

Blue Ridge Unified School District

Performance Audit

July 2017
Report 17-209



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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DEPUTY AUDITOR GENERAL

July 7, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Blue Ridge Unified School District

Mr. Michael Wright, Superintendent
Blue Ridge Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Blue Ridge Unified School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

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

Sincerely,

Debbie Davenport
Auditor General



Blue Ridge Unified School District

CONCLUSION: In fiscal year 2015, Blue Ridge Unified School District's student achievement was higher than peer districts', and the District operated efficiently overall. Blue Ridge USD's administrative cost per pupil, plant operations cost per square foot, and food service cost per meal were all lower than peer districts' averages. However, the District's transportation program's efficiency could not be measured because the District lacked sufficient records supporting the number of miles driven and riders transported on its buses, and it also did not follow its own bus preventative maintenance schedule. Additionally, the District should strengthen its purchasing, computer, and building access controls.

Higher student achievement and efficient operations overall

Student achievement higher than peer districts'—In fiscal year 2015, Blue Ridge USD's student scores were higher than peer districts' averages for math and English language arts and slightly higher for science. The District's 84 percent graduation rate was similar to the peer districts' 82 percent average and slightly higher than the State's 78 percent average.

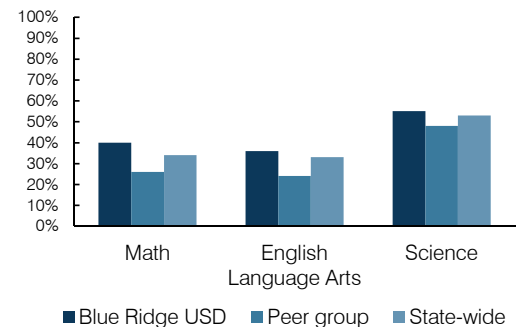
Efficient operations overall—In fiscal year 2015, Blue Ridge USD operated efficiently overall with costs that were lower than peer districts' averages. The District's administrative cost per pupil was slightly lower primarily because it spent less on purchased professional services, such as the use of consultants, accountants, and legal services. Blue Ridge USD's plant operations cost per square foot was lower because it incurred lower salary and benefits costs, and its food service program operated efficiently. However, the District's transportation program's efficiency could not be measured because it lacked sufficient records supporting the number of miles driven and riders transported on its buses.

District should strengthen purchasing, computer, and building access controls

Some purchases lacked proper approval—The District did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2015 accounts payable transactions and found that 4 transactions were for purchases made without prior approval. Requiring prior approval helps ensure that expenditures are appropriate and properly supported.

District had inadequate computer controls—The District lacked adequate controls over its computer network and accounting system. More specifically, the District did not have strong password requirements for its computer network and accounting system. Further, we reviewed the District's fiscal year 2015 user access report for 10 of the 24 employees with access to its accounting system and found that 5 employees had more access to the accounting system than they needed to perform their job duties. Additionally, one was a business office employee who had full access to the accounting system, giving this employee the ability to perform all accounting system functions without an independent review and approval. Finally, the District had an information technology contingency plan, but it was missing some key

Percentage of students who met or exceeded state standards
 Fiscal year 2015



Comparison of per pupil expenditures by operational area
 Fiscal year 2015

	Blue Ridge USD	Peer group average
Administration	\$992	\$1,075
Plant operations	974	1,203
Food service	302	428
Transportation	429	498

components such as information regarding the recovery of critical systems, testing the plan, or contact information for staff with responsibilities during system or equipment failure or interruption.

District had poor controls over building access—The District needs to strengthen controls over building keys because it did not maintain a complete and up-to-date log showing keys made and distributed to employees, and the District did not have a formal process in place to determine the access level given to employees. In addition, employees receiving keys were not required to sign a user agreement outlining the rules and policies they must follow regarding the appropriate use of district keys.

Recommendations

The District should:

- Implement proper purchasing controls.
- Implement proper controls over its computer network and accounting system.
- Strengthen controls over its process for distributing and tracking building keys.

