

Topock Elementary School District

Performance Audit

March 2020
Report 20-202



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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March 10, 2020

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Topock Elementary School District

Mr. John Warren, Superintendent
Topock Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Topock Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. As outlined in its response, the District agrees with all of the findings and all but 1 of the recommendations and plans to implement or implement a modification to all of the recommendations.

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

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General



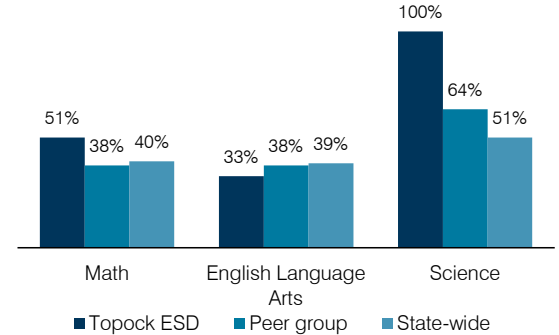
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Rural district in Mohave County
Grades: Kindergarten through 8th
Students attending: 102
Number of schools: 1
School letter grade: C

Students who passed State assessments



Total operational spending—\$1.1 million (\$11,052 per pupil)

Instructional—48.8% (\$5,393 per pupil)

Noninstructional—51.2% (\$5,659 per pupil)

Operational overview	Measure	Topock ESD	Peer average
<p>Administration—similar spending but some weak controls</p> <p>The District's per pupil administrative spending was similar to the peer districts' average. However, the District's inadequate payroll, computer, and other internal controls increased its risk of errors and fraud, led to unsupported payments, and contributed to the District's frequent noncompliance with the <i>Uniform System of Financial Records for Arizona School Districts</i> (USFR) (see Finding 1, page 2).</p>	Spending per pupil	\$3,155	\$3,064
<p>Plant operations—lower spending</p> <p>The District spent less on plant operations both per square foot and per pupil partly because it operated and maintained 31 percent fewer square feet per student than the peer districts, on average. In addition, the District employed fewer plant staff than the peer districts, on average, including employing a maintenance worker only on an as-needed basis.</p>	Spending per square foot	\$3.54	\$7.31
	Spending per pupil	\$913	\$2,439
<p>Food service—lower spending</p> <p>The District's food service spending was lower both per meal and per pupil than the peer districts' averages primarily because the District employed fewer food service staff and spent less on salaries and benefits. The District was able to employ fewer staff because it mostly served meals made of prepared foods that only required heating and serving, and it did not offer students a broad range of different meals.</p>	Spending per meal	\$3.14	\$5.79
	Spending per pupil	\$732	\$932
<p>Transportation—mixed costs, but better oversight needed</p> <p>The District's spending per mile was higher than the peer districts' average, while its spending per rider was lower, primarily because the District traveled 71 percent fewer miles per rider than the peer districts, on average. However, lack of program oversight led to potential student safety risk and reporting errors (see Finding 2, page 6).</p>	Spending per mile	\$2.17	\$1.94
	Spending per rider	\$671	\$1,614



District's inadequate payroll, computer, and other internal controls increased risk of errors and fraud, led to unsupported payments, and contributed to the District not complying with the USFR

Issue 1: District lacked adequate payroll controls to ensure employees were paid appropriately

Some employees paid without employment contracts—We reviewed payroll and personnel documentation for all 31 individuals who received payments in fiscal year 2018 through the District's payroll system and found that the District did not have fiscal year 2018 contracts or work agreements for 3 of its 31 employees. Although the District's Governing Board approved employment of all staff in June 2017, the meeting minutes were not detailed enough to determine pay rates or salaries for these employees. Therefore, we could not determine whether these individuals were paid the proper amounts. We reviewed fiscal year 2017 work agreements for these employees and determined that they were paid similar amounts in fiscal year 2018. To help ensure that all pay is properly authorized and employees are paid correctly, the District should ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District as required by the *Uniform System of Financial Records for Arizona School Districts* (USFR). Further, the Governing Board's meeting minutes and associated documentation should show the approval for employees' work and pay amounts.

