

Toni Badone
Superintendent

June 6, 2017

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

Attn: Debra Davenport, Auditor General
Michael Quinlan, Audit Manager

Dear Ms. Davenport and Mr. Quinlan,

Yuma Union High School District has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2015. Yuma Union would like to commend and extend appreciation to Mr. Quinlan and his staff for their professionalism and patience throughout the process.

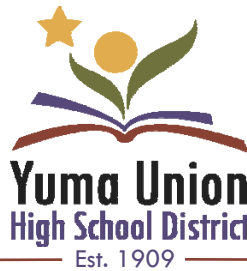
The information shared has provided Yuma Union an opportunity to make improvements toward continued efficiency, compliance and transparency, as well as given Yuma Union the opportunity to safeguard systems in even better ways. The District will continue to strive toward compliance and will comply with recommendations wherever feasible within the limitations of resources, as noted in the District's response.

Yuma Union High School District is committed to its clear bottom line of preparing every student for success in college and career. The District has kept a tight focus on that goal, aligning and maximizing District resources to that end. With regard to the statements regarding District performance on AZ Merit in 2015, please note that AZ Merit was given for the first time in FY15 and was not considered valid yet at that time, thus it was not linked to school or district grades. In fact, grades for schools and districts were not given for the last three years in deference to the fact that AZ Merit was new. However, Yuma Union High School District's college-going rate beat the state average by nearly 15 percentage points for FY15. According to the Arizona Board of Regents, Arizona had a 53.1% college-going for 2015, but YUHSD had a 68% college going rate, besting many high-performing districts in the state. The District strives to stay focused and use resources in ways that support students and their pathways to success in college and career.

It should also be pointed out that the District does not receive several types of funds that some of the cited peer districts receive. YUHSD does not receive override funds,

District Office

3150 S Avenue A • Yuma, Arizona 85364 • Phone: 928-502-4600 • Fax: 928-344-9157



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desegregation funds or Impact Aid funds. In fact, most of the land in Yuma County is owned by some government agency, so the District continues to apply for Impact Aid, which is meant to augment districts' budgets where property tax collections are affected. Yuma Union has yet to reach Impact Aid eligibility levels in terms of students directly impacted. There are two military bases, MCAS Yuma and Yuma Proving Ground, within the District. Also, there are several areas of land owned by an Indian nation. The Bureau of Land Management and the Bureau of Reclamation own land in the District and there are also tracts of State Trust lands.

The District has a high percentage of free and/or reduced lunch eligible students. Poverty is a challenge in Yuma County. The district receives far less in Tax Credit funds than other peer school districts. Attracting and retaining teachers is also a challenge. Over a third of the District's teachers are in their first three years of teaching. The lack of a complete university system in the community is still a challenge for the District in terms of attracting and retaining young professionals. Our police department and hospital experience similar issues, so we work collaboratively to recruit whenever possible. Arizona universities do not graduate the number of teacher candidates to fill the positions available in the state, especially in high schools and especially in rural and isolated areas. The District is working with NAU-Yuma, ASU and UA to develop intern and student teaching programs.

All of these challenges impact the District's ability to provide the opportunities necessary to meet the clear bottom line of every student prepared for success in college and career, but the District is always looking for strategies to maximize funding streams toward the goal. Hopefully some part of what is contained in the Performance Audit will assist the District in attaining the clear bottom line for the students in our communities.

Please find attached the District's response to each finding and recommendation.

Sincerely,

Toni Badone
Superintendent

Finding 1: District had high administrative costs and needs to strengthen accounting, computer, and building access controls

District Response: Yuma Union High School District (YUHSD) agrees that the District needs to constantly work to strengthen accounting, computer, and building access controls. The District has concerns about certain areas of administrative staffing codes. For example, the District received mixed guidance in previous years from various auditors regarding how to code student employees' personnel costs. However, the District is reviewing all elements cited in the report.

Recommendation 1: The District should review its administrative staffing levels, determine whether they can be modified to produce cost savings, and make changes accordingly.

District Response: Agree. The District will implement the recommendation to review administrative staffing levels. In January 2009, when the Arizona Legislature made mid-year cuts to districts, YUHSD cut administration and classified positions, and went through a deep analysis of cost-cutting strategies, implementing many types of strategies to save dollars. The District is still feeling the erosion of the mid-year cuts in 2009 and 2010. The District cut expensive positions but instituted a policy of hiring students in some entry-level positions, aligned wherever possible with the students' long-range career goals. Since then, the Auditor General's office has directed the District to code student employees as "administrative" costs, if they are working in school or district administrative offices, or as receptionists. Our understanding previously was that student employees should be coded as instructional. Since the best predictor of success in the workplace is success in an actual workplace, it made sense to hire the least expensive employees possible, and to sow the seeds for students to consider working for the District in the future. While the report found administrative staffing, which includes secretaries, administrative assistants and personnel devoted to tracking financials to be higher than peer districts, the actual number of district and campus administrators is very low. To address the recommendation, the District has implemented a staffing model for the use of student employees for 2017-2018, and is reviewing total administrative expenses, particularly administrative assistants, within personnel allocations.

