Buckeye Elementary School District
Report 1 of 2

District had higher electricity and water costs than peer districts, and District's lack of compliance with important requirements and standards put public monies and sensitive information at risk

Performance Audit

December 2021
Report 21-208

Lindsey A. Perry
Auditor General

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December 21, 2021

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Buckeye Elementary School District

Dr. Kristi Wilson, Superintendent
Buckeye Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Buckeye Elementary School District—Report 1 of 2*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. This performance audit report is the first in a series of 2 reports on the District and focuses on the District's efficiency and effectiveness in the 4 operational areas described in the overview section. The second and final report will specifically focus on 1 aspect of administration—executive administrative spending, and particularly the superintendent's salary and benefits package—due to concerns identified during our audit.

As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations.

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

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Buckeye Elementary School District
Report 1 of 2

District had higher electricity and water costs than peer districts, and District's lack of compliance with important requirements and standards put public monies and sensitive information at risk

Audit purpose

This performance audit report is the first in a series of 2 reports on the District and focuses on the District's efficiency and effectiveness in 4 operational areas: administration, plant operations and maintenance, food service, and transportation, and its compliance with certain State requirements. The second and final report will specifically focus on 1 aspect of administration—executive administrative spending, and particularly the superintendent's salary and benefits package—due to concerns identified during our audit.

Key findings

- District's plant operations and maintenance spending was 18 percent more per square foot than peers' because it had disadvantageous solar contract terms, used more water, and paid more for water per gallon.

- District had an estimated $400,000 loss in each of calendar years 2018 and 2019 for solar power, and it spent approximately $260,000 more on water and sewage than peer districts.

- District employees made purchases without required prior approval and paid for purchases without having the required evidence of receiving them.

- District allowed too much access to its sensitive computerized data which, in combination with other IT deficiencies, increased risk of unauthorized access, errors, fraud, and data loss.

Key recommendations

The District should:

- Determine whether it can negotiate a lower per kilowatt hour rate for solar energy and either modify or terminate its solar contract.

- Work with its solar power systems vendor to find a way to decrease the District's financial losses from excess solar kilowatt hours produced by its solar power systems.

- Review its water usage and rates to determine how they can be reduced and implement usage and rate reduction methods.

- Review purchasing policies and procedures and ensure they are followed and implement additional procedures, including training or penalties for repeat offenses.

- Implement policies and procedures over its IT systems in line with industry standards.

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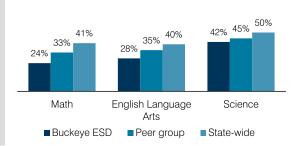Urban district in Maricopa County

Grades: Kindergarten through 8th

Students attending: 5,152

Number of schools: 7

School letter grades: 2 Bs, 1 C, 3 Ds, and 1 F[1]

Buckeye ESD

Students who passed State assessments

	Math	English Language Arts	Science
Buckeye ESD	24%	28%	42%
Peer group	33%	35%	45%
State-wide	41%	40%	50%

■ Buckeye ESD ■ Peer group ■ State-wide

Total operational spending—$43.2 million ($8,376 per pupil)

Instructional—50.9% ($4,261 per pupil)	Noninstructional—49.1% ($4,115 per pupil)

This performance audit report is the first in a series of 2 reports on the Buckeye Elementary School District and focuses on the District's efficiency and effectiveness in the 4 operational areas described in the overview section below: administration, plant operations and maintenance, food service, and transportation. We focused on these 4 areas because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. Spending outside of instruction on these 4 operational areas directly affects districts' instructional spending percentages and the monies they have available for their instructional programs, such as for purchasing instructional supplies and paying teacher salaries. The second and final report will specifically focus on 1 aspect of administration—executive administrative spending, and particularly the superintendent's salary and benefits package—due to concerns identified during our audit. We will report on the District's recommendation implementation status for both reports in the followup for the first report.