Some payments made without supporting documentation showing prior approval—An additional 4 employees out of the 31 we reviewed received salary payments in fiscal year 2018 totaling \$52,095 for performing additional duties or receiving stipends for things such as teaching summer school, coordinating programs, and missing less than 3 days of work. However, \$19,295 of these payments were made to the 4 employees without sufficient supporting documentation to indicate that the District's Governing Board approved the additional duties and pay amounts or stipends. For example, 1 teacher received additional duty payments and stipends totaling \$14,100, but the District had documentation supporting only \$5,500 of these additional duties and stipends. We reviewed fiscal year 2018 Governing Board meeting minutes to determine whether they contained approval for these payments. Although the meeting minutes showed that the Governing Board approved certain extra duty assignments and stipends, the minutes and the District's payroll records were not detailed enough to show which employees were to receive these payments. We also reviewed fiscal year 2017 Governing Board meeting minutes and determined that the Board approved similar extra duty assignments and stipends as it did in fiscal year 2018, but again, the minutes were not specific enough to show which employees were to receive these payments.

Recommendations

The District should:

1. Ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District.

2. Ensure that employees' additional duties and related payments or stipends are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the USFR, and maintained in employee personnel files.
3. Ensure its Governing Board meeting minutes and other associated documentation include enough detail to show the Governing Board's approval of employees' work and salary, stipend, and extra duty pay amounts.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

Issue 2: Some payments to Superintendent were not in accordance with State statute and travel policy

Board inappropriately gave Superintendent performance pay without requiring documentation of goals—Arizona Revised Statutes (A.R.S.) §15-341(A)(39) requires that up to 20 percent of a superintendent's total annual salary be classified as performance pay based on whether he/she meets the performance goals identified in statute unless the district's governing board adopts alternative goals. According to the Superintendent's fiscal year 2018 through fiscal year 2020 contract, he may earn up to 20 percent of his salary in performance pay each fiscal year. In April 2018, the District's Governing Board awarded the Superintendent \$10,400 in performance pay, which was equal to 10 percent of his fiscal year 2018 salary. However, the District was unable to provide documentation of what the approved goals were or that the Superintendent met the goals. Therefore, we could not determine whether he was paid the proper amount. Further, despite statute requiring superintendents' performance pay be awarded based on achievement of governing-board-approved goals, in April 2018, the District's governing board members decided that the Superintendent did not need to meet any goals in order to receive performance pay for fiscal year 2019. Despite not having to meet any specific goals, the Superintendent received \$10,400 in performance pay for fiscal year 2019 as well.

Superintendent used District fuel card to fuel personal vehicle, in violation of State travel policy—In fiscal year 2018, the District's Superintendent purchased \$779 worth of fuel for his personal vehicle using a District fuel card. According to the State's travel policy, which all school districts are required to follow, when using a personal vehicle, employees cannot be reimbursed for the cost of fuel, in this case, by using the District's fuel card. Instead, employees must submit a travel claim showing the mileage they traveled for District purposes and be reimbursed a flat rate of 44.5 cents per mile, which is intended to cover all vehicle-related expenses, including fuel, oil, and vehicle wear and tear. However, the Superintendent did not follow the State's travel policy and submit travel claims showing the miles he traveled in his personal vehicle for District purposes. By the Superintendent using the District's fuel card instead of following the State's travel policy, the District cannot ensure that it is paying for only the miles driven for District purposes and not for personal use. In addition to using his personal vehicle, the Superintendent also used a District vehicle several times for District business in fiscal year 2018. Further, the Superintendent's contract provides a \$450 per month car allowance to compensate the Superintendent for using his personal vehicle for District business. However, the Superintendent's contract does not state whether the car allowance is intended to cover all the Superintendent's District-related personal vehicle expenses, including gasoline purchases. In light of the fact that the District has a vehicle available and the Superintendent receives a monthly car allowance, the District should consult with its legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District purposes. In addition, because the Superintendent failed to follow State travel policy and submit travel claims documenting the miles he traveled in his personal vehicle for District purposes, the District should seek reimbursement for the \$779 that the Superintendent spent in fiscal year 2018 on fuel for his personal vehicle using the District's fuel card. Further, the District should work with its legal counsel to determine whether the Superintendent should also reimburse the District for similar fuel card purchases he made in fiscal years 2019 and 2020.