District should improve controls over transportation program

School districts receive state transportation funding based on a formula that uses primarily the number of route miles traveled and secondarily the number of eligible students transported. For fiscal year 2015, the District's records showing the miles driven and riders transported were disorganized and appeared incomplete, and district officials could not explain how the records were summarized to report the District's miles and riders to the Arizona Department of Education. As a result, we were not able to determine whether the District accurately reported its mileage and riders and consequently were not able to determine whether the District was funded appropriately for transportation. Additionally, districts must demonstrate that their school buses receive systematic preventative maintenance, including periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. However, Blue Ridge USD did not always conduct preventative maintenance activities on its buses in a systematic and timely manner. For example, 7 of the 9 buses we reviewed did not have preventative maintenance performed in accordance with the District's 5,000-mile preventative maintenance schedule.

Recommendations

The District should:

- Accurately calculate and report the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported.
- Ensure that bus preventative maintenance is conducted in a systematic and timely manner.



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DISTRICT OVERVIEW

Blue Ridge Unified School District is a rural district located in southern Navajo County. In fiscal year 2015, the District served 1,996 students in kindergarten through 12th grade at its four schools.

In fiscal year 2015, Blue Ridge USD's student achievement was higher than peer districts', and the District operated efficiently overall, with costs that were lower than peer districts' averages.¹ Specifically, the District's per pupil administrative costs were slightly lower than the peer districts' average, its plant operations costs per square foot were lower than the peer districts' average, and its food service program was efficient. However, the District's transportation program's efficiency could not be measured because of insufficient records. Additionally, the District should strengthen its purchasing, computer, and building access controls.

Student achievement higher than peer districts'

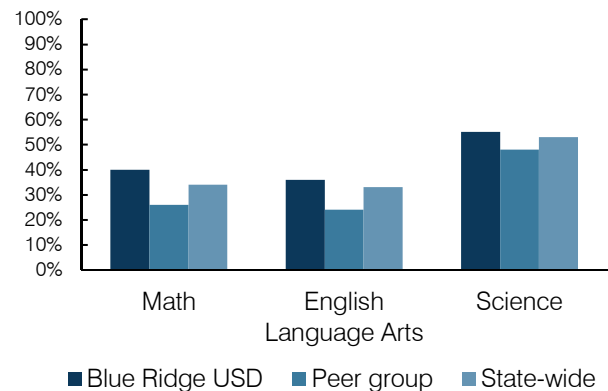
In fiscal year 2015, 40 percent of the District's students met or exceeded state standards in math, 36 percent in English language arts, and 55 percent in science. As shown in Figure 1, the District's math and English language arts scores were higher than peer districts' averages, and its science scores were slightly higher. The District's 84 percent graduation rate was similar to the peer districts' 82 percent average and slightly higher than the State's 78 percent average.

District operated efficiently overall, but can make some improvements

As shown in Table 1 on page 2, and based on auditors' review of various performance measures, in fiscal year 2015, most of Blue Ridge USD's nonclassroom operations were efficient. Specifically, the District's administrative cost per pupil, plant operations cost per square foot, and food service cost per meal were all lower than peer districts' averages. However, the District's transportation program's efficiency could not be measured because the District lacked sufficient records supporting the number of miles driven and riders transported. Additionally, the District should strengthen its purchasing, computer, and building access controls. Blue Ridge USD's total per pupil spending was much lower than the peer districts' average because it received less funding, primarily from federal sources, such as federal Impact Aid and federal grants.

Slightly lower administrative costs, but some improvements needed—Blue Ridge USD's \$992 per pupil administrative costs were 8 percent lower than the peer districts' \$1,075 average primarily because

Figure 1
Percentage of students who met or exceeded state standards
Fiscal year 2015
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2015 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

¹ Auditors developed three peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

the District spent less than peers on purchased professional services, such as the use of consultants, accountants, legal services, and other administrative support services. However, the District should strengthen its purchasing and computer controls and ensure that building keys are appropriately distributed and tracked (see Finding 1, page 3).

Lower plant operations costs—

Compared to its peer districts' averages, Blue Ridge USD's fiscal year 2015 plant operations costs were 13 percent lower per square foot and 19 percent lower per student. The District was able to spend less on plant operations primarily because it incurred lower salary and benefits costs. Specifically, the District spent 20 percent less per square foot than peer districts on plant operations salaries and benefits.

Efficient food service program—

Blue Ridge USD's \$3.17 cost per meal was 7 percent lower than the peer districts' average, and its \$302 cost per pupil was 29 percent lower. The District spent less per pupil on food service partly because it served 25 percent fewer meals per student than the peer districts averaged, but also because its food service program operated efficiently.