Recommendation 2: The District should ensure that all credit card purchases are reviewed and approved for appropriateness. Additionally, the District should revise its policy to require approval by an employee able to ensure the purchase is necessary and for district purposes.

District Response: Disagree. To address the recommendation, the District will review the past year's purchases for opportunities to tighten controls, but will not immediately implement controls that require additional business office personnel. The District disagrees with the recommendation because the District already has a practice in the District Business Office to electronically approve credit card charges. The Business Office Facilitator is responsible for electronically reviewing charges before any charges are paid. The Facilitator has the authority to stop any charges with Bank of America, and to terminate any cards that have charges on them that are not allowable or questionable. The Facilitator's termination of a card would potentially lead to disciplinary action with the employee. The District works to prioritize and implement best practices within the parameters of the District's limited resources. The District implemented credit cards carefully and with controls after the recession of 2008 and mid-year cuts in January 2009 and 2010. The cost of labor and materials was analyzed to be \$97 per purchase order

before the implementation of p-cards. If the purchase order system were still used for all purchases, purchasing would have cost the District hundreds of thousands of additional dollars in administrative expenses. With the p-card system, there is a rebate generated, the result of which was \$79,397.88 for calendar year 2016. P-cards were implemented with appropriate limits, depending on the authority of the user. Additionally, Bank of America is very vigilant as well. With technology that tracks patterns of purchases, Bank of America has denied purchases if anything is odd about the purchase or the vendor, or the location from which the purchase is made, based on the District's patterns of practice. The District continuously works to train and retrain every employee regarding USFR rules. The District requires every cardholder to sign a cardholder agreement. The District has the right through the agreement to deduct from an employee's payroll if there is a transgression of the rules on purchasing.

Recommendation 3: The District should implement stronger password requirements related to password length and expiration.

District Response: Agree. The District is in the process of implementing stronger password controls. The protocol is anticipated to be implemented Summer 2017. The Technology Consortium has always recommended to our users that passwords include a combination of upper and lower-case letters, numbers and symbols, and eight characters or more. The Consortium has also recommended users change their passwords periodically.

Recommendation 4: The District should review employees' access in its computerized accounting system and limit access to only those accounting system functions needed to perform their work.

District Response: Agree. To address the recommendation, adjustments are being made to all system users to make sure their access is appropriate to their job responsibilities. The District is in the process of making adjustments.

Recommendation 5: The District should review and eliminate unnecessary accounts with administrator-level access to its network.

District Response: Agree. In order to address the recommendation, the District is reviewing the list of the administrative accounts to determine if different controls can and should be made regarding accounts, and work to implement the new controls. The District constantly strives to implement best practices regarding account controls.

Recommendation 6: The District should adequately protect its servers to reduce the risk of accidental damage.

District Response: The District agrees that every district should adequately protect its servers, but the District disagrees that the District's servers are not adequately protected at this time. The Technology Consortium Department has outgrown the current location, currently located in a building owned by the partner district. Yuma Union High School District's voters approved a bond in November of 2015. Through the bond, a new district office building is in design and will be constructed between June of 2017 and Fall of 2018. The new building design includes a secure environment for the Consortium's servers. In the meantime, the servers are stored in a space that is secure, given the space and

building available. While it is not ideal, the arrangement is the most secure possible within the resources the Consortium currently has since the need for server space has grown tremendously. There are no windows and limited access in the current location. There is an office that is only accessible through the server room. The office houses the systems team members, who service the servers. Again, the design of the new building will satisfy the security needs as described by the report. In the meantime, the Technology Director is considering what, if any, steps can be taken to further limit access during the remaining months in the current location.

Recommendation 7: The District should ensure that its change management process includes an independent review and approval before implementing changes into the production environment.

District Response: Agree. As the District works to prioritize the recommendations, this recommendation will be addressed, within the parameters of financial and personnel resources. The District's IT Department has a process of regular meetings and collaborative research that occurs before any change is made to the District's accounting system.

Recommendation 8: The District should complete its IT contingency plan and test it periodically to identify and remedy any deficiencies.

District Response: Agree. The District's IT Department continues to implement best practices in technology controls. The District's IT Department continues to work on its IT contingency plan.

Recommendation 9: The District should implement controls over its process for distributing and tracking building keys, including maintaining a complete and up-to-date distribution log, establishing a process for determining the access level given to employees, and ensuring all employees receiving keys complete a user agreement outlining the rules and policies to follow regarding the use of district keys.