Recommendations

The District should:

4. Ensure that it documents the established performance goals the Superintendent must meet in order to receive performance pay and ensure that it retains adequate documentation to demonstrate that the Superintendent met the

goals for any performance payments made.

5. Consult with its legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the Superintendent should follow the State's travel policy by submitting a travel claim with the miles traveled for District purposes and be reimbursed at the State's flat per mile rate. Further, the District's policies and the Superintendent's contract should reflect the decision made by the District and its legal counsel.
6. Require the Superintendent to reimburse the District for the fiscal year 2018 purchases he made for his personal vehicle using the District's fuel card. Further, the District should consult with its legal counsel to determine whether the Superintendent should also reimburse the District for similar fuel card purchases made in fiscal years 2019 and 2020.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations 4 and 5 and will implement or implement a modification to the recommendations. The District does not agree with recommendation 6 but will implement a modification to the recommendation.

Issue 3: District lacked adequate computer controls, increasing risk of errors, fraud, and unauthorized access to sensitive information

District assigned employee too much access to its accounting system—The District had only 1 accounting system user, and this user performed all payroll and purchasing duties for the District. Although other employees reviewed payroll and purchasing documentation outside of the accounting system, the accounting system user had the ability to initiate and complete all payroll and purchasing transactions in the system without an independent review and approval. We did not identify any inappropriate payroll or purchase transactions; however, granting users this level of access exposes the District to an increased risk of errors and fraud such as processing false invoices, changing employee pay rates, or adding and paying nonexistent vendors or employees without being detected.

Insufficient password requirements did not adequately protect the District's network and systems from unauthorized access—We reviewed the District's password requirements as of November 2018 and determined that the District's network password policies were not aligned with credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST). More specifically, a District employee assigned passwords to users, and users were not permitted to change them so that only they knew their own passwords.

Recommendations

The District should:

7. Limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions and consider providing accounting system access to a second user to separate responsibilities and provide for independent reviews and approvals.
8. Implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information by requiring users to create their own passwords that are known only to themselves.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement or implement a modification to the recommendations.

Issue 4: District did not comply with the USFR

In addition to the internal control deficiencies we identified during our performance audit, in accordance with A.R.S. §15-271, we reviewed the District's financial audit reports and USFR Compliance Questionnaire for the year ended June 30, 2018, and determined that the District did not comply with the USFR.¹ The District also did not comply with the USFR in fiscal years 2014, 2015, and 2016. We provided District management with details of the District's most significant deficiencies noted in its fiscal year 2018 financial audit reports and USFR Compliance Questionnaire. For example, the District had weak internal controls over credit cards and property such as buildings and equipment, leaving District monies and property susceptible to loss, theft, and misuse. As of January 2020, the District was working on implementing corrective actions to address its deficiencies, and we were following up with the District on the implementation of these actions. Additionally, the District's contracted financial auditors will review these areas and all other areas included in the USFR Compliance Questionnaire in their next financial statement and compliance audit due to our Office by March 31, 2020.

The USFR prescribes the minimum internal control policies and procedures for Arizona school districts and is designed to help school districts maintain adequate financial accountability and compliance with federal and State laws and regulations. A.R.S. §15-914 requires most school districts to contract for annual or biennial financial and compliance audits. Districts' auditors must prepare a USFR Compliance Questionnaire as part of that audit.

¹ The District's financial audit reports and Compliance Questionnaire were completed by its contracted external audit firm. We are responsible for reviewing these audit reports and questionnaires and determining whether school districts substantially complied with the USFR.



