ARIZONA
AuditorGeneral
Making a Positive Difference

**REPORT HIGHLIGHTS**
Performance Audit
April 2017

Cañon Elementary School District

CONCLUSION: In fiscal year 2015, Cañon Elementary School District's student test scores were similar to or higher than the peer districts' averages, and the District operated efficiently overall. Specifically, the District's administrative costs per pupil were lower than peer districts', on average, because employees who were also teachers performed some administrative duties and because the District served 17 percent fewer students than the peer districts, on average. However, the District needs to strengthen its accounting and computer controls. The District's plant operations costs per pupil and per square foot were similar to the peer districts' averages, and the District's food service program operated efficiently with a lower cost per meal than peer districts', on average, partly because it served more meals than the peer districts' averages. In addition, the District staffed its food service program more efficiently than four recently audited similar districts. Lastly, the District's transportation program operated with a higher cost per mile because the District transported its riders fewer miles, on average, than peer districts. Despite the higher cost per mile, the District's transportation program was reasonably efficient, and the District employed some cost-saving practices, such as using less expensive "red-dyed" diesel fuel.[1]

Student achievement and operational efficiency

Student achievement—For very small districts such as Cañon ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. In fiscal year 2015, Cañon ESD's student scores were similar to the peer districts' averages for math and higher for English language arts and science.

Efficient operations overall—In fiscal year 2015, Cañon ESD operated efficiently overall. Specifically, the District's administrative costs per pupil were lower than the peer districts', on average, partly because employees who were also teachers performed some administrative duties and partly because the District served 17 percent fewer students than the peer districts, on average. The District's plant operations cost per pupil and per square foot were similar to the peer districts' averages, and the District's food service program operated efficiently with a lower cost per meal than peer districts', on average, because it served more meals than the peer districts' averages and because it staffed its food service program more efficiently than four recently audited similar districts. Lastly, the District's transportation program operated with a higher cost per mile because the District transported its riders fewer miles, on average, than peer districts. Despite the higher cost per mile, the District employed some cost saving practices, such as using less expensive "red-dyed" diesel fuel.

Percentage of students who met or exceeded state standards
Fiscal year 2015

■ Cañon ESD ■ Peer group ■ State-wide
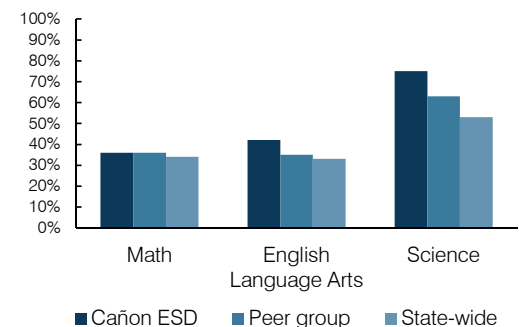
Comparison of per pupil expenditures by operational area
Fiscal year 2015

	Cañon ESD	Peer group average
Administration	$2,466	$3,103
Plant operations	2,446	2,390
Food service	915	967
Transportation	910	1,127

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[1] Red-dyed diesel fuel is diesel fuel to which the supplier adds red dye to identify it from standard diesel. Only certain nonhighway-use vehicles, such as farm or roadway construction equipment, are permitted to use red-dyed diesel fuel. In addition, Arizona Revised Statutes §28-5649 allows school districts to use red-dyed diesel in school buses that transport students. Federal law exempts school districts from paying federal excise taxes on standard diesel, but using red-dyed diesel fuel provides additional cost savings by exempting districts that use it from paying state excise taxes as well.

District needs to strengthen accounting and computer controls

Cañon ESD needs to strengthen its accounting and computer controls as auditors identified control issues in fiscal years 2015 and 2016. Although we did not detect any improper transactions in the items reviewed, these poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss. Additionally, the District did not accurately report its costs on its fiscal year 2015 *Annual Financial Report*. Specifically:

- **Approval for additional pay not always documented**—We reviewed payroll and personnel documentation for 30 employees who received payments in fiscal year 2015 and found that 6 employees received additional-duty payments, but there was no documentation indicating that the additional duties and related pay were approved prior to the work being performed.
- **Some purchases lacked proper approval**—The District did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2015 accounts payable transactions and 21 fiscal year 2015 credit card purchases and found 17 purchases that were made without prior approval.
- **Cash collections lacked proper controls**—We reviewed four months of fiscal year 2015 cash collections totaling approximately $24,000 and found that the District did not have adequate controls in place to ensure that all monies received were properly accounted for. For example, the District did not issue receipts for all cash collected, and one employee was responsible for performing bank account reconciliations for an account from which the employee was also authorized to make disbursements.
- **Weak password requirements**—The District lacked adequate password requirements for access to its computer network and accounting and student information systems. Specifically, passwords could be short and were not required to contain numbers or symbols, and passwords were not required to be changed periodically.
- **Broad access to accounting system**—We found that in fiscal year 2016, the District granted one of its two accounting system users full access to the accounting system, giving this employee the ability to perform all accounting system functions.
- **Too many employees with administrator-level access**—We reviewed the District's fiscal year 2016 network access levels and found that 13 user accounts had administrator-level access, which allowed the users full control over network settings. By allowing too many users to have this access level, the District increased its risk of security breaches because a compromised administrator account could result in unauthorized access to and loss of sensitive data or disruption of district operations.
- **Inadequate procedures for removing access to the network and critical systems**—We reviewed fiscal year 2016 user access reports and found two network user accounts and one accounting system user account that were linked to employees who no longer worked for the District, including two employees who had not worked for the District for more than 2 years.
- **Lack of vendor management**—The District pays vendors for several important functions related to its network and accounting and student information systems, including logging and monitoring activities, performing and testing backups, and maintaining district servers. However, these functions are not documented in the District's vendor agreements, allowing for the possibility that these essential tasks and controls may not be performed.
- **Costs not accurately reported**—In fiscal year 2015, the District did not consistently classify its expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its *Annual Financial Report* did not accurately reflect its costs. We found classification errors totaling approximately $317,000 of the District's total $1.39 million in operational spending.

Recommendations

The District should:
- Ensure that it documents all additional employee pay prior to the work being performed.
- Ensure purchases are approved before they are made.
- Implement proper controls over cash collections.
- Implement and enforce stronger password requirements.
- Limit employees' access to only those accounting system functions needed to perform their work.
- Review and reduce the number of users with administrator-level access to its network.
- Ensure that terminated employees have their computer network and system access promptly removed.
- Review and update IT vendor service agreements.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.