



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Beaver Creek Elementary School District

November • 2010
Report No. 10-16



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

November 30, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Beaver Creek Elementary School District

Ms. Karin Ward, Superintendent
Beaver Creek Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Beaver Creek Elementary 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.

This report will be released to the public on December 1, 2010.

Sincerely,

Debbie Davenport
Auditor General

**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.

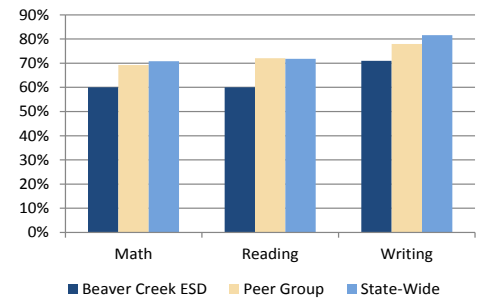


2010

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.

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Objectives, Scope, and Methodology

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District Response

Table:

- 1 Comparison of Per-Pupil Expenditures by Function
Fiscal Year 2009
(Unaudited)

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Figure:

- 1 Percentage of Students who Met or Exceeded State Standards (AIMS)
Fiscal Year 2009
(Unaudited)

1

concluded ♦

DISTRICT OVERVIEW

Beaver Creek Elementary School District is a small, rural district located in Yavapai County, 50 miles east of Prescott. In fiscal year 2009, the District operated one elementary school serving 344 students in kindergarten through 8th grade.

The District compares favorably to its peer group in operational efficiencies, but not as well in student achievement, with AIMS scores that were below both peer district and state averages.¹ Beaver Creek ESD's administrative, plant operations, food service, and student transportation costs were all lower 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 funding through the state funding formula, federal grants, and voter-approved overrides than peer districts.

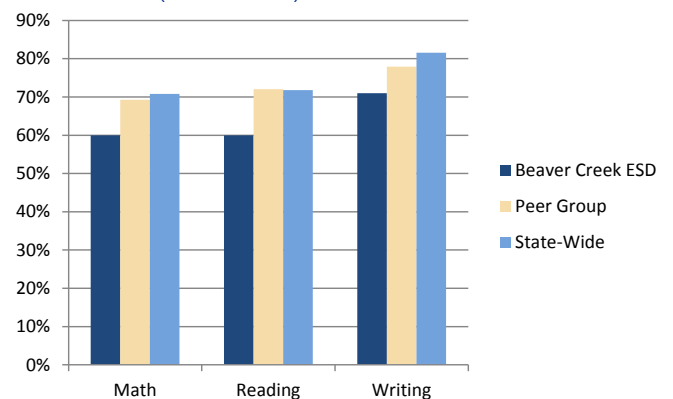
Student achievement lower than peer districts'

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, as shown in figure 1, were lower than both the peer districts' and state averages for each area.

District operates efficiently with lower costs than peer districts'

As shown in Table 1 on page 2, for fiscal year 2009, Beaver Creek ESD operated efficiently with lower per-pupil costs in all nonclassroom areas than its peer districts' averages. However, despite its efficient operations, the District still spent less per pupil in the classroom because it

Figure 1: Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2009 test results on the Arizona Instrument to Measure Success (AIMS).

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

had fewer resources available. The District received less funding through the state funding formula, federal grants, and voter-approved overrides than peer districts.

Low administrative costs—The District’s administrative costs per pupil were significantly lower than peer districts averaged—\$872 compared to \$1,199. The lower costs were primarily due to lower staffing levels in its school and business administration office. Specifically, the District employed one less business support position than its peer districts averaged, and its superintendent also served as the school principal (see Finding 1, page 3). However, the audit identified some administrative practices that need strengthening (see Finding 2, page 7).

Low plant operation costs—The District’s plant costs per pupil and per square foot were significantly lower than peer districts primarily because it spent less for repairs and maintenance, water, and communications. For example, district staff performed nearly all plant repair and maintenance work in-house, outsourcing less than \$2,500 in such services in fiscal year 2009 while peer districts averaged about \$13,000 in such services.