Lack of transportation program oversight led to potential student safety risk and reporting errors

District did not always ensure buses were inspected and repaired as required

Required pretrip inspections not always documented—School districts are required by the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) to have their school bus drivers perform pretrip safety inspections of school buses prior to transporting students each day. These standards, which are administrated by the Department of Public Safety, are designed to help ensure school bus passengers' safety and welfare, as well as extend the useful life of the buses. During these inspections, drivers should review various bus components to ensure they are in good working order. For example, drivers should ensure that tires are properly inflated, emergency exits are working, and engine fluids are at appropriate levels. We reviewed the 2 District buses' daily pretrip inspection checklists for fiscal year 2018 and found that only 65 percent of the checklists were actually filled out by bus drivers. By not consistently conducting pretrip inspections and documenting them on the checklists, the District cannot ensure that buses are in good working order and are safe for transporting students to and from school.

Some bus repairs not performed timely—The District had an agreement with a neighboring school district to obtain bus maintenance and repair services from that district. According to the District's process, the District Superintendent was to notify the neighboring school district of potential bus issues that bus drivers noted, and then the bus was to be transported to the neighboring district for inspection and potential repairs. However, the District did not always ensure that bus repairs were completed in a timely manner. For example, during fiscal year 2018, 1 of the District's buses had a radiator fluid leak that was not repaired for 2 months. Additionally, the other bus' broken engine hood latch was not fixed for 5 months. The broken engine hood latch is considered a major defect by the Minimum Standards. These untimely bus repairs increased students' safety risk.

District did not ensure bus drivers met all certification requirements

To further help ensure student safety, the State's Minimum Standards require districts to ensure that bus drivers are properly certified and receive random drug and alcohol tests, annual drug tests, physical examinations, physical performance tests, refresher training, and CPR and first aid certification. We reviewed fiscal years 2017 and 2018 files for the District's 2 regular bus drivers and 3 substitute bus drivers and found that the District did not have documentation showing that the drivers met all the Minimum Standards' driver certification requirements. Specifically:

- 5 drivers' files did not have evidence of required refresher training.
- 1 driver's file did not have evidence of required CPR/first aid certification.

In addition, the District did not have a process in place to ensure that at least 25 percent of its drivers were randomly tested for drug use each year and 10 percent were randomly tested for alcohol use each year as required by the Minimum Standards. As a result, none of the District's 5 bus drivers were randomly tested for drug or alcohol use in fiscal years 2017 through 2019. Failing to ensure that its bus drivers met all certification requirements placed students' safety at risk and increased the District's liability if an incident compromising students' safety occurred.

District incorrectly reported riders for State funding purposes

In fiscal year 2018, the District incorrectly reported to the Arizona Department of Education (ADE) the number of riders it transported for State funding purposes. Specifically, the District reported the number of students eligible for transportation rather than the number of students actually transported as A.R.S. §15-922 requires, resulting in the District overreporting its number of riders by 22, or 22 percent of total riders. Although the District's error in fiscal year 2018 did not ultimately have a substantial impact on the District's transportation funding, the District should ensure it is meeting reporting requirements by accurately reporting riders to ADE for State funding purposes and should work with ADE to determine whether a correction for fiscal year 2018 is needed.

Recommendations

The District should:

9. Ensure its bus drivers perform pretrip inspections and maintain documentation of these inspections in accordance with the State's Minimum Standards.
10. Ensure that bus repairs are conducted in a timely manner and documented in accordance with the State's Minimum Standards.
11. Develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's Minimum Standards, including conducting and documenting random drug and alcohol testing of bus drivers to help ensure school bus passengers' safety and welfare.
12. Accurately calculate and report to ADE for State funding purposes the number of students transported.
13. Work with ADE to determine whether it needs to submit a correction for its fiscal year 2018 ridership.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 13 recommendations to the District

The District should:

1. Ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District (see Finding 1, pages 2 through 3, for more information).
2. Ensure that employees' additional duties and related payments or stipends are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the USFR, and maintained in employee personnel files (see Finding 1, pages 2 through 3, for more information).
3. Ensure its Governing Board meeting minutes and other associated documentation include enough detail to show the Governing Board's approval of employees' work and salary, stipend, and extra duty pay amounts (see Finding 1, pages 2 through 3, for more information).
4. Ensure that it documents the established performance goals the Superintendent must meet in order to receive performance pay and ensure that it retains adequate documentation to demonstrate that the Superintendent met the goals for any performance payments made (see Finding 1, pages 3 through 4, for more information).
5. Consult with its legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the Superintendent should follow the State's travel policy by submitting a travel claim with the miles traveled for District purposes and be reimbursed at the State's flat per mile rate. Further, the District's policies and the Superintendent's contract should reflect the decision made by the District and its legal counsel (see Finding 1, pages 3 through 4, for more information).
6. Require the Superintendent to reimburse the District for the fiscal year 2018 purchases he made for his personal vehicle using the District's fuel card. Further, the District should consult with its legal counsel to determine whether the Superintendent should also reimburse the District for similar fuel card purchases made in fiscal years 2019 and 2020 (see Finding 1, pages 3 through 4, for more information).
7. Limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions and consider providing accounting system access to a second user to separate responsibilities and provide for independent reviews and approvals (see Finding 1, page 4, for more information).
8. Implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information by requiring users to create their own passwords that are known only to themselves (see Finding 1, page 4, for more information).
9. Ensure its bus drivers perform pretrip inspections and maintain documentation of these inspections in accordance with the State's Minimum Standards (see Finding 2, pages 6 through 7, for more information).
10. Ensure that bus repairs are conducted in a timely manner and documented in accordance with the State's Minimum Standards (see Finding 2, pages 6 through 7, for more information).
11. Develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's Minimum Standards, including conducting and documenting random drug and alcohol testing of bus drivers to help ensure school bus passengers' safety and welfare (see Finding 2, pages 6 through 7, for more information).

for more information).

12. Accurately calculate and report to ADE for State funding purposes the number of students transported (see Finding 2, pages 6 through 7, for more information).
13. Work with ADE to determine whether it needs to submit a correction for its fiscal year 2018 ridership (see Finding 2, pages 6 through 7, for more information).

Objectives, scope, and methodology

We have conducted a performance audit of Topock Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2018 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following:

Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring 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.

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining buses and transporting students to and from school and school activities.

Financial accounting data and internal controls—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2018 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for all 31 individuals who received payments in fiscal year 2018 through the District's payroll system and reviewed supporting documentation for 30 of the 1,139 fiscal year 2018 accounts payable transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2018 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various information used for this audit. We reported our conclusions on any significant deficiencies in applicable internal controls and the District's needed efforts to improve them in our findings. We also reported our Office's determination of whether the District substantially complied with the *Uniform System of Financial Records for Arizona School Districts* based on a review of the District's fiscal year 2018 financial audit reports and Compliance Questionnaire that the District's contracted external audit firm completed.

Peer groups—We developed 2 peer groups for comparative purposes. To compare the District’s student achievement, we developed a peer group using district poverty rates as the primary factor because poverty rate has been shown to be associated with student achievement. District type and location were secondary factors used to refine these groups. We used this peer group to compare the District’s fiscal year 2018 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, food service, and transportation, we developed a peer group using district size and location. We used these factors because they are associated with districts’ cost measures in these areas.

For very small districts, such as Topock ESD, increasing or decreasing student enrollment by just 5 or 10 students or employing even 1 additional part-time position can dramatically impact the district’s costs per pupil in any given year. As a result, and as noted in the fiscal year 2018 *Arizona School District Spending* report, very small districts’ spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of the District’s operations, less weight was given to various cost measures, and more weight was given to our observations made at the District.