Operational overview	Measure	Buckeye ESD	Peer average
Administration—similar total per pupil administration spending, but higher executive administration costs and improvements needed Although the District spent a similar amount per pupil in total on administration when compared to its peer districts' average, within these administration costs, it spent 54 percent more per pupil on executive administration, including the superintendent's salary and benefits package. We are further investigating this matter and will issue a second report focusing on this aspect of administrative spending. Further, the District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss (see Finding 2, page 5).	Spending per pupil	$1,030	$1,047

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[1] If a school receives a "D" or "F" letter grade, the school and district are required to participate in a school improvement program where school and district staff work closely with the Arizona Department of Education (ADE) to perform a comprehensive needs assessment and create an integrated action plan (IAP), which identifies action steps and goals for the school and district to work on during the year to improve student achievement. The District is currently working with ADE to implement its IAPs.

Operational overview	Measure	Buckeye ESD	Peer average
Plant operations—higher spending due to disadvantageous solar contract terms and higher water usage and cost per gallon The District spent 18 percent more per square foot than its peer districts averaged, primarily because of disadvantageous solar contract terms and because the District used more water and paid a higher cost per gallon for its water than peer districts averaged (see Finding 1, page 3).	Spending per square foot	$7.80	$6.60
	Spending per pupil	$1,001	$972
Food service—lower spending and no reported findings The District spent less per meal on food service than its peer districts, on average. We did not report any findings in this area.	Spending per meal	$2.54	$2.91
Transportation—lower spending and no reported findings The District spent less per mile and per rider on its student transportation program than its peer districts averaged. We did not report any findings in this area.	Spending per mile	$4.02	$4.60
	Spending per rider	$1,148	$1,224

District's plant operations and maintenance spending was 18 percent more per square foot than peers', with higher spending on electricity due to disadvantageous solar contract terms and water and sewage due to higher water usage and cost per gallon

In fiscal year 2019, Buckeye ESD spent 18 percent more per square foot than its peer districts, on average. Specifically, the District spent $7.80 per square foot on plant operations and maintenance, whereas the peer districts averaged only $6.60 per square foot. Specifically, the District spent more on electricity and water and sewage due to its disadvantageous solar power system contract terms and higher water usage and cost per gallon than peer districts averaged, respectively. As a result, the District had less monies available to spend on instruction or other District priorities.

District had estimated $400,000 loss in each of calendar years 2018 and 2019 on solar power primarily because it paid high per kilowatt hour rate and systems produced more energy than needed

In April 2011, Buckeye ESD entered into a 20-year contract with a vendor to install solar panels at all its school sites (6 at the time) and the District office. Under the contract's terms, the District agreed to pay for all electricity generated by the solar panels starting at 12 cents per kilowatt hour in the first year and increasing by 3.5 percent each year.

In May 2019, the District contracted with a vendor to perform a solar return-on-investment analysis, which estimated that the District paid $400,000 more for electricity in calendar year 2018 than what it would have paid if no solar had been installed. The vendor's analysis noted that the loss was a result of multiple factors. Specifically, the District's contractual rate per kilowatt hour of solar energy was higher and increasing at a faster pace than the electric utility rate it would have paid without solar. Additionally, the analysis found that 4 of the 7 sites produced excess kilowatt hours in calendar year 2018. Although the utility company paid the District for the excess kilowatt hours, it paid the District a lower rate than the District paid for the electricity under its solar contract. As a result, the District lost 11.8 cents per kilowatt hour for every kilowatt hour of excess generation in calendar year 2018. Further, the District was on a utility rate plan that is generally not the best rate plan for accounts with solar. The analysis estimated that the District would lose an additional $400,000 in calendar year 2019 and between $8.2 and $10.1 million over the contract's 20-year term if no changes were made.

To its credit, after receiving the analysis, the District worked with its utility company to change the rate plan for the accounts with solar, and began reviewing the contract and working with its legal counsel to determine if any further changes could be made to its solar contract to reduce its per kilowatt hour rate and escalator as well as the excess kilowatt hours the District produces and pays for. As of December 2021, the District was continuing these efforts and needs to continue to follow through on this because the additional monies it has been spending for solar power—the estimated $400,000 in each of calendar years 2018 and 2019—could be used instead for instruction or other District priorities.

District spent approximately $260,000 more on water and sewage than peer districts primarily due to higher water usage and cost per gallon

In fiscal year 2019, the District spent nearly double what its peer districts spent, on average, per square foot for water and sewage costs. We reviewed April 2019 water and sewage billing statements for Buckeye ESD and 3 peer districts and found that Buckeye ESD used nearly double the gallons of water these 3 peer districts used. Additionally, Buckeye ESD paid nearly 50 percent more per gallon of water compared to the 3 peer districts, on average. According to District officials, the District irrigates its athletic fields and grass areas frequently for community use. Spending more on water and sewage reduces the amount of monies available for instruction or other District priorities.

