users written approval from the superintendent is required. Annually the business manager will review the user access roles to ensure that only the individuals approved have administrator-level access.

Recommendation 3: The District should eliminate unnecessary generic network accounts and minimize and properly control any generic accounts that are considered necessary by establishing proper controls over them, such as disabling them, if appropriate, when not in use.

District Response: The District agrees that unnecessary generic accounts should be eliminated. The unnecessary generic accounts have been removed from network access. All future generic accounts will be approved in writing by the superintendent. Annually the business manager will review the user listing to verify that all the user logins are correct.

Recommendation 4: The District should develop and implement a formal process to ensure that terminated employees have their computer network access promptly removed.

District Response: The District agrees a formal process should be in place to have terminated employees removed from the computer network. When an employee is terminated the Human Resource department will notify ETC through an email that the employee is no longer employed and needs to be removed from network access. ETC will remove the employee network login. ETC will respond back to the HR department through an email that the login has been removed. The HR department will maintain this documentation. Annually ETC will provide a list of all users to the Business Manager to review. The business manager will verify all terminated employees have been removed from the system.

Recommendation 5: The District should establish a written agreement with the Mohave County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.

District Response: Since the time of the audit the Mohave County School Superintendent's Office no longer hosts the accounting system for the District. With the assistance from the Mohave County School Superintendent's Office the District has entered into an agreement with Tyler Technologies, Inc to host the accounting system for the District. There is an agreement with Tyler Technologies, Inc outlining the responsibilities of the District and Tyler Technologies, Inc. The agreement is maintained in the accounting office.

Recommendation 6: The District should create a formal contingency plan and test it periodically to identify and remedy deficiencies.

District Response: The District agrees that a contingency plan should be in place for the computer system. Since the audit, the district has installed a backup server at a secondary location from the main server. The backup server runs nightly backups from the main server. Each month the business manager will test that a file can be restored to the main server from the backup server. The business manager will delete a non-critical file from the main server. A request will be sent to ETC to restore the specific file that had been deleted. Once ETC has completed the restore, the Business Manager will verify the file was correctly restored.