Table 1: Comparison of Per-Pupil Expenditures by Function
Fiscal Year 2009
(Unaudited)

Spending	Beaver Creek ESD	Peer Group Average	State Average
Total per pupil	\$7,902	\$9,148	\$7,908
Classroom dollars	4,717	5,073	4,497
Nonclassroom dollars			
Administration	872	1,199	729
Plant operations	858	1,077	920
Food service	506	559	382
Transportation	389	474	343
Student support	371	525	594
Instructional support	189	240	431
Other	0	1	12

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education student membership data and district-reported accounting data.

Efficient food service program—The District operated an efficient food service program with a cost per meal that was 14 percent lower than peer districts averaged, primarily because of lower staffing levels. Beaver Creek ESD’s food service workers, on average, prepared about 11 percent more meals per full-time employee. Because of its efficient food service operations, the District was able to earn sufficient revenues to cover more than just its program’s food and labor costs. The District also paid for other costs associated with its food service program, such as electricity, waste disposal, and telephone.

Efficient transportation program—The District’s student transportation program operated efficiently with slightly lower costs per mile and per rider than the peer districts averaged. The District’s routes were efficient, filling buses to 75 percent of capacity. Further, as a result of its efforts to perform all bus maintenance and repairs in-house, the District incurred no costs for contracted transportation maintenance or repair services in fiscal year 2009. Peer districts averaged about \$16,000 in purchased bus repair and maintenance costs during that same year.

FINDING 1

District operates efficiently with lower costs than peer districts'

In fiscal year 2009, Beaver Creek ESD operated efficiently with costs that were lower than peer districts'. The District attained these lower costs through several means including lower staffing levels and performing nearly all plant and bus repairs and maintenance in-house. Other districts may be able to use some of these practices to similarly reduce their noninstructional costs.

Low administrative costs

The District's fiscal year 2009 administrative costs per pupil were 27 percent lower than peer districts' averaged primarily because it employed fewer administrative staff. Specifically, Beaver Creek ESD spent \$872 per pupil on administrative costs compared to the peer districts' average of \$1,199 per pupil. The District's superintendent managed nearly all facets of administration, including being the school principal and performing many business services activities, while most peer districts reported having an additional business office position, and two peer districts reported having a full-time principal to manage school operations. However, according to the superintendent, she often felt she did not have enough time to work with students as the school principal. Therefore, in fiscal year 2010, the District promoted an employee to oversee business operations, which according to the superintendent helped to reduce some of her responsibilities. The cost of this change in staffing was minimal since the District did not fill the vacated position.

Low plant operation costs

In fiscal year 2009, the District's plant operation costs were 18 percent lower per square foot and 20 percent lower per student than the peer district average. The District attained these lower costs primarily because it spent less for contracted repair and maintenance services, water, and communications.

Lower plant maintenance costs—District staff asserted that they make a conscious effort to perform all repair and maintenance in-house rather than contracting with outside vendors.

In fiscal year 2009, the District spent less than \$2,500 on contracted repairs and maintenance while peer districts averaged about \$13,000.

Lower water and sewer costs—The District did not have any water and sewer costs in fiscal year 2009 because it used well water instead of a public utility for its water needs. Peer districts averaged about \$15,000 for water and sewer costs in fiscal year 2009.

Lower communication costs—The District's communication costs, which include telephone, Internet access, and data communication lines, were about 74 percent lower per pupil than peer districts' primarily because it incurred much lower costs for Internet access and data communication. In fiscal year 2009, the only provider of data communication and Internet access in the area was a wireless broadband provider, and although district officials indicated the data transfer could be unreliable at times, the \$200 per month cost was much lower than peer districts with wired communication lines. For example, five peer districts with higher communication costs reported paying about \$370 to \$2,000 per month for data communication and Internet access.

Efficient food service program

The District's fiscal year 2009 cost per meal of \$2.33 was 14 percent lower than the peer district average of \$2.72 per meal. Further, the program's revenues were sufficient to cover all of its operating costs and also about \$12,000 of indirect costs, such as electricity, garbage disposal, and telephone. The District's lower cost per meal is primarily due to lower staffing levels in its food service program. This lower staffing equated to each food service worker's preparing an average of 23,100 meals, while food service workers at peer districts averaged about 20,800 meals.

Efficient transportation program

The District's fiscal year 2009 student transportation costs both per mile and per rider were slightly lower than the peer districts' average. The District was able to keep costs low by maintaining efficient routes and limiting costs for bus repair and maintenance. These efficiencies also resulted in the District's receiving less state funding for student transportation than its peer districts because the transportation funding formula is primarily based on miles traveled. However, because of its efficient program, the District was able to operate its transportation program at a cost that was about \$40,000 less than it received in state transportation funding.

