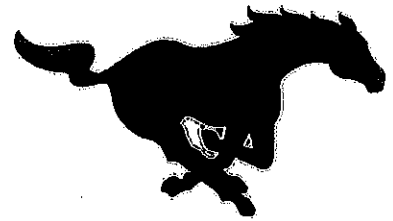


Hackberry Elementary School District #3

Cedar Hills School
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Mr. John Ward
Office of the Auditor General 2910 N. 44th Street, Suite 410 Phoenix, AZ 85018

Dear Mr. Ward,

Hackberry Elementary School District #3 has received and reviewed the Performance Audit report conducted for Fiscal Year 2018. The report provided welcome recommendations to enhance and improve district procedures.

The information shared has provided Hackberry Elementary #3 an opportunity to make improvements toward efficiency, accountability, and fiscal responsibility. The District will comply with all recommendations wherever feasible within the limitation of resources, as noted in the District's response.

The District will maintain a tight focus on aligning and maximizing District resources in pursuit of our mission. We look forward to continuing to improve our stewardship of the public's resources for the good of our community and students.

Hackberry Elementary School District #3 would like to thank your audit team for the insight, professionalism, and courtesy throughout the audit process, along with the opportunity to engage in meaningful collaboration.

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

Respectfully Submitted,

Rob Varner
Acting Superintendent
Hackberry Elementary School District #3

Finding 1: Hackberry ESD spent twice as much on administration as peer districts and could redirect an estimated \$104,600 annually to instruction or other District priorities by reducing administrative staffing and paying hourly employees only for hours worked

District Response: The District agrees with the finding.
See below

Recommendation 1: The District should operate more efficiently in administration and redirect savings to instruction or other District priorities.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.
Recommendation 1

Even though the District concurs with this analysis, The AG may not be aware of the growth in the Hackberry area. Our ADM has gone from 29 students in FY 20 to 53 in SY 21 and there are several housing developments that are going from the planning stage to the building stage. It seems we are adding to our numbers weekly. It is in the best interest of the District at this time to keep a business manager separate from the Superintendent/Principal position, but will continue to evaluate as district grows.

Recommendation 2: The District should review its administrative staffing levels and implement reductions.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.
Recommendation 2

Even though the District concurs with this analysis, The AG may not be aware of the growth in the Hackberry area. Our ADM has gone from 29 students in FY 20 to 53 in SY 21 and there are several housing developments that are going from the planning stage to the building stage. It seems we are adding to our numbers weekly. It is in the best interest of the District at this time to keep a business manager separate from the Superintendent/Principal position

Recommendation 3: The District should ensure that supervisors review all timecards, ensure that those timecards do not include employees' lunch breaks as paid time, and pay employees only for hours worked.

District Response: The District agrees with the recommendation and will implement the recommendation.
Recommendation 3

The District agrees with this and have taken steps to reconcile this by a two-step process. The business manager will review all timecards and the administrator will check the timecards prior to approving the hours.

Recommendation 4: The District should ensure employee agreement terms are documented and include any additional employee pay above original contracted pay, either within the contract or in an addendum.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 4

The District agrees with this recommendation and have reviewed all contracts with legal counsel. Any additional pay above the contracted agreement must go before the Governing Board and be Board approved.

Finding 2: Hackberry ESD has continually operated its 1 school substantially below its designed capacity, resulting in an estimated \$1.3 million of inefficient spending

District Response: The District agrees with the finding.

See below

Recommendation 5: The District should determine and implement ways to reduce its excess capacity and/or the costs associated with it by doing such things as identifying opportunities and implementing plans to attract any home-schooled students living within its boundaries and to retain any students living within its boundaries who are choosing to attend other school districts. Additionally, the District should identify and close any unused or underutilized space.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 5

The District has already seen significant growth this year as stated in Recommendation 1 and anticipates that the addition of students will continue. As we are not as yet to capacity on our building, the District believes it will be to capacity within a few years

Finding 3: District produced more meals than it served and had higher food service labor hours than similarly sized peer districts, costing it an estimated \$31,500 annually in monies that could have been used for instruction or other District priorities

District Response:
The District Agrees with the finding.

See Below

Recommendation 6: The District should ensure that the food service director stops overproducing meals that the District does not serve by basing meal production on the number of lunch orders that are reported each morning.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Recommendation 6

With a change of food service director to one with school district experience, we have already seen our reimbursements increase just in the first quarter. The tracking mechanism is based on best practices by USDA and the ADE. There is very little waste from our food service program this year and we are anticipating many times the reimbursements as previous years. Our production of food has been spot-on this year so far.