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	Between 16 percent and 22% Elementary school districts Towns and rural areas	17
Administration, plant operations and maintenance, food service, and transportation	District size Location	Fewer than 200 students Towns and rural areas	56

Source: Auditor General staff analysis of district poverty rates from the U.S. Census Bureau; location data from the National Center for Education Statistics; and district type, number of students, miles, and riders from the Arizona Department of Education.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the scoped operational areas about their duties. This included District administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the scoped areas. This included facility tours, food service operations, and transportation services.
- **Report and documentation reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, District-wide building reports provided by the School Facilities Board, transportation route reports provided by ADE, transportation safety reports provided by the Department of Public Safety, and reports required for the federal school lunch program. Additionally, we reviewed food service-monitoring reports from ADE and District-submitted Compliance Questionnaire results that its contracted external audit firm completed. We also reviewed bus driver files for the District’s 2 regular bus drivers and 3 substitute bus drivers for fiscal years 2017 and 2018 and pretrip safety checklists and bus maintenance and repair records for the District’s 2 buses for fiscal year 2018.
- **Analysis**—We reviewed and evaluated fiscal year 2018 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts’. We also compared the District’s square footage per student, use of building space, building age, and meals served per student to peer districts’. Additionally, we reviewed the District’s revenues and expenditures associated with its food service program to determine whether the District was covering all its costs and reviewed the District’s bus route efficiency.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

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.

We express our appreciation to the District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

Topock Elementary School
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February 28, 2020

Ms. Lindsey Perry
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

Topock Elementary School District has received and reviewed the Performance Audit report conducted for Fiscal Year 2018. The report provided welcome recommendations to enhance and improve district procedures.

The information shared has provided Topock Elementary #12 an opportunity to make improvements toward efficiency, accountability, and fiscal responsibility. The District will comply with all recommendations wherever feasible within the limitation of resources, as noted in the District's response. The Topock Elementary School District's mission is to provide a world class education regardless of socioeconomic challenges. With a long and rich history in northwest Arizona, the Topock Elementary School District opened in 1922 and continues to strive to provide exceptional instruction and to efficiently utilize all funds for the benefit of our students. The District will maintain a tight focus on aligning and maximizing District resources in pursuit of our mission. We look forward to continuing to improve our stewardship of the public's resources for the good of our community and students.

Topock Elementary School District would like to thank your audit team for the insight, professionalism, and courtesy throughout the audit process, along with the opportunity to engage in meaningful collaboration. The staff members from the Auditor General's Office, Ann Orrico and Jennie Snedecor are to be commended for their professionalism, support, guidance, and assistance throughout the audit process.

Please do not hesitate to contact us with any questions or comments regarding our response.

Respectfully Submitted,

John Warren
Superintendent
Topock Elementary School District
Past President Arizona Rural Schools Association



Success in Education

Finding 1: District's inadequate payroll, computer, and other internal controls increased risk of errors and fraud, led to unsupported payments, and contributed to the District not complying with the USFR

District Response: The District agrees with the finding.

The District has implemented the recommendations to increase and strengthen internal control measures. As a small school district the recommended separation of duties is not always possible. Additionally, oversight is provided by the Mohave County School Superintendent's Office. We will review our policies and procedures to ensure compensating controls are in place to provide the greatest protection possible to prevent the risk of errors and fraud.

Recommendation 1: The District should ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District.

District Response: The District agrees with the recommendation and will implement the recommendation.

The district has audited and implemented all current contracts and work agreements required by the USFR in a more timely manner and personnel files will be reviewed biannually.

Recommendation 2: The District should ensure that employees' additional duties and related payments or stipends are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the USFR, and maintained in employee personnel files.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has reviewed and revised their procedures. The District has developed a policy and procedure where two employees review each employee's file for accuracy to prevent over/underpayments and ensure additional duty stipends are addressed in contracts and work agreements, along with approval in advance of the work being performed to comply with USFR guidelines. Additionally, the Business Manager has completed an AASBO training on HR strengthening and internal controls.

Recommendation 3: The District should ensure its Governing Board meeting minutes and other associated documentation include enough detail to show the Governing Board's approval of employees' work and salary, stipend, and extra duty pay amounts.

District Response: The District agrees with the recommendation and will implement the recommendation.

Personnel charged with executing Governing Board minutes will receive training through ASBA to improve compliance per the recommendation. Additionally, the Governing Board Secretary will record all audio dialogue during Board meetings to improve efficiency and accuracy of meeting minutes.