Recommendations

The District should:

1. Consult with its legal counsel to determine whether it can negotiate a lower per kilowatt hour rate for solar energy and either modify or terminate its contract.

2. Work with its solar power systems vendor to either decrease the size of its solar power systems, connect them to meters that have a usage level more in line with each system's output, or find some other means to reduce the amount of excess solar power its systems produce to decrease the amount of monies the District loses from excess solar kilowatt hour produced by its solar power systems.

3. Review its water usage and rates to determine how they can be reduced and implement usage and rate reduction methods.

District response: As outlined in its response, the District agrees with the finding and recommendations and will implement the recommendations.

District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss

In fiscal year 2019, the District did not follow some of its own purchasing policies and procedures for the purchases we reviewed, which increased its risk of errors and fraud. Additionally, the District's excessive access to its sensitive computerized data and other information technology (IT) deficiencies increased its risk of unauthorized access, errors, fraud, and data loss.

Issue 1: District employees made purchases without required prior approval and paid for purchases without required evidence of having received them

The *Uniform System of Financial Records for Arizona School Districts* (USFR) and the District's purchasing policies require employees to make purchases only after receiving prior supervisory approval and authorization. Additionally, employees are required to obtain evidence that the District has received its purchases and verified that billings are accurate before paying vendors. However, our sample of 30 fiscal year 2019 purchases found that District employees made 4 purchases that lacked evidence of prior supervisory approval, paid for 1 purchase without obtaining evidence that the District had received the purchase and that the billing was accurate before paying the vendor, and paid for 1 purchase that both lacked evidence of prior supervisory approval and that the District had received the purchase and that the billing was accurate before paying the vendor. These departures from purchasing requirements resulted from employees not following proper procedures. Although we did not identify any purchases in our sample that would indicate fraud, waste, or abuse, the District's employees not consistently following proper purchasing procedures puts the District at risk of errors and making and paying for purchases that were not allowable, that it did not have money for, or that it had not received.

Recommendations

The District should:

4. Review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that:

   a. All purchases and payments are independently reviewed and approved by authorized District officials prior to the purchases being made.

   b. Vendors are paid only after authorized District employees verify that all purchases have been received and billings are accurate.

5. Implement additional procedures to help ensure employees follow required purchasing procedures, including additional training or penalties for repeat offenses, among other options.

District response: As outlined in its response, the District agrees with the finding and recommendations and will implement the recommendations.

Issue 2: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access, errors, fraud, and data loss

District assigned some employees too much access to its accounting system—According to credible industry standards developed by the National Institute of Standards and Technology (NIST), users should be provided only the access necessary to accomplish assigned tasks. Further, the USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. However, our May 2020 review of accounting system access levels for 74 of the District's 96 accounting system users found that 3 users' access allowed them to be able to initiate and complete payroll transactions without another employee reviewing and approving the transactions. In addition, the District granted administrator-level access to its accounting system to 2 business office employees, which gave the employees full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system. Users with broad or administrator-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection. Although we did not identify any improper transactions, the District did not have a process to ensure initially assigned employee access was appropriate and employees' access was changed if their assigned duties changed.

District allowed too many network users to have administrator-level access—In addition to assigning some employees too much access to its accounting system, the District also allowed too many users to have administrator-level access to its network, contrary to credible industry standards, such as those developed by NIST. Specifically, our April 2020 review of the District's network user access report found that 15 network user accounts had administrator-level access that did not require this level of access. Administrator-level access grants users full control over all computer network settings, such as the ability to add new users and modify the level of access users have in the network. Users with administrator-level access can also grant themselves full access to view and edit all data on the network. The District had so many users with administrator-level access because it was not regularly reviewing user accounts and assessing their need for administrator-level access. By allowing too many users to have this access level, the District also increased its risk of security breaches because hackers typically target administrator accounts for their greater access privileges, which could result in unauthorized access to and loss of sensitive data or disruption of District operations.

