

**REPORT  
 HIGHLIGHTS**  
 PERFORMANCE AUDIT

**Our Conclusion**

Beaver Creek Elementary School District compares favorably to its peer districts in operational efficiencies, but not as well in student achievement, with AIMS test scores that were below both peer district and state averages. The District operates very efficiently with its administrative, plant operations, food service, and student transportation costs all lower than peer districts'. The District maintained these low costs primarily by having lower staffing levels and performing nearly all plant and bus repairs and maintenance in-house. However, the District needs to address inadequate controls over its payroll processing and accounting system to help decrease the risk of errors, fraud, and misuse of sensitive information.

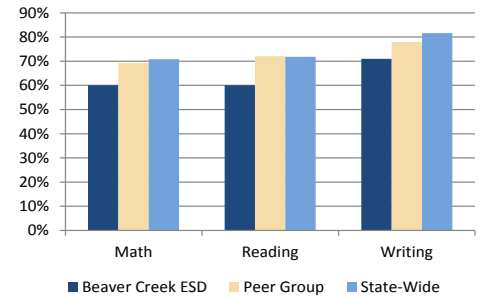


2010

**Student achievement lower than peer and state averages**

In fiscal year 2009, 60 percent of the District's students met or exceeded state standards (AIMS) in math, 60 percent in reading, and 71 percent in writing. Although the District's one school met "Adequate Yearly Progress" for the federal No Child Left Behind Act, the District's AIMS scores were lower than both the peer districts' and state averages for each area.

**Percentage of Students who Met or Exceeded State Standards (AIMS)  
 Fiscal Year 2009**



**District operates efficiently with much lower costs**

In fiscal year 2009, the District operated efficiently with lower administrative, plant operations, food service, and student transportation costs than peer districts'. The District maintained low costs primarily by having lower staffing levels with employees serving multiple functions. The District also kept costs low by performing nearly all plant and bus repairs and maintenance in-house. The District spent \$1,246 less per student than peer districts because it received less money from state funding, federal programs, and voter-approved budget overrides.

**Administrative costs lower than peer districts**—In fiscal year 2009, the District's \$872 per pupil administrative costs were 27 percent lower than the \$1,199 per pupil average for peer districts because it employed fewer administrative staff. The superintendent managed nearly all administrative activities, including being the school principal and performing many business activities. Most peer districts reported having an additional business office position and two peer districts reported having full-time principals.

**Low plant operations costs**—Plant operation costs were 18 percent lower per square foot and 20 percent lower per student because of lower costs for repairs, water, and communications. Costs were lower because:

- Maintenance staff made a conscious effort to perform all maintenance and repairs in-house, resulting in lower contracted costs.
- The District used well water instead of a public utility for its water needs.
- The District obtained low-cost Internet access and data communications through a wireless broadband provider.

**Expenditures by Function  
 Fiscal Year 2009**

Per Pupil	Beaver Creek ESD	Peer Group Average
Administration	\$872	\$1,199
Plant operations	858	1,077
Food service	506	559
Transportation	389	474

**Efficient food service program**—The District's \$2.33 cost per meal was 14 percent lower than the peer average, primarily because of lower staffing levels. The lower staffing levels equated to each food service worker preparing an average of 23,100 meals compared to peer districts averaging 20,800 meals. The program's revenues covered all of its direct costs and also about \$12,000 of indirect costs, such as electricity, garbage disposal, and telephone.

**Efficient student transportation program**—The District's transportation costs both per mile and per rider were slightly lower than the peer districts' average, and its buses operated at 75 percent of capacity. Employees made efforts to perform all bus maintenance and repairs in-house, and in fiscal year 2009, the District incurred no outside repair and maintenance costs. Because of its efficiency, the program's costs were about \$40,000 less than the state transportation funding it received.

## Inadequate accounting and IT controls

**Payroll process lacked adequate review**—Beaver Creek's payroll processing is performed by an employee of a neighboring school district. This function includes entering new employees in the system, updating employee information, entering time sheets, and processing payroll. Although a Beaver Creek employee reviewed payroll summaries after payroll data was entered, the review was not detailed enough to identify possible unauthorized changes to pay rates or data input errors.

**Accounting system controls need improvement**—Controls help ensure that transactions are authorized, accurate, and proper. As such, controls help minimize the risk of errors and fraud.

The District has not established adequate controls to protect its accounting system. Two district employees had complete access to the entire accounting system. Although there were no

improper transactions in the sample auditors reviewed, access beyond that which is necessary to perform job functions exposes the District to increased risk of errors and fraud.

**Insufficient password controls**—The District also had poor password controls. Employees were not required to create their own, confidential passwords and to change them periodically. Further, one employee who needed system access to perform job duties did not have log-in credentials and used another employee's log-in and password to perform work. Also, the log-in credentials of four terminated employees were not removed.

**Recommendation**—The District should:

- Implement a detailed review of information entered into the payroll system.
- Limit accounting system access to employee-assigned functions.
- Improve password procedures.

## Stronger performance pay goals needed

Classroom Site Fund monies authorized by Proposition 301 provide for teacher pay increases, performance pay, and certain menu options. The District's criteria for earning performance pay was not specific and did not describe the required improvement in performance. Teachers could earn performance pay if their students showed some improvement, but the criteria did not specify how much improvement. Consequently, any student improvement would qualify the teacher for performance pay.

**Recommendation**—The District should ensure its performance pay plan has specific goals that promote improved performance.