Recommendation 4: The District should ensure that it documents the established performance goals the Superintendent must meet in order to receive performance pay and ensure that it retains adequate documentation to demonstrate that the Superintendent met the goals for any performance payments made.

District Response: The District agrees with the recommendation but will implement a modification to the recommendation.

Topock ESD #12 Governing Board did establish performance goals regarding Education, Management, Governing Board, and Personnel, that the Superintendent must meet in order to receive performance pay. However, the Governing Board acknowledges that adequate documentation of the goals, and progress toward meeting same was not kept. The Governing Board shall adopt a written resolution with performance goals or state the goals in the Superintendent's Contract, and retain adequate documentation of goals met or denied.

Recommendation 5: The District should consult with its legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the Superintendent should follow the State's travel policy by submitting a travel claim with the miles traveled for District purposes and be reimbursed at the State's flat per mile rate. Further, the District's policies and the Superintendent's contract should reflect the decision made by the District and its legal counsel.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will consult with legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the Superintendent will follow the guidance set forth in Ariz. Rev. Stat. Section 15-342(5), Ariz. Rev. Stat. Sections 38-621-627, and any applicable portions of the State of Arizona Accounting Manual Topic 50, Section 15. The District's policies and the Superintendent's contract shall reflect the decision made by the Governing Board and Counsel's recommendation.

Recommendation 6: The District should require the Superintendent to reimburse the District for the fiscal year 2018 purchases he made for his personal vehicle using the District's fuel card. Further, the District should consult with its legal counsel to determine whether the Superintendent should also reimburse the District for similar fuel card purchases made in fiscal years 2019 and 2020.

District Response: The District does not agree with the recommendation but will implement a modification to the recommendation.

The District will discuss whether or not the Superintendent should reimburse the District for FY 18, 19, and 20 with the District's legal counsel.

Recommendation 7: The District should limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions and consider providing accounting system access to a second user to separate responsibilities and provide for independent reviews and approvals.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

The District may utilize the Mohave County School Superintendent's Office through an MOU for additional oversight and separation of duties. Currently, the MCSSO has administrative access

and oversight of all modules in Visions Software. If necessary, a second user on district staff will be granted accounting system access to provide independent reviews and approvals for payroll and purchasing transactions.

Recommendation 8: The District should implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information by requiring users to create their own passwords that are known only to themselves.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has implemented policy and a procedure requiring all personnel to change their passwords periodically.

Finding 2: Lack of transportation program oversight led to potential student safety risk and reporting errors

District Response: The District agrees with the finding.

The District has already implemented new procedures for the oversight of the transportation program. The District is collaborating under a MOU with a larger neighboring district for additional assistance regarding transportation services.

Recommendation 9: The District should ensure its bus drivers perform pretrip inspections and maintain documentation of these inspections in accordance with the State's Minimum Standards.

District Response: The District agrees with the recommendation and will implement the recommendation.

The district has already implemented new procedures to ensure bus drivers document their pre-trip inspections and inspection forms are maintained by the district.

Recommendation 10: The District should ensure that bus repairs are conducted in a timely manner and documented in accordance with the State's Minimum Standards.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has a Transportation MOU in place with a larger neighboring district to provide preventative maintenance and repairs. Documentation and maintenance records are now kept in each vehicle with the mileage logs. In addition, a copy is maintained in the District file room. The District will ensure the State's Minimum Standards are met for all busses.

Recommendation 11: The District should develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's Minimum Standards, including conducting and documenting random drug and alcohol testing of bus drivers to help ensure school bus passengers' safety and welfare.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has implemented a new procedure to randomly drug and alcohol test bus drivers in accordance with the Arizona Minimum Standards requirements.

Recommendation 12: The District should accurately calculate and report to ADE for State funding purposes the number of students transported.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has already implemented new policies and procedures to maintain compliance with ADE Transportation reporting procedures.

Recommendation 13: The District should work with ADE to determine whether it needs to submit a correction for its fiscal year 2018 ridership.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will collaborate with ADE to determine whether it needs to submit a correction for fiscal 2018 ridership.

