



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

Re: Fiscal Year 2014 Performance Audit

Dear Ms. Davenport,

The Snowflake Unified School District respectfully submits our response to the Performance Audit conducted by the Auditor General's office for fiscal year 2014. We agree with the findings and recommendations. Our responses are attached.

The report provides us with recommendations that will help us to improve our district operations. We have already started to implement some of the recommended changes. We are also pleased that the report highlights many areas where the district performs well. This helps to validate our efforts to provide a quality educational experience for our students as well as our commitment to fiscal responsibility. The report shows that we have high student achievement, low administrative costs, and efficient plant operations.

We would like to thank you for the positive interactions we had with your staff throughout this process. They were professional, courteous, responsive, and provided us with valuable feedback and insight. The collaborative nature of the process between our employees and the Auditor General's office is appreciated.

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

Sincerely,

Hollis J. Merrell
Superintendent

Finding 1: Inadequate controls increased risk of errors and fraud

District Response: Although there were no improper items detected in the auditor's review, we agree that there are areas of weakness that increase the risk of fraudulent activity. Efforts will be made to work with High School Administration regarding the Book Store.

Recommendation 1: The District should strengthen its controls over sales and inventory at its bookstore to reduce its risk of errors and fraud.

District Response: In accordance with this finding the district will be evaluating the feasibility of operating a book store and the implementation of new point of sale software and equipment. The purpose of the point of sale (POS) software will be to address weaknesses noted in the existing POS system and inventory control.

Recommendation 2: The District should review employees' access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and approval and that employees have only the access necessary to meet their job responsibilities.

District Response: The District agrees with the evaluation of the user controls in the accounting system. Evaluations of job responsibilities have begun and changes have been made to individual profiles within the financial software. The district will identify employees that need to have critical access and to make appropriate changes to user access.

Recommendation 3: The District should develop and implement a formal process to ensure that terminated employees have their IT systems and network access promptly removed.

District Response: The District's IT Department now disables accounts as soon as the information is provided regarding the termination of an employee.

Recommendation 4: The District should eliminate unnecessary generic accounts in its network and properly control any remaining generic accounts.

District Response: The District is working to minimize the use of generic accounts. All accounts require logging in and are closely monitored.

Recommendation 5: The District should create a formal IT contingency plan and test it periodically to identify and remedy any deficiencies.

District Response: The District is working on the details of a written contingency plan and working to implement backup testing. This plan will be developed and implemented.

Finding 2: Insufficient district oversight of vendor may have led to high food service costs

District Response: The District agrees with this finding and has and will implement recommendations to address this finding.

Recommendation 1: The District should thoroughly review its food service vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its contract.

District Response: The District agrees that more efficient oversight should be provided of the Food Service Management Company's contract. In fiscal year 14, there were changes made to the definition of administrative fees in food service management contracts. Costs that were previously identified in other areas of the profit and loss statements were reclassified as administrative costs. The Food Service Management Company and the District were aware of these changes. The District will implement a tracking system of food costs and the district purchases and more fully evaluate the invoice for these costs.

Recommendation 2: The District should enforce the terms of its food service management contract, including ensuring it receives the guaranteed breakeven for fiscal year 2014 and at the end of each contract year, if applicable.

District Response: The District agrees with the Auditor General's finding based on the interpretation of the contract and all food service costs being included. The district will track all 510 costs as they relate to food service and work with the Food Service Contractor to have those costs included in the annual approved budget.

Recommendation 3: The District should consider options for increasing its breakfast program participation and/or reducing the program's costs.

District Response: The District agrees with the audit finding regarding low participation in the breakfast program at the Snowflake High School. Immediately upon the exit interview by the audit staff the district began working with the Food Service Contractor, labor hours for high school breakfast have been reduced. We will continue to evaluate serving options for High School breakfast.

Recommendation 4: The District should ensure that the vendor establishes additional food production controls to help reduce overproduction and waste.

District Response: The District agrees with this finding and will work with the Food Service Management Company to implement monthly trainings to teach staff efficient cooking methods such as batch cooking.

Recommendation 5: The District should ensure that the vendor maximizes cost savings by planning menus to maximize usage of USDA commodities.

District Response: The District is aggressive in its use of Department of Defense commodity program, the use of its full allocation and is an active user of surplus commodities. Training will be provided prior to the start of school FY 17 of the importance of first in first out inventory. Internal audits will be conducted by the Food Service Director regularly.

Finding 3: District did not adequately oversee its transportation program

District Response: The District agrees with this finding.

Recommendation 1: The District should require its transportation vendor to provide detailed billings so that it can carefully review vendor invoices to ensure that amounts billed for bus maintenance and fuel charges are accurate and in accordance with the terms of its agreement.

District Response: The District concurs with this finding and has begun implementing changes to the billing procedures with the third party contractor. The purpose will be to include greater detail to support the charges reflected on the monthly invoice. The miles driven and the labors had appropriate support changes to the other areas of the billing has been requested.

Recommendation 2: The District should work with its vendor to ensure that adequate records are prepared and maintained to accurately calculate and report miles driven and students transported for state funding purposes.

District Response: The District is implementing additional measures to strengthen our records summarizing the reported miles and riders. The District has begun work with the third party contractor to create an action plan that will address the areas of record keeping. The contractor and the district have committed to the following plan of action: 1. Collect time and mileage cards every day. 2. Return cards with any discrepancies for correction. 3. Compare miles driven to the Web Fleet Assistance software program. 4. Maintain a spreadsheet on a daily basis of the mileage. 5. Utilize and update the 100th Day report as provided by the district. The district will commit to weekly internal audits and require mileage log reports to be submitted for review with the monthly billing. It is important to note that the district moved to a third party contractor in 1990 and has operated in this fashion for the last 26 years. With the recent cuts to the District Additional Assistance (DAA) the purchase of large capital items has been a tremendous burden. After reductions to the DAA what is left is nearly the cost of one bus. Evaluations of running this operation more efficiently is restrictive in options. The district will continue to evaluate the option of bringing this operation in house and how it can purchase 17 buses.