Efficient routes—The District's routes were efficient, with buses operating at 75 percent of capacity, and it made efforts to limit the number of miles traveled. For example, when transporting its high school students to a neighboring district, Beaver Creek ESD established routes that picked up the high school students on the way to the high school and picked up

elementary students on the return trip.¹ The District's routes were also developed to pick up students on primary roads and at central locations in an effort to limit miles traveled and the number of stops.

Bus repair and maintenance performed by staff—District employees also make efforts to perform all bus maintenance and repairs in-house, reducing costs for repair and maintenance services. When more complex repairs are needed, the buses typically have to be taken to Phoenix or Flagstaff, significantly increasing costs. Although, on average, the District's buses had about 50 percent more miles on them than the peer districts' buses, Beaver Creek ESD employees were able to perform all repair and maintenance in fiscal year 2009, and the District incurred no outside repair and maintenance costs. All other districts in its peer group reported at least some outside repair and maintenance costs and averaged about \$16,000 in such costs. Further, even though the District is located in a rural area, its routes and related bus stops were developed to avoid dirt roads, which likely reduces repair and maintenance costs.

Employees “wear many hats”

Much of the District's cost savings are related to lower spending on salaries and benefits likely because district employees serve multiple functions, or “wear many hats.” For example, the transportation and maintenance director oversees both the transportation program and plant operations, performs much of the repair and maintenance needed on school buses and district facilities, and was also a substitute bus driver. The superintendent also served as school principal and oversaw school curriculum, teacher training, the special needs program, and the District's business office.

¹ Beaver Creek is an elementary district not within a high school district and therefore transports its high-school-aged students to neighboring districts.

FINDING 2

Inadequate controls increased risk of errors, fraud, and misuse of sensitive information

In fiscal year 2009, Beaver Creek ESD was exposed to increased risk of errors, fraud, and misuse of sensitive information because it did not maintain adequate controls over its payroll processing and accounting system. Although no improper transactions were detected in the sample auditors reviewed, these poor controls exposed the District to increased risk.

Payroll process lacked adequate review

The District had an increased risk of errors and fraud—such as data input errors or unauthorized changes to employee pay rates—because it did not sufficiently separate the payroll and personnel functions or adequately review the completed payroll. The District has an Intergovernmental Agreement with a neighboring school district to have one of that district's employees perform payroll processing for Beaver Creek ESD. This individual was responsible for entering new employees, updating employee information in the payroll system, entering time sheets, and processing payroll. Although a Beaver Creek ESD employee reviewed payroll summaries after payroll data was entered, this review did not include sufficient detail to identify unauthorized changes to pay rates or data input errors. More thorough review procedures would help ensure the accuracy and integrity of payroll data.

Accounting system controls need improvement

The District has not established adequate policies and procedures to protect the integrity of its accounting system. Specifically, users have more access than is required for their job duties, password controls were inadequate, a system user did not have log-in credentials and used those of another employee, and the District has not established a written agreement with the Yavapai County School Superintendent's Office, which hosts the District's accounting system.

Broad access to accounting system increased risk of errors, fraud, and misuse of sensitive information—Two employees had full access to all accounting

system modules, including the ability to add new vendors, create and approve purchase orders, pay vendors, and modify employee information and pay rates. Although no improper transactions were detected in the sample auditors reviewed, access beyond what is required for job duties exposes the District to increased risk of errors, fraud, and misuse, such as processing false invoices or adding nonexistent vendors or employees. Further, the log-in credentials of four employees who had left the District within the past year were not removed.

Insufficient password controls—The District had poor password controls over its accounting system. First, the system administrator develops and assigns user names and passwords, but users are not required to change their passwords to a confidential one. Second, the District does not require that passwords be changed periodically or meet any minimum complexity requirements. Passwords should be user-defined based upon specific composition requirements, known only to the user, and regularly changed. These practices would decrease the risk of unauthorized persons knowing a user's password to gain access to the system.

Use of other employee's system log-in credentials—One employee who required system access to perform job duties did not have log-in credentials and used the log-in and password of a different employee to perform his work. In order to uniquely identify the person recording transactions and making changes within the accounting system, each user should be supplied confidential log-in credentials.