Transportation efficiency could not be determined due to insufficient records—The District did not have adequate supporting records for the number of miles driven or number of students transported on its buses, which prevented auditors from calculating efficiency measures such as cost per mile, cost per rider, or bus capacity usage needed to evaluate the efficiency of the transportation program. Additionally, the District did not follow its own bus preventative maintenance schedule (see Finding 2, page 5).

Table 1
Comparison of per pupil expenditures by operational area
Fiscal year 2015
 (Unaudited)

Spending	Blue Ridge USD	Peer group average	State average
Total per pupil	\$7,070	\$8,608	\$7,658
Classroom dollars	3,694	4,428	4,105
Nonclassroom dollars			
Administration	992	1,075	780
Plant operations	974	1,203	930
Food service	302	428	417
Transportation	429	498	371
Student support	437	623	613
Instruction support	242	353	442

Source: Auditor General staff analysis of fiscal year 2015 Arizona Department of Education student membership data and district-reported accounting data.



District should strengthen purchasing, computer, and building access controls

In fiscal year 2015, Blue Ridge USD lacked adequate purchasing, computer, and building access controls. Although no improper transactions were detected in the items auditors reviewed, stronger controls would help prevent possible errors, fraud, loss of data, and theft.

Some purchases lacked proper approval

The District needs to strengthen its purchasing controls to ensure that all purchases are properly approved prior to being made. Auditors reviewed 30 fiscal year 2015 accounts payable transactions and found that 4 transactions were for purchases made without prior approval. Although no inappropriate transactions were detected in the items reviewed, the District should ensure that an authorized employee approves all purchases prior to the ordering of goods or services, as required by the *Uniform System of Financial Records for Arizona School Districts*. This would help ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported.

District had inadequate computer controls

In fiscal year 2015, Blue Ridge USD lacked adequate controls over its computer network and accounting system. Improving these controls is necessary to prevent unauthorized access to critical systems, errors, and fraud and to ensure continuity of operations in the case of a system or equipment failure or interruption.

Weak password requirements—The District did not have strong password requirements for access to its computer network and accounting system. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters, numbers, and symbols if permitted in the system; and be changed periodically. However, the District did not require that network and accounting system passwords meet these requirements. Strengthening password requirements would decrease the risk of unauthorized persons gaining access to the District's computer network and accounting system.

Broad access to accounting system—Auditors reviewed the District's fiscal year 2015 user access report for 10 of the 24 employees with access to its accounting system and identified 5 employees who had more access to the accounting system than they needed to perform their job duties. One was a business office employee who had full access to the accounting system, giving this employee the ability to perform all accounting system functions without an independent review and approval. This employee also had access to administer the District's accounting system. Administrator-level access allows the user full control over system settings, including the ability to add new users and modify the level of access users have in the system. Although auditors did not detect any improper transactions in the payroll and accounts payable transactions reviewed, such broad access exposed the District to an increased risk of errors and fraud, such as processing false invoices or adding and paying nonexistent vendors or employees.

Incomplete contingency plan and lack of backup testing—The District had an information technology (IT) contingency plan, but it was missing some key components. For example, the plan did not contain important

information regarding the recovery of critical systems, testing the plan, or contact information for staff with responsibilities during system or equipment failure or interruption. A comprehensive contingency plan would help ensure continued operations in the case of a system or equipment failure or interruption. Additionally, the contingency plan should be tested periodically, and modifications should be made to correct any problems and ensure its effectiveness. Further, the District should also perform documented tests of its ability to restore electronic data files from backups, which are important to ensure continuous accessibility to sensitive and critical data.

District had poor controls over building access

The District needs to strengthen its process for distributing and tracking keys for district buildings. Specifically, the District did not maintain a complete and up-to-date log showing keys made and distributed to employees, and the District did not have a formal process in place to determine the access level given to employees. In addition, employees receiving keys were not required to sign a user agreement outlining the rules and policies they must follow regarding the appropriate use of district keys. Because of the lack of controls, the District did not know at any point in time how many district keys existed and who had them. Additionally, district officials stated that some community members also have keys to district buildings, but the District did not have records of those keys in order to retrieve them.

