

HAYDEN-WINKELMAN UNIFIED SCHOOL DISTRICT NO. 41

DISTRICT OFFICE

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JEFF GREGORICH

Superintendent of Schools

July 23, 2012

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

Dear Ms. Davenport:

The Hayden-Winkelman Unified School District respectfully submits its response to the Performance Audit conducted by the Office of the Auditor General for the 2010 Fiscal Year. The District Governing Board and Administration would like to thank the Auditor General's staff for all of the recommendations discussed within this audit which will help make our District more efficient, effective, and safer for our students.

The District is pleased with the finding regarding our students' academic achievement in comparison to that of its peer group, but the District is not content with its overall academic achievement scores and will continue to work diligently to maximize funding to enhance learning opportunities for our students.

The District would like to thank the Auditor General's staff for their professionalism and diligence throughout the Performance Audit conducted under Arizona Revised Statute (ARS) 41-1279.03. The District concurs with their findings and has begun to develop plans to address each of the recommendations.

District Response to Findings and Recommendations

Finding #1: Inadequate accounting and computer controls increase risk of errors and fraud

1. The District should implement proper controls over its payroll processing to ensure adequate separation of duties or alternatively establish an appropriate review process as a compensating control.

District Response: The District agrees with the finding and recommendation. The District has developed a plan to place a level of separation within the payroll process to ensure proper controls are in place to safeguard its integrity and to prevent fraud.

2. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

District Response: The District agrees with the finding and recommendation. The District will immediately implement a personnel/payroll action form that is approved in advance of work being performed and is included in the individuals personnel file.

3. The District should ensure that credit card and other vendor balances are paid in a timely manner to avoid finance charges and late fees.

District Response: The District agrees with the finding and recommendation. The District will review its process and procedures for processing payments and work diligently to avoid late fees and charges over the coming school year.

4. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.

District Response: The District agrees with the finding and recommendation. The District will develop an action plan to create a separation of duties within the District Office to ensure safeguards are in place to not allow any one employee to have the ability to initiate and complete any transaction. In addition, the District will complete an audit of its access to specific accounting and payroll programs.

5. The District should implement and enforce password length and complexity requirements.

District Response: The District agrees with the finding and recommendation. The District will implement the password policy of a minimum of 8 characters and numbers in length. The password must have at least one alpha character and a number. The password will expire every 180 days and will lock the account after 5 unsuccessful login attempts.

6. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies.

District Response: The District agrees with the finding and recommendation. The District has adopted the practice of running the verification tool for all the backups to ensure all the files in the backup are physically intact, readable and can be restored in the event that it is needed. In addition, the backups will be tested on a monthly basis to ensure the integrity of the data. The District is in the process of deploying and adding an additional server to hold replicas of all the virtual machines and use in the case of hardware failure to ensure business continuity.

7. The District should dispose of records according to the Arizona State Library, Archives, and Public Records retention schedules.

District Response: The District agrees with the finding and recommendation. The District will destroy all documents and records according to the Arizona State Library, Archives, and Public Records retention schedules within the next 6 months.

Finding #2: Excessive square footage and inadequate maintenance practices led to poorly maintained facilities

1. The District should immediately address any health and safety hazards, such as those observed by auditors, including water leaks, exposed wiring, and other hazards.

District Response: The District agrees with the finding and recommendation. The District has begun to correct the problems identified by the Auditor General. Specific emphasis is on all areas identified as a health and safety issue. The District will work diligently to address all areas of concern over the next few months. The District has made new management changes and has worked to address the areas discussed with the Auditor General's Staff.

2. Because signs of possible mold growth and other potential health hazards were identified, the District should consider having its buildings inspected by a qualified individual with sufficient knowledge and experience to determine if the potential health hazards could affect student health.

District Response: The District agrees with the finding and recommendation. The District will have an independent health inspector complete an inspection of the areas identified by the Auditor General's staff as a potential health or safety risk to the students within 6 months.

3. The District should review its building capacity usage to determine whether additional schools or unused sections of schools can be closed to reduce maintenance costs.

District Response: The District agrees with the finding and recommendation. The District will review its classroom space and the potential to close a school or section of a school based on enrollment and program needs over the school year.

4. To ensure that its buildings are properly maintained and that no further health and safety hazards recur, the District should develop and implement a preventative maintenance program, including a process to ensure that maintenance work orders are tracked and maintained for the appropriate amount of time.

District Response: The District agrees with the finding and recommendation. The District will develop a complete maintenance plan that addresses the items identified within the Audit and create a road map to keep District facilities in proper condition

over the coming years. The District's Maintenance Plan will be presented to the Governing Board within three months.

5. The District should follow its surplus property policy and properly dispose of its surplus property in accordance with the policy and Arizona Administrative Code R7-2-1131.

District Response: The District agrees with the finding and recommendation. The District will complete a thorough inventory of excess furniture, equipment and instructional-related items and follow its surplus property policy and Arizona Administrative Code R7-2-1131 in order to hold an auction during the 2012-13 school year. Monies collected from the auction will be used to target health and safety issues discussed within this Audit.

6. Because its closed school continues to generate costs, district officials should consider options that could potentially generate additional income such as renting out the facility to a local group, business, or government entity.

District Response: The District agrees with the finding and recommendation. The District has made an effort over the years to work with Government agencies to possibly lease portions of the District. Unfortunately, none of the entities were able to rent or lease the property due to budget issues during the recent difficult financial times. The District will continue to make efforts to work with Government agencies that would be able to meet school safety concerns, such as fingerprints screening. All available space is located within twenty-five yards of buildings being used for classrooms and instruction.

Finding #3: District's Proposition 301 performance pay goals easily met and pay records incomplete

1. To promote improved performance, the District should establish meaningful performance goals that specify the level of student improvement required and provide specific measurement criteria.

District Response: The District agrees with the finding and recommendation. The District has made significant changes to its 301 Performance Plan and has specifically addressed this issue. More emphasis has been placed on measurable academic goals based on AIMS and other reliable assessments. The District recognized the need to make the performance goals measurable and will continue to strengthen performance goals and criteria to measure achievement.

2. The District should ensure that it retains adequate documentation for the required time period to demonstrate that performance pay goals were met.

District Response: The District agrees with the finding and recommendation. The District will retain all records and documentation of all performance goals for each individual teacher. The Superintendent will review and ensure that the 301 documentation for all individual and site performance goals is retained for future audits and review.

3. To ensure that accounting records are maintained in sufficient detail to demonstrate that CSF monies were spent in accordance with statute and the District's plan, the District should record and account for all revenues and expenditures in the separate Classroom Site Funds throughout the year and not just at year-end.

District Response: The District agrees with the finding and recommendation. The District has consulted with the District's legal counsel to help properly identify and document 301 based salary monies paid to teachers. The District will pay out 301 monies directly from each of the 301 funds.

Once again, we thank you for your thorough and diligent review. The District is committed to maximizing its financial resources and improving our academic and business systems.

Sincerely,

Jeff Gregorich, Superintendent