No written agreement for hosting accounting system—The Yavapai County School Superintendent's Office began hosting the accounting software for the District in fiscal year 2010. However, the District does not have a written agreement that stipulates each party's responsibilities. An agreement should specify responsibilities such as software licensing; establishing and maintaining user access; ensuring the security of data; data backup, storing, and recovery; and removal of terminated employees' access.

Recommendations

1. The District should implement a more detailed review of the information entered into the payroll system to help ensure that unauthorized changes to pay rates or data input errors are identified.
2. The District should limit employees' access to only those accounting system functions needed to perform their work and should develop and implement a system of formal written policies to ensure that terminated employees have their network access promptly removed.
3. The District should improve accounting system password controls by ensuring all users have log-in credentials, establishing a process for users to change assigned passwords to a confidential one that meets minimum complexity requirements, and requiring users to change their passwords periodically.
4. The District should establish a written agreement with the Yavapai County School Superintendent's Office that outlines each party's responsibilities for its accounting system.

OTHER FINDINGS

In addition to the two main findings presented in this report, auditors identified the following less significant area of concern that requires district action.

Stronger performance pay criteria needed

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund monies, may be spent only in specific proportions for three main purposes: teacher base pay increase, teacher performance pay, and certain menu options. The District's criteria for earning the performance-based pay were not specific and should require stronger evidence of improved performance. In fiscal year 2009, the District's performance pay plan awarded additional pay to teachers if their students showed growth on benchmarking assessments. However, the plan did not specify how much growth had to be demonstrated, and therefore any improvement was reason to provide performance pay. District officials stated that they are working on improving performance pay criteria to incorporate specific student performance growth requirements for fiscal year 2011.

Recommendation

The District should review and modify its performance pay plan to ensure that it contains specific goals and that the goals promote improved performance.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Beaver Creek Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operation and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2009, were considered.¹ 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 2009 summary accounting data for all districts and the Beaver Creek ESD's fiscal year 2009 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 analyze Beaver Creek ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Beaver Creek ESD and the other nine elementary school districts that served between 200 and 599 students and were located in town/rural areas.² To compare districts' academic indicators, auditors developed a separate student achievement peer group using the same size and location categories as in the operational peer group, but with the additional consideration of each district's poverty rate because poverty rate has been shown to be strongly related to student achievement. Beaver Creek ESD's student achievement peer group includes Beaver Creek ESD and the 10 other elementary and unified school districts that also served between 200 and 599 students, were located in town/rural areas, and had poverty rates below the state average of 19 percent. Additionally:

- 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

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

² Excludes two districts that received high levels of additional funding and skewed the peer-spending averages.

interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2009 administration costs and compared these to peer districts'.

- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2009 plant operation and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2009 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus capacity usage. Auditors also reviewed fiscal year 2009 transportation costs and compared them to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2009 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and reviewed transactions for proper account classification and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

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 Beaver Creek Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE

BEAVER CREEK SCHOOL DISTRICT #26
4810 E. BEAVER CREEK RD.
RIMROCK, AZ 86335
(928) 567-4631
FAX (928) 567-5347



November 23, 2010

Debra Davenport
Auditor General
2910 N 44th St, Suite 410
Phoenix, Arizona 85018

Re: Response to Beaver Creek Elementary District #26 Performance Audit

Dear Ms. Davenport,

Beaver Creek Elementary School District respectfully submits its response to the Performance Audit of fiscal year 2008-2009.

Attached is the response to the District Overview, the findings and recommendations. Included in the response is the District's plan to implement the recommendations.

We would like to thank your staff for their professionalism and assistance throughout the audit.

Please contact me if you have any questions.

Sincerely,

Karin Ward
Superintendent/Principal

Enclosure

School Board Members
Jo Burke, Karen DuFresne, Gareld Hardy, Miguel Hernandez, Sheila Van Dyke,

District Overview Response:

Beaver Creek School District appreciates the opportunity to respond to the District Overview page, specifically less funding for the school and lower academic achievement.

Concerning less funding to the school district: The Governing Board has taken the stance of providing a fiscally responsible budget to the taxpayers; therefore, overrides have never been an option as in many of the comparison peer districts. Grant funding is lower due to the lower census poverty rate for the unincorporated community. The district continues to advocate for a change in the funding formula for entitlement grants. The District understands not being able to quantify the free and reduced lunch rate of schools. Yet at Beaver Creek the rate has jumped from 67% to 93% in two year's time; whereas, our census poverty rate remains relatively the same.