District's network passwords did not meet credible industry standards, putting District operations at risk—The District's network password requirements as of April 2020 were not aligned with credible industry standards, such as those developed by NIST. As a result, the District increased its risk that unauthorized individuals could access its network and disrupt operations. District officials indicated that they were unaware of the account password settings for some accounts and improperly reduced certain password requirements for other employees, including those working from home, because it was difficult to adjust user password settings for remote employees.

Terminated employees had access to the District's network and accounting system—Credible industry standards, such as those developed by NIST, state that upon termination of employment, access to information systems should be disabled. However, our April and May 2020 reviews of District network and accounting system user accounts found that 38 network user accounts and 1 accounting system user account were linked to terminated employees who were 1 month to almost 3 and a half years post termination. The District allowing terminated employees access to its network and accounting system increased the risk of unauthorized individuals accessing sensitive information. Although the District had a process to review employees who were terminated monthly by reviewing governing board meeting minutes for terminated employees, per District officials, these accounts were still active because they were missed during the monthly review.

District has not conducted security awareness training for staff, increasing vulnerability of employees to cyberattacks—According to District officials, the District does not conduct security awareness training for all staff. However, according to NIST, basic security awareness training should be provided to system users regularly because cyberattacks commonly use social engineering techniques to trick employees into giving up sensitive information or downloading dangerous software onto workstations. The District providing security awareness education and training would lessen this risk and help to ensure that its employees understand the meaning of information security, the risks associated with information security, the importance of complying with information security policies, and their individual information security responsibilities.

District contingency plan was incomplete—We reviewed the District's IT contingency plan and found that it was missing some key components (see textbox), such as those developed by NIST. Specifically, the plan did not indicate the order in which those critical systems should be restored, outline individual responsibilities to execute the plan, include procedures for the District to continue operating in the event of a system outage, or include detailed procedures to facilitate restoration on the critical assets identified in the plan. Having an incomplete IT contingency plan exposes the District to an increased risk of being unable to restore the District's systems in the event of a system outage. District officials indicated that they had not focused on creating documented procedures, but instead were focused on performing data backups. In addition to reviewing its plan, the District should test the plan at least annually to ensure it is effective, which should include testing the District's ability to restore electronic data files for critical systems from backups.

District's contingency plan missing key pieces
✓ Identify all critical systems.
✗ Indicate system-restoration order.
✗ Outline individual responsibilities.
✗ Contain plan for business continuity.
✗ Include detailed restoration steps.
✗ Test and update plan annually.

Recommendations

The District should:

6. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the administrator-level access from the business office employee.

7. Develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to ensure employees have only the access necessary to accomplish their job duties.

8. Review and reduce the number of users with administrator-level access to its network, and develop and implement a process to periodically review users with administrator-level access to ensure it is necessary for their job duties.

9. Review industry password standards at least annually and implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

10. Immediately disable or remove all network and accounting system accounts associated with terminated employees and review and adjust its process to ensure that terminated employees have their access promptly removed.

11. Require all employees to participate in a security awareness training if they have not done so in the past year.

12. Establish and implement a District policy to conduct security awareness training on a regular basis, at least annually.

13. Review its IT contingency plan to ensure it is complete; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the test results.

District response: As outlined in its response, the District agrees with the finding and recommendations and will implement the recommendations.

Auditor General makes 13 recommendations to the District

The District should:

1. Consult with its legal counsel to determine whether it can negotiate a lower per kilowatt hour rate for solar energy and either modify or terminate its contract (see Finding 1, pages 3 through 4, for more information).

2. Work with its solar power systems vendor to either decrease the size of its solar power systems, connect them to meters that have a usage level more in line with each system's output, or find some other means to reduce the amount of excess solar power its systems produce to decrease the amount of monies the District loses from excess solar kilowatt hour produced by its solar power systems (see Finding 1, pages 3 through 4, for more information).

3. Review its water usage and rates to determine how they can be reduced and implement usage and rate reduction methods (see Finding 1, pages 3 through 4, for more information).

4. Review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that:

    a. All purchases and payments are independently reviewed and approved by authorized District officials prior to the purchases being made.

    b. Vendors are paid only after authorized District employees verify that all purchases have been received and billings are accurate (see Finding 2, page 5, for more information).

