



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Casa Grande Elementary School District

December • 2011
Report No. 11-12



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 8, 2011

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Casa Grande Elementary School District

Dr. Frank Davidson, Superintendent
Casa Grande Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Casa Grande 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 9, 2011.

Sincerely,

Debbie Davenport
Auditor General

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

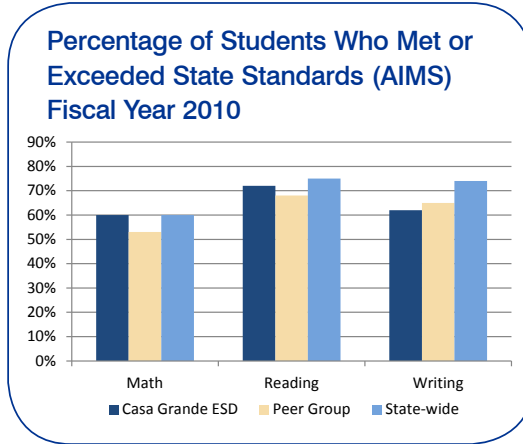
In fiscal year 2010, Casa Grande Elementary School District's student achievement was slightly higher than peer districts', and it operated efficiently overall with most costs lower than peer districts'. The District significantly reduced its energy costs through equipment upgrades and improved oversight, and its plant operations costs were slightly lower than peer districts'. However, the District may be able to further reduce its plant costs by also reviewing its higher plant staffing levels. The District has also implemented many effective techniques and practices to help its food service program remain efficient and self-supporting. However, the District needs to improve controls over its computer network and systems.



2011

Slightly higher student achievement and efficient operations

Student achievement slightly higher than peer districts'—In fiscal year 2010, Casa Grande ESD's student AIMS scores were lower in writing than peer districts' but higher in math and reading. Further, 11 of the District's 12 schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act.



District operated efficiently overall—Casa Grande ESD operated its nonclassroom programs efficiently overall.

Its administration, plant operations, and food service costs were lower than peers', and its transportation costs were higher per pupil but lower per mile due to the District's large geographic size.

Despite operating efficiently, Casa Grande ESD spent \$484 less per pupil in the classroom and \$877 less per pupil overall than peer districts because it received less funding. The District received less federal monies as a result of its lower poverty level and received less additional funding through voter-approved budget overrides to increase its budget.

Expenditures by Function Fiscal Year 2010

Per Pupil	Casa Grande ESD	Peer Group Average
Administration	\$685	\$872
Plant operations	825	873
Food service	389	501
Transportation	448	260

District greatly improved energy efficiency, but plant staffing levels should be reviewed

District significantly reduced energy costs through equipment upgrades and improved oversight—In fiscal year 2009, Casa Grande ESD began making significant efforts to conserve energy. In fiscal year 2008, its energy costs were 28 percent higher per square foot than peer districts'. The District's buildings were generally heated or cooled regardless of occupancy, and the District had not established cost-effective energy policies. The District had little incentive to reduce costs because it received additional funding for utility costs in excess of a base year amount. However, statutes were changed and the additional funding was

eliminated in fiscal year 2010. Since fiscal year 2008, the District has reduced its electricity costs by 22 percent per square foot by regulating room temperatures, upgrading air conditioners and lighting, monitoring energy usage, and educating staff on energy conservation.

District employed more plant personnel—Although the District has been successful at substantially reducing its energy cost, it may be able to do more to control other aspects of plant operations costs. The District's salary costs in plant operations were higher than peer districts' primarily because of higher

staffing levels. The District employed an additional plant director and more plant operations employees than peer districts.

Recommendation

The District should review its plant staffing levels to determine if it can achieve additional savings.

District oversight helps control food service costs

In fiscal year 2010, Casa Grande ESD's food service program operated efficiently and was self-sufficient. Its \$2.31 cost per meal was similar to the peer districts' \$2.32 average and lower than the \$2.41 state average. In order to control costs and maintain a self-sufficient program, the District has implemented many effective techniques and practices. For example:

- **Monitoring performance measures**—The District calculates and monitors performance measures such as cost per meal and meals per labor hour.

- **Effective purchasing practices**—The District participates in a cooperative purchasing group to help purchase food at lower costs.
- **Monitoring meal demand to limit waste**—The District monitors the number of meals produced and served and uses this information to determine the appropriate amount of food items to order and meals to prepare the next time specific meals are served.
- **Fully using commodities**—The District maximizes its cost savings by planning its menus around available United States Department of Agriculture food commodities.

Lack of computer controls to adequately protect sensitive information

Casa Grande ESD lacked adequate controls over its computer network and systems. Two district employees had complete access to the entire accounting system. Although no improper transactions were detected in the sample auditors reviewed, access beyond that which is necessary to perform job functions exposed the District to increased risk of errors and fraud. In addition, the District did not have procedures in place to ensure that only current employees had access to student information. We found that 55 user accounts were linked to employees who no longer worked for the District and 9 of the 55 accounts were still active. Further, one-third of the District's servers and nearly 10 percent of its computers were using outdated and unsupported operating system software.

Recommendations—The District should:

- Ensure that no one employee can initiate and complete a transaction without independent review.
- Implement a formal process to eliminate terminated employees' network access.
- Ensure that servers and computers use currently supported operating system software.

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District Response

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Fiscal Year 2010
(Unaudited) 2

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1 Percentage of Students Who Met or Exceeded State Standards (AIMS)
Fiscal Year 2010
(Unaudited) 1

concluded ♦

DISTRICT OVERVIEW

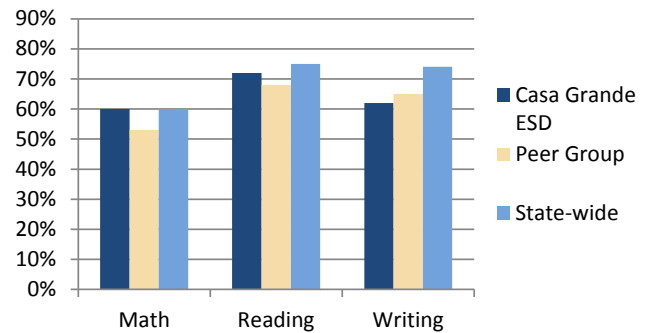
Casa Grande Elementary School District is located in a rapidly growing area of Pinal County. In fiscal year 2010, the District served 7,412 students in preschool through 8th grade at its 12 schools. The District grew considerably between fiscal years 2005 and 2009, when student enrollment increased 32 percent and the District opened 3 new schools.

Relative to its peers, Casa Grande ESD compared