District Response: Agree. The District concurs that this recommendation is a priority, but it will need to be addressed thoughtfully and systemically. Currently, there is an Interim Director in the District's Facilities Management Office. Once the Director's position is filled, and the Office is fully staffed, the Director will be charged with analyzing the key distribution process, implementing new controls and documenting key deployment. In addition, some work in this area has already begun with the moving of district office to Yuma High School until the new building is completed. The process of building and renovating District facilities through the 2015 Bond gives the District the opportunity to audit and document key deployment.

Recommendation 10: The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

District Response: Agree. To address the issue, the District will continue to study the Chart of Accounts and conduct professional development for staff.

Finding 2: District did not sufficiently oversee transportation program

District Response: Yuma Union High School District entered into an IGA with Yuma Elementary School District One, Arizona Western College and Northern Arizona University – Yuma Branch Campus in 1991 in order to effectuate economies and collaboratively provide transportation services. The Yuma Education Consortium was formed. The Yuma Education Transportation Consortium is part of the larger Consortium but has its own Intergovernmental Agreement. Yuma Elementary School District #1 is the fiscal agent for the Transportation Consortium. The CEOs of each of the four entities meet monthly to hear department reports and discuss transportation services. In addition, the CFO of Yuma Elementary School District #1 and YUHSD meet regularly with the Transportation Director to discuss transportation services. The District has made every effort to sufficiently oversee the transportation program but will look to the Auditor General and ADE to consider how to best support and implement innovative practices such as transportation consortia, giving better guidance and encouragement to districts.

Recommendation 1: The District should work with the Consortium to ensure it understands how transportation service charges are calculated and ensure that the charges are accurate before processing payments.

District Response: Agree. In order to address the recommendation, the YUHSD CEO and CFO will meet regularly with the fiscal agent member to completely understand how charges are calculated and to rewrite the IGA and the appendices so calculations and processes are transparent and appropriate. The CEOs and CFOs of Yuma Elementary and YUHSD met May 22, 2017 to work through the background calculations of the \$1.85 rate, as well as the other concerns listed in the report. At the meeting, the CEOs and CFOs also went over the Transportation IGA to seek ways to specify how rates are calculated and how to effectively manage controls over maintenance, repairs, fuel usage and calculation of miles traveled.

Recommendation 2: The District should revise its IGA with the Consortium to outline the Consortium's specific responsibilities related to maintaining proper controls over fuel inventory and fuel card purchases, ensuring bus preventative maintenance is conducted in accordance with consortium policy and the *Minimum Standards*, and accurately calculating and reporting the number of miles driven by each of the member organizations.

District Response: Agree. In order to address the recommendation, the YUHSD CEO and CFO will meet regularly with the fiscal agent member to implement Minimum Standards for School Buses and School Bus Drivers and to develop mutual processes, describe the processes in the IGA, and implement those processes to guarantee fidelity to the IGA. The CEOs and CFOs of Yuma Elementary and YUHSD met May 22, 2017 to review the Performance Audit and Consortium IGA for transportation. At the meeting, the CEOs and CFOs also looked at the current processes of monitoring fuel transactions, mileage readings, and miles per gallon. It should be noted that with regard to fuel card purchase, YUHSD stopped having YUHSD employees use the Voyager Gas Card System in January of 2016. YUHSD employees use p-cards and the YUHSD Business Office tracks those receipts. Also, it should be noted that the fiscal agent district has recently purchased the RTA software program for monitoring and tracking mileage, service and inspections, fuel usage, repair orders and parts inventory.

Recommendation 3: The District should ensure that the Consortium is meeting its responsibilities as outlined in the IGA.

District Response: Agree. In order to address the recommendation, the YUHSD CFO will meet regularly with the fiscal agent district CFO to implement Minimum Standards for School Buses and School Bus Drivers and to develop mutual processes, and implement the processes to guarantee fidelity to the IGA. The CEOs and CFOs of Yuma Elementary and YUHSD met May 22, 2017 to review the Performance Audit and Consortium IGA for transportation. At the meeting, the CEOs and CFOs discussed this finding with the Transportation Director. Revisions to the Transportation IGA were drafted at the May 22 meeting.

Recommendation 4: The District should accurately report to ADE the number of miles driven to transport Yuma UHSD students.

District Response: Agree. YUHSD takes very seriously the tracking of student miles, and will work on a system to better track and monitor student ridership. The Transportation Director has already begun implementing additional checks to the student count system and redesigning staff training to include more instruction on proper reporting emphasizing accuracy and timeliness on the part of each employee, including bus drivers. The CEOs and CFOs of Yuma Elementary and YUHSD met May 22, 2017 to review the Performance Audit and Consortium IGA for transportation. The ADE formula for determining route miles assumes the district is operating alone. The purpose of a Consortium is to effectuate economies of scale in a large community. Yuma Elementary District One is the geographic size of Rhode Island and YUHSD is even larger geographically. The Consortium members are tackling the problem of how to take a challenging situation where buses owned by one district are used to transport students for the other district, and where, in some instances, it makes sense to send one bus for both districts' students.