5. Implement additional procedures to help ensure employees follow required purchasing procedures, including additional training or penalties for repeat offenses, among other options (see Finding 2, page 5, for more information).

6. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the administrator-level access from the business office employee (see Finding 2, pages 6 through 8, for more information).

7. Develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to ensure employees have only the access necessary to accomplish their job duties (see Finding 2, pages 6 through 8, for more information).

8. Review and reduce the number of users with administrator-level access to its network, and develop and implement a process to periodically review users with administrator-level access to ensure it is necessary for their job duties (see Finding 2, pages 6 through 8, for more information).

9. Review industry password standards at least annually and implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to its network and disrupting operations (see Finding 2, pages 6 through 8, for more information).

10. Immediately disable or remove all network and accounting system accounts associated with terminated employees and review and adjust its process to ensure that terminated employees have their access promptly

removed (see Finding 2, pages 6 through 8, for more information).

11. Require all employees to participate in a security awareness training if they have not done so in the past year (see Finding 2, pages 6 through 8, for more information).

12. Establish and implement a District policy to conduct security awareness training on a regular basis, at least annually (see Finding 2, pages 6 through 8, for more information).

13. Review its IT contingency plan to ensure it is complete; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the test results (see Finding 2, pages 6 through 8, for more information).

Objectives, scope, and methodology

We have conducted a performance audit of Buckeye Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2019 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 categories:

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 2019 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 30 of the 775 individuals who received payments in fiscal year 2019 through the District's payroll system and reviewed supporting documentation for 30 of the 14,521 fiscal year 2019 accounts payable transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2019 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 applicable internal controls in Finding 2 (see pages 5 through 8).

Peer groups—We developed 3 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 this group. We used this peer group to compare the District's fiscal year 2019 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District's fiscal year 2019 ADE-assigned school letter grades. To compare the District's operational efficiency in administration, plant operations and maintenance, and food service, we developed a peer group using district size, type, and location. To compare the District's transportation efficiency, we developed a peer group using a 5-year historical average of miles per rider and location. We used these factors because they are associated with districts' cost measures in these areas.

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	Between 16 and 23 percent Elementary school districts Cities and suburbs	9
Administration, plant operations and maintenance, and food service	District size District type Location	Between 600 and 7,999 students Elementary school districts Cities and suburbs	19
Transportation	Miles per rider Location	Between 231 and 290 miles per rider Cities and suburbs	13

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.

- **Report 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, District-submitted compliance questionnaire results that its contracted external audit firm completed, and a solar return-on-investment analysis that a contracted vendor completed for the District.

- **Documentation reviews**—We reviewed various sets of District documentation including credit card statements for fiscal year 2019, cash deposit documentation for fiscal year 2019, bus driver files for 10 of the District's 30 drivers, and bus maintenance and repair records for 5 of the District's 32 buses. Additionally, we reviewed the April 2019 water bills for the District and 3 peer districts that shared the most similar characteristics such as number of students attending, square footage, and location.

- **Analysis**—We reviewed and evaluated fiscal year 2019 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 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 its spending 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.[1] 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.

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[1] The performance audit included an evaluation of 1 aspect of administration—executive administrative spending, and particularly the superintendent's salary and benefits package—that was not conducted in accordance with generally accepted government auditing standards. The results of that evaluation will be included in our second and final report.

DISTRICT RESPONSE

December 16, 2021

State of Arizona
Office of the Auditor General
Lindsay Perry, Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018-7271

Attn: Ms. Lindsey Perry, Auditor General
         Ms. Christine Haidet, Audit Manager

Dear Ms. Perry:

Buckeye Elementary School District has received and reviewed the Performance Audit Report. As noted in our response to the specific findings and recommendations, we have already begun to implement many of the recommended corrective actions. We look forward to implementing the remaining recommended actions in the near future.

Please find the attached response to each finding and recommendation.

