

DATELAND

ELEMENTARY

HYDER SCHOOL DISTRICT #16
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MARTHA YARDLEY-JONES, SUPERINTENDENT
JOHN P. KOURY, BUSINESS SERVICES

November 9, 2022

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St, Ste. 410
Phoenix, AZ. 85018

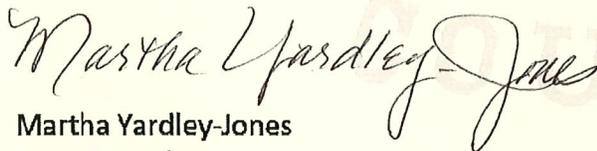
Dear Lindsey:

Please accept our district response to the performance audit that you have recently completed. I would like to thank you for your assistance in providing direction for our district. Your staff was very cordial and has provided us with valuable information. Due to COVID issues this audit was prolonged, but it did give us time to implement changes and work with your staff on improvements.

Our district is extremely isolated with no community services, facilities, or programs. The school is the center of the community which makes it difficult to provide separation from school and community activities. We are grateful for your suggestions and are working to provide required procedural changes to insure full compliance while serving our community.

We look forward to working with your staff in the future and thank you for your assistance.

Sincerely,



Martha Yardley-Jones
Superintendent

"Excellence Is Not a Goal It's a Standard"

Finding 1: District has not complied with important purchasing requirements, resulting in unauthorized purchases and waste; put other public monies at an increased risk of fraud, waste, or abuse; and misreported spending

Recommendation 1: The District should establish written policies and procedures that provide effective internal controls over credit cards, expenditure processing, cash handling, and bank accounts. Specifically, to comply with USFR requirements, these written policies and procedures should require the District to:

Recommendation 1a: Train staff members and require card user agreements acknowledging receipt and understanding of the District's policies and procedures for card use.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 1b: Review and reconcile all itemized receipts to card statements to ensure purchases are appropriately supported and for a District purpose, and if it identifies unauthorized purchases, it can take appropriate and timely action.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented

Recommendation 1c: After determining that the card purchases are accurate and appropriate, pay its card balances in full each cycle to avoid unnecessary penalties and fees.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Turn around time for these payments make payments difficult.

Recommendation 1d: Restrict access to cards, cash, and unused checks by changing the safe combination, restricting the combination to only those needing access, and logging all staff members accessing the safe.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program implemented

Recommendation 1e: Require secondary advanced approval before any purchase is made, including credit card purchases.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 1f: Require secondary approval for all vendor additions to the financial system.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 1g: Separate responsibilities for expenditure processing, including disallowing staff members to sign approval for other staff members.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 1h: Deposit all cash at least weekly, or daily when significant.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Distance to banks causes problems.

Recommendation 1i: Reconcile issued cash receipts to cash deposits and recorded revenues to confirm all cash was deposited and to identify improperly recorded receipts.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 1j: Review and reconcile bank accounts, at least monthly, comparing bank statements, canceled checks, and validated deposit slips to district records, such as itemized receipts, invoices, and check requests, to resolve any discrepancies and identify unauthorized disbursements.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 2: The District should provide routine training on USFR requirements and District policies and procedures to staff members responsible for credit cards, expenditure processing, cash handling, and overseeing District bank accounts.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Outside consultant has been hired for additional review.

Recommendation 3: The District should ensure employees responsible for classifying expenditures review the Uniform Chart of Accounts for school districts for changes at least annually, and implement its guidance to accurately account for and report the District's spending throughout the year.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Outside consultant has been hired for additional review.

Finding 2: District operated nonprofit 4-H club and bank account without legal authority to provide agricultural program for 20 years and commingled District and 4-H club monies in bank account, exposing public monies to increased risk of fraud, waste, or abuse

Recommendation 4: The District should discontinue operating the nonprofit club and related financial activities.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 5: The District should ensure District public monies are deposited into authorized bank accounts.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 6: The District should analyze all club account expenditures to ensure all District public monies improperly spent on unauthorized activities and nonprofit purposes, not related to District programs, are reimbursed to the District.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 3: District did not comply with important payroll requirements, putting public monies at an increased risk of errors and inappropriate payments being made

Recommendation 7: The District should develop and implement formal, written payroll policies and procedures in accordance with the USFR; including proper separation of responsibilities throughout the payroll and leave-tracking processes; appropriate review, approval, and documentation of time sheets and personnel action forms; and appropriate tracking of employee leave accrual, usage, and balances.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Leave tracking is coordinated with Yuma County Office.

Recommendation 8: The District should train District staff responsible for handling payroll on the District's payroll policies and procedures and monitor that they follow them to help ensure they are meeting USFR and District requirements.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Outside consultant has been hired for additional review.

Finding 4: Almost all school buses failed 2020 and 2021 inspections, and District did not comply with school bus driver annual and random drug testing requirements, risking student safety and increasing the District's liability; and District was unable to support miles and riders claimed for State funding

Recommendation 9: The District should train and require its school bus drivers to conduct pretrip operations checks daily to accurately assess school bus safety before transporting students in accordance with DPS Minimum Standards.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Documentation has been improved....A box of support documents could not be found for audit.

Recommendation 10: The District should review its pretrip operations checklist and revise it as necessary to include all items required to be inspected per DPS Minimum Standards.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented.

Recommendation 11: The District should develop and implement procedures to ensure that all school bus drivers receive and pass annual drug tests, that it randomly drug tests the required number of school bus drivers, and that it documents and maintains all testing results in accordance with DPS Minimum Standards and State/federal requirements.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Testing documentation is now kept in a secure location.

Recommendation 12: The District should require any individuals involved in or responsible for tracking school bus driver certifications to annually review DPS Minimum Standards as well as State/federal requirements.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Documentation is now kept in a secure location.

Recommendation 13: The District should annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and accurately calculate and report to ADE the number of route miles traveled and riders transported for State funding purposes.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Program has been implemented. Documentation is now kept in a secure location.

Finding 5: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of errors, fraud, and data loss

Recommendation 14: The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: All sensitive data kept off site at ETC Consortium. No school employee has ever input data into accounting system. All input is done at Yuma County Office. District employees now have read only access.

Recommendation 15: The District should develop and implement a process to assign new employees appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review employees' accounting system access to help ensure employees have only the access necessary to accomplish their job duties.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 16: The District should review industry password standards at least annually and implement and enforce strong network password requirements, such as length, characteristics, and prohibitions against reuse, to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 17: The District should require all employees to participate in a security awareness training if they have not done so in the past year.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Trainings currently done annually. Trainings began in August, 2021.

Recommendation 18: The District should establish and implement a District policy to conduct security awareness training at least annually, and require that employees attend.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Trainings currently done annually. Trainings began in August, 2021.

Recommendation 19: The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 6: District could not demonstrate that it charged a reasonable fee to offset its costs for facility use and undercharged 2 employees for housing, likely resulting in lost revenue

Recommendation 20: The District should develop a Governing Board-approved use fee schedule that charges a reasonable fee in accordance with State statute.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 21: The District should implement procedures to review that the approved use fee is charged when applicable and employees are charged according to Governing Board-approved housing rental rates.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 22: The District should train District employees on State requirements and District policies and procedures for facility rentals.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 23: The District should recoup the \$670 in housing rental payments due to it and review fiscal years 2021 and 2022 housing rental payments to ensure it accurately billed employees and rectify any errors.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Mistake has been corrected. Arrangements have been made for the district employees to reimburse the district.