Recommendations

1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
2. The District should implement and enforce stronger password requirements for its computer network and accounting system.
3. The District should limit employees' access to the accounting system to only those accounting system functions needed to perform their job responsibilities, including transferring administrator-level access to someone outside of the business office.
4. The District should review its formal IT contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.
5. The District should implement controls over its process for producing, distributing, and tracking building keys, including maintaining a complete and up-to-date distribution log, establishing a process for determining the appropriate access level for key holders, and implementing a user agreement outlining the rules and policies that must be followed regarding the use of district keys.



District should improve controls over transportation program

In fiscal year 2015, Blue Ridge USD did not adequately maintain records supporting the route mileage and number of riders it reported for state funding purposes. Further, the District did not follow its own bus preventative maintenance schedule.

Student transportation mileage and riders not supported

School districts receive state transportation funding based on a formula that uses primarily the number of route miles traveled and secondarily the number of eligible students transported. For fiscal year 2015, the District's records showing the miles driven and riders transported were disorganized and appeared incomplete, and district officials could not explain how the records were summarized to report the District's miles and riders to the Arizona Department of Education (ADE). As a result, auditors were not able to determine whether the District accurately reported its mileage and riders and consequently were not able to determine whether the District was funded appropriately for transportation. Additionally, the District reported a 9 percent increase in miles and a 5 percent increase in riders from fiscal year 2014 to fiscal year 2015 even though its total student enrollment decreased 7 percent during this time. Because transportation funding is based on miles and riders reported in the prior fiscal year, the District's reported increase in miles and riders in fiscal year 2015 increased its transportation funding by approximately \$40,000 in fiscal year 2016. Therefore, it is possible that the District received an inappropriate increase in transportation funding beginning in fiscal year 2016. In the future, the District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported. Additionally, tracking accurate mileage and rider counts would also help the District calculate performance measures such as cost per mile, cost per rider, or bus capacity usage and comparing such measures to peer districts'.

Bus preventative maintenance not performed according to District's schedule

According to the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*, districts must demonstrate that their school buses receive systematic preventative maintenance, including periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. Following the *Minimum Standards* helps to ensure the safety and welfare of students and can help extend the buses' useful lives. However, Blue Ridge USD did not always conduct preventative maintenance activities in a systematic and timely manner. Auditors reviewed fiscal years 2012 through 2016 maintenance files for 9 of the District's 31 buses and found that 7 of the 9 buses reviewed did not have preventative maintenance performed in accordance with the District's 5,000-mile preventative maintenance schedule. The buses exceeded the required preventative maintenance schedule by amounts ranging from about 200 miles to over 10,000 miles. Additionally, auditors reviewed calendar year 2015 Department of Public Safety (DPS) inspection reports for the same 9 buses and found that 5 buses failed inspection with at least one significant violation that required the buses be pulled from service until repaired. Auditors also reviewed calendar year 2016 DPS inspection reports for the same 5 buses with significant violations in 2015 and found that 2 again failed inspection with at least one significant violation that required the buses be pulled from service until repaired.

Recommendations

1. The District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported.
2. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its schedule and the State's *Minimum Standards*.



Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Blue Ridge Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on classroom dollars, as previously reported in the Office of the Auditor General's annual report, *Arizona School District Spending*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2015, was considered.² Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2015 summary accounting data for all districts and Blue Ridge USD's fiscal year 2015 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Blue Ridge USD's student achievement peer group includes Blue Ridge USD and the 16 other unified school districts that also served student populations with poverty rates between 28 and 36 percent in towns and rural areas. Auditors compared Blue Ridge USD's graduation rate and its percentage of students who met state standards to those of its peer group averages.³ Generally, auditors considered Blue Ridge USD's percentages to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in the percentage of students who met state standards between Blue Ridge USD and its peers, as well as differences between their graduation rates.

To analyze Blue Ridge USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Blue Ridge USD and 21 other unified and union high school districts that also served between 600 and 1,999 students and were located in towns and rural areas. To analyze Blue Ridge USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group includes Blue Ridge USD and 14 other school districts that also traveled between 260 and 379 miles per rider and were located in towns and rural areas. Auditors compared Blue Ridge USD's costs to its peer group averages. Generally, auditors considered Blue Ridge USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent

² Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with the acquisition of 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.

³ The percentage of students who met state standards is based on the number of students who scored proficient or highly proficient on the Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) math and English language arts tests and those who met or exceeded state standards on the Arizona's Instrument to Measure Standards (AIMS) science test. Test results were aggregated across grade levels and courses, as applicable.

of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Blue Ridge USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student and meal participation rates, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2015 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 350 individuals who received payments in fiscal year 2015 through the District's payroll system and reviewed supporting documentation for 30 of the 4,358 fiscal year 2015 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that they considered significant to the audit objectives and reviewed fiscal year 2015 spending and prior years' spending trends across operational areas.
- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, and bus maintenance and safety records for 9 of the District's 31 buses. Auditors also reviewed calendar years 2015 and 2016 Department of Public Safety bus inspection reports for the same 9 buses.
- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2015 administration costs and compared them to peer districts'.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2015 plant operations and maintenance costs and use of district building space, and compared these costs and use of space to peer districts'. Auditors also reviewed the District's controls over district keys and building access.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2015 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2015 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

The Auditor General and her staff express their appreciation to the Blue Ridge Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



June 29, 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,

Blue Ridge Unified School District has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2015. While the report provided welcome recommendations to enhance and improve district procedures, it also provided validation of the District's efforts in providing a quality education to its students, support for its staff, and reflecting its commitment to fiscal responsibility as effective stewards of taxpayer funds.

The information shared has provided Blue Ridge an opportunity to make improvements toward continued efficiency, compliance and transparency. The District will comply with all recommendations wherever feasible within the limitations of resources, as noted in the District's response. Blue Ridge Unified School District's mission is to prepare every student for success in career and college readiness. The District will maintain a tight focus on aligning and maximizing District resources in pursuit of our mission.

Blue Ridge Unified School District would like to thank your audit team for the insight, professionalism, and courtesy throughout the process. Our staff would like to express our appreciation for the chance to engage in meaningful collaboration with the Auditor General's Office. Please do not hesitate to contact us with any questions or comments regarding our response.

Sincerely,

Michael L. Wright
Superintendent of Schools

Finding 1: District should strengthen purchasing, computer, and building access controls

District Response: The District concurs with this finding and has taken steps to correct these findings.

Recommendation 1: The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.

District Response: District management will ensure that all purchases are independently reviewed and approved before purchases are made. The District will also remind all staff members of the process and procedures of purchasing before a purchase order is created.

Recommendation 2: The District should implement and enforce stronger password requirements for its computer network and accounting system.

District Response: The District concurs with the recommendation and has changed the criteria used for creating computer access passwords. These requirements meet common guidelines for stronger passwords.

Recommendation 3: The District should limit employees' access to the accounting system to only those accounting system functions needed to perform their job responsibilities, including transferring administrator-level access to someone outside of the business office.

District Response: The District concurs with the recommendation and will define access levels as defined by job positions and appropriate security access will be implemented. The IT Administrator will be trained on managing access controls for the accounting system by the software vendor.

Recommendation 4: The District should review its formal IT contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.

District Response: The District concurs with this recommendation and will review the district's current contingency plan to ensure it currently and thoroughly meets the needs of the District. The District will also create a way to test the plan for effectiveness.

Recommendation 5: The District should implement controls over its process for producing, distributing, and tracking building keys, including maintaining a complete and up-to-date distribution log, establishing a process for determining the appropriate access level for key holders, and implementing a user agreement outlining the rules and policies that must be followed regarding the use of district keys.

District Response: The voters of the district approved a \$15 million bond in November 2016 which will allow the District to implement controls over its process for producing, distributing and tracking building keys, including maintaining a complete and up-to-date distribution log, establishing a process of determining the appropriate access level for key holders, and implanting a user agreement outlining the rules and policies that must be followed regarding the use of District keys.

Finding 2: District should improve controls over transportation program

District Response: The District concurs with this finding and has already implemented new procedures to ensure compliance with this recommendation.

Recommendation 1: The District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported.

District Response: District management will ensure that the transportation staff will accurately calculate and report to ADE the actual miles driven and eligible students transported for state funding purposes and will ensure it maintains documentation to support the numbers reported. The District will also ensure that staff is trained to follow the state guidelines regarding this process.

Recommendation 2: The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its schedule and the State's *Minimum Standards*.

District Response: The district has implemented a bus preventative maintenance schedule in a systematic and timely manner in accordance with its schedule as determined by the Transportation Supervisor. In order for the district to maintain compliance with the State's Minimum Standards, the transportation staff has implemented a new procedure where each bus deficiency is addressed and repaired immediately.