Respectfully,

Dr. Kristi Wilson

Dr. Kristi Wilson
Superintendent

Finding 1: District's plant operations and maintenance spending was 18 percent more per square foot than peers with higher spending on electricity due to disadvantageous solar contract terms and water and sewage due to higher water usage and cost per gallon

> District Response: The District agrees with the finding.
> The District had been concerned with its expenditures on electricity and had already begun to take steps to address these concerns prior to this performance audit. As noted in the report, the District has contracted with a utility management consultant to perform a return-on-investment analysis and to assist the District in negotiations with its solar power systems vendor.
>
> The utility management consultant also provides ongoing analysis of current power and water usage at each of the District's school sites and meets with District staff at least quarterly to identify ways in which the District can save money on its utility costs.
>
> In addition, the District engaged legal counsel prior to the performance audit and continues to consult with its attorneys to ensure all legal avenues to address its outstanding contracts and liabilities are pursued.

Recommendation 1: The District should consult with its legal counsel to determine whether it can negotiate a lower per kilowatt hour rate for solar energy and either modify or terminate its contract.

> District Response: The District agrees with the recommendation and will implement the recommendation.
> The District will continue to consult with its legal counsel.

Recommendation 2: The District should work with its solar power systems vendor to either decrease the size of its solar power systems, connect them to meters that have a usage level more in line with each system's output, or find some other means to reduce the amount of excess solar power its systems produce to decrease the amount of monies the District loses from excess solar kilowatt hour produced by its solar systems.

> District Response: The District agrees with the recommendation and will implement the recommendation.
> The District will continue to pursue negotions with its solar power systems vendor.

Recommendation 3: The District should review its water usage and rates to determine how they can be reduced and implement usage and rate reduction methods.

> District Response: The District agrees with the recommendation and will implement the recommendation.
> The District will continue to meet with its utility management consultant at least quarterly to review ways in which it can save on its water costs and implement usage and rate reduction methods where possible while ensuring that District school grounds are appropriately maintained.

Finding 2: District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss

District Response: The District agrees with the finding.

Recommendation 4: The District should review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that:

a. All purchases and payments are independently reviewed and approved by authorized District officials prior to the purchases being made.

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

The District will continue to review its purchasing policies and procedures with appropriate staff to ensure that purchases are independently reviewed and approved by authorized District officials before purchases are made.

b. Vendors are paid only after authorized District employees verify that all purchases have been received and billings are accurate.

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

The District will continue to review its purchasing polices and procedures with appropriate staff to ensure that vendors are paid only after authorized District employees verify that goods or services have been received and that billing amounts are accurate.

Recommendation 5: The District should implement additional procedures to help ensure employees follow required purchasing procedures, including additional training or penalties for repeat offenses, among other options.

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

The District will implement additional procedures help ensure employees follow required purchasing procedures.

Recommendation 6: The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the administrator-level access from the business office employee.

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

The District will limit its accounting system users' access to only functions needed to perform job duties.

Recommendation 7: The District should develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to ensure employees have only the access necessary to accomplish their job duties.

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

The District agrees with this recommendation and will develop and implement a comprehensive process to ensure all current and new users have only the appropriate accounting system access and will review all users' access regularly.

Recommendation 8: The District should review and reduce the number of users with administrator-level access to its network, and develop and implement a process to periodically review users with administrator-level access to ensure it is necessary for their job duties.

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

The District has reviewed and reduced the number of user accounts with administrator-level access, and the District will implement a process to periodically review users with administrator access.

Recommendation 9: The District should review industry password standards at least annually and implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

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

The District has implemented strong network password requirements that meet NIST standards and will continue to review and update its password requirements at least annually.

Recommendation 10: The District should immediately disable or remove all network and accounting system accounts associated with terminated employees and review and adjust its process to ensure that terminated employees have their access promptly removed.

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

The District has disabled all network and accounting system accounts associated with terminated employees and will adjust its process to ensure that terminated employees have their access promptly removed.

Recommendation 11: The District should require all employees to participate in a security awareness training if they have not done so in the past year.

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

The District will require all employees to participate in a security awareness training.

Recommendation 12: The District should establish and implement a District policy to conduct security awareness training on a regular basis, at least annually.

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

The District will require all employees to participate in a security awareness training at least annually.

Recommendation 13: The District should review its IT contingency plan to ensure it is complete; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the test results.

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

The District had already implemented most of the key components of an IT Contingency Plan with unwritten procedures prior to the time of the audit.

The District will review its IT Contingency Plan and update it to ensure that it is complete. The District will test the plan at least annually to identify and remedy any deficiencies. The District will continue to test its ability to restore electronic data files for critical systems, and the District will document the test results.