Concerning academic achievement: The School District began using the State approved AIMSweb assessment (much like DIBLES) for measuring kindergarten readiness in 2005-2006. Beginning in that year, an average of 96% of entering kindergartners knew NO letters. For the 2008-2009 year that equated to 42 out of 44 of the students knowing no letters. As the District tracked this data, it became apparent in the community that the lack of pre-school opportunities put 96% of the students far below peers in other communities. Beaver Creek communities had no daycare, no Head Start, no preschool, and no preschool library programs.

Through community efforts, a preschool began for a small group of children in 2008-2009. Then through stimulus funds in 2009-2010, preschool opportunities were expanded in Beaver Creek School to include two pre-school classes and one Head Start class. This year's kindergarten entrance data celebrates the payoff with a 52% growth rate in recognizing letters. This year only 21 of the 48 students did not know their letters.

The historical kindergarten readiness data showed the Governing Board that not only must they continue to fund preschool opportunities but also continue to fund full-day kindergarten at the local level.

Based on annual review of the District AIMS data, it is evident by the 7th and 8th grade that students have caught up with their peers. Through data-driven school improvement efforts the staff has identified and implemented research-based reading strategies for the school population having a Walk to Read Period for students to receive leveled reading instruction, hired an instructional coach to work with teaching staff on indentified areas of instruction, began progress monitoring of lower quartile students by setting and measuring rates of improvement, and this year adding HEART (Homework, Enrichment, Accelerated Reader, and Tutoring), an additional 30 minutes onto the school day for formative assessment reteaching and enrichment opportunities for those on or

above grade-level. These strategic interventions provided by the staff will continue to pay off for the students in Beaver Creek Elementary School District.

Lastly, concerning the academic levels of students, the District will request from the Student Accountability Information System, the opportunity to review data of students entering into a school district after the first 10 days. In 2008-2009, 93 students entered into Beaver Creek School after the 10th day. This mobility not only affects the office in registration and records request procedures, it affects each classroom. Each child comes with unique talents and academic knowledge of which staff needs to assess to provide the best educational path for the student. It takes time to get to know each student and best serve his or her needs. It would be enlightening to see a state formula that would calculate this mobility so that districts can evaluate the impact on student achievement.

Finding 1: District operates efficiently with lower costs than peer districts’.

Response:

The District makes every effort to be fiscally responsible with taxpayer dollars and appreciates the recognition of lower administrative costs, low plant operation costs, efficient food service program, efficient transportation program and acknowledges that many employees do indeed “wear many hats”.

Finding 2: Inadequate controls increase risk of errors, fraud, and misuse of sensitive information.

Recommendations:

- 2.1 The District should implement a more detailed review of the information entered into the payroll system to help ensure that unauthorized changes to pay rates or data input errors are identified.
- 2.2 The District should limit employees’ access to only those accounting system functions need to perform their work and should develop and implement a system of formal written policies to ensure that terminated employees have their network access promptly removed.
- 2.3 The district should improve accounting system password controls by ensuring that all users have log-in credentials, establishing a process for users to change assigned passwords to a confidential one that meets minimum complexity requirements, and requiring users to change their passwords periodically.

- 2.4 The District should establish a written agreement with the Yavapai County School Superintendent's Office that outlines each party's responsibilities for its accounting system.

Response:

- 2.1 The District concurs with this finding and has established a review procedure to ensure rates are not changed and data is entered correctly. The Business Manager now reviews pay rates periodically and compares the payroll journal against the timesheets each time payroll is prepared.
- 2.2 The District concurs with this finding and will include in the IT policies written guidance for level of access of accounting personnel to the software. District has already amended the Personnel Action Form to include a termination section that requests IT to remove employees' network access.
- 2.3 The District concurs with the finding and will work with the County to establish a procedure for changing passwords.
- 2.4 The District concurs with this finding and will work with the County to establish a written policy.

Other Finding: 'Stronger performance pay criteria needed'.

Response:

The District concurs with this finding. In 2009-2010 the District calculated rates of improvement for each class based on benchmark assessments. In Fiscal Year 2011 the rates of improvement will be set as part of performance pay requirements.

