

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2014, Peoria Unified School District's student achievement was similar to peer districts', on average, and the District operated efficiently overall, with operational costs that were similar to or lower than peer districts' averages. The District's per pupil administrative costs were similar to the peer districts' average. However, it lacked adequate controls over its cash-handling procedures, computer network and systems, and payroll processing. The District's plant operations and food service programs both operated efficiently with similar or lower costs than the peer districts' averages. Despite similar transportation costs when compared to its peers, the District did not accurately report its miles, which resulted in overfunding of state monies, and it did not follow its own bus preventative maintenance policy.

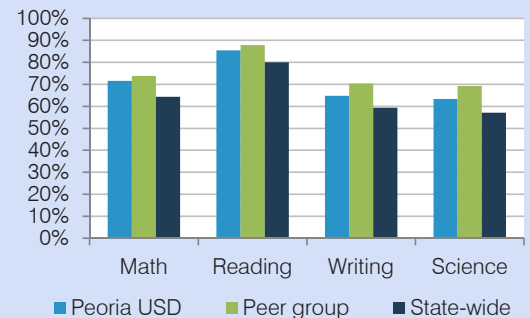


2016

Similar student achievement and efficient operations

Student achievement similar to peer districts'—In fiscal year 2014, Peoria USD's math and reading scores were similar to the peer districts' averages, and its writing and science scores were slightly lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of A. Five of the peer districts also received As, and three received Bs. The District's 93 percent graduation rate was similar to the peer districts' 88 percent average and much higher than the State's 76 percent average.

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



Efficient operations overall—In fiscal year 2014, Peoria USD operated efficiently overall, with operational costs that were similar to or lower than peer district averages. The District's per pupil administrative costs were similar to the peer districts' average, and its plant operations and food service programs both operated efficiently with similar or lower costs. Although the District's transportation costs were similar to peer district averages, improvements are needed.

Comparison of per pupil expenditures by operational area
Fiscal year 2014

	Peoria USD	Peer group average
Administration	\$605	\$630
Plant operations	719	831
Food service	306	330
Transportation	234	346

Inadequate controls over cash handling, computer network and systems, and payroll increase risk of errors and fraud

Inadequate cash controls—The District did not have proper controls in place to ensure that all monies received were properly accounted for. Specifically, the District did not ensure responsibilities were properly separated, which allowed individual employees to receive monies, enter transactions into the applicable systems, and prepare deposits without an independent review. Additionally, at one of the high schools we visited, cash was stored in an unlocked file cabinet, and multiple employees and students had access to the room in which it was located. Further, neither of the school store workers at the two high schools we visited performed a physical inventory or reconciled goods sold to cash collected. Additionally, receipts were not always issued for monies received at school sites; therefore, the District did not have sufficient documentation to ensure that all cash received was deposited and that cash was deposited in a timely manner. Finally, the District did not always reconcile cash receipts and supporting documents to cash deposits to ensure that all monies collected were deposited.

Inadequate computer controls—The District did not have strong password requirements for its computer network and accounting and student information systems. More specifically, the District did not require that all system passwords meet minimum character requirements, contain a combination of alphabetic and numeric characters, or be changed periodically. Additionally, the District did not have sufficient procedures in place to ensure that only current employees had access to its network and student information system, and maintained unnecessary generic accounts that were not assigned to specific users, making it difficult or impossible for the District to hold anyone accountable if inappropriate activity occurred while using these accounts. Further, the District lacked a written disaster recovery plan that would help ensure continued operations in the case of a system or equipment failure or interruption.

Inadequate payroll controls—The District did not always have documentation supporting employees' pay and related duties. We found that 2 of 30 employees reviewed did not have employment contracts or personnel/payroll action forms. Additionally, we selected two pay periods in fiscal year 2014 and reviewed any additional-duty payments made to the 30 employees during this time period. None of the 12 additional-duty payments had documentation indicating that the additional duties and related pay were approved prior to services being rendered.

Recommendations

The District should:

- Strengthen controls over cash handling, including separating duties, preparing and retaining receipts, reconciling cash collected to receipts issued, and better safeguarding monies received.
- Implement stronger password requirements related to length, complexity, and expiration.
- Develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed and eliminate unnecessary network user accounts.
- Create a comprehensive disaster recovery plan and test it periodically.
- Ensure that duties and related payments are addressed in employment contracts or personnel/payroll action forms and approved in advance of the work being performed.

District should improve controls over transportation program

Overstated mileage—Districts receive transportation funding based on a formula that uses primarily the number of route miles traveled during the first 100 days and secondarily the number of eligible students transported. However, the District incorrectly reported to the Arizona Department of Education (ADE) an inflated estimate of mileage rather than actual mileage traveled. This resulted in the District overstating its fiscal year 2014 route mileage by more than 230,000 miles. Because transportation funding is based on miles reported in the prior fiscal year, this error resulted in the District being overfunded by \$216,119 in state monies in fiscal year 2015. The District may continue to be overfunded until it corrects the misreported mileage.

Bus preventative maintenance—In fiscal year 2014, the District did not conduct preventative maintenance activities on a regular basis as required by the State's *Minimum Standards for School Buses and School Bus Drivers*. We found that six of the ten buses reviewed did not have preventative maintenance performed in accordance with the District's 10,000-mile preventative maintenance schedule. These buses exceeded the required preventative maintenance schedule by amounts ranging from 2,325 miles to 13,744 miles.

Recommendations

The District should:

- Accurately calculate and report to ADE the actual miles driven for student transportation funding purposes.
- Work with ADE regarding needed corrections to its transportation funding reports.
- Ensure that school bus preventative maintenance is conducted in a systematic and timely manner.