Recommendation 7: The District should reduce food service spending by reducing the number of labor hours it contracts to operate its food service program.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Recommendation 7

We have only one salary employee working in the kitchen. Since this employee comes to us as a former Food Manager for another school district, his salary is higher than previously. However, he understands the reimbursable process and what is required to keep food costs down. I anticipate either a positive account or close to cost neutral.

Finding 4: District operated its transportation program at a higher cost in fiscal year 2018 than peer districts and did not perform timely bus preventative maintenance

District Response:
The District agrees with the finding.
See below

Recommendation 8: The District should evaluate whether it is more cost effective and feasible to purchase an appropriately sized bus of its own, lease a more appropriately sized bus, or pay parents to transport their children to and from school, and make changes accordingly, as pandemic conditions allow.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Recommendation 8

The District is in agreement with the AG and we are doing a feasibility study on transportation right now. With CoVid 19, we appreciate the larger size bus so we can spread the children out. We are also reviewing our lease agreement with Kingman Unified and working with Mohave Consortium for the best direction of a new lease or purchase of a bus.

Recommendation 9: If the District continues using a bus to transport its students, it should track bus mileage and perform preventative maintenance according to its lease agreement or other policies the District may adopt if it purchases its own bus.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Recommendation 9

The District is in agreement with the AG. We are in agreement with the AG. As the District leasing the bus from Kingman Unified, we are doing our own accounting on mileage and making better efforts to make sure maintenance is carried forward

Finding 5: District put sensitive student information and public monies at risk because it did not comply with important requirements and standards to protect its monies and sensitive information

District Response:
The District agrees with the finding.
See below

Recommendation 10: The District should follow required purchasing procedures by ensuring that employees make purchases only after obtaining proper approval and pay vendors only after verifying that all purchases have been received and billings are accurate.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 10

The District agrees with the AG on this recommendation and have put into place a process for working with vendors and a procedure for purchase orders and purchase requests from the staff. We've also presented to staff "after the fact" policy that will keep practices from occurring.

Recommendation 11: The District should ensure that all monies collected are deposited by requiring that the same individual responsible for preparing cash deposits is not also responsible for reconciling cash deposited to cash collected.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 11

The District agrees with the AG and has already reconciled this concern by using a two-step process. Others will deposit monies and the business manager will do all reconciliations to be signed off by the administrator.

Recommendation 12: The District should discontinue the use of debit cards as a payment method.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 12

The District has already cancelled the debit card and has received credit cards. No debit cards will be used in any future business of the District.

Recommendation 13: The District should review the Uniform Chart of Accounts for school districts and implement its guidance to accurately classify all expenditures when reporting its spending.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 13

This has already been implemented and the use of USFR chart has been received and will be followed. The business manager will be receiving ongoing training from ASBO and its partners in the future to mitigate this issue.

Recommendation 14: The District should review credible industry standards, including those from the National Institute of Standards and Technology (NIST), at least annually, and ensure student information system password requirements meet the standards.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 14

This issue has been mitigated by District's partnership with NAU ETC who oversees the District technology and systems. All passwords now meet this expectation.

Recommendation 15: The District should work with its vendor to immediately remove all terminated user accounts currently in its SIS and implement additional procedures, such as termination checklists that include attestation that terminated employees' SIS access have been removed, to ensure that it reduces the future risk of unauthorized access to sensitive student information.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 15

The District has removed all former employees from its SIS system and only current employees are able to use the system. Other access by outside entities also have been purged from the system.

Recommendation 16: The District should work with its vendor to substantially reduce the number of users with administrator-level access in its SIS.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 16

Again, the District has taken all the necessary steps to reconcile this issue.

Recommendation 17: The District should limit accounting system users' access to only those functions needed to perform their job duties and work with the County to determine which vendor accounts, as well as any County accounts, are necessary. Further, the District should remove any unnecessary accounts, disable any necessary accounts when not in use, and substantially reduce the number of users with administrator-level access in its accounting system.

District Response: The District agrees with the recommendation and will implement the recommendation.

Recommendation 17

The District concurs with the AG and has taken the necessary steps to eliminate unnecessary users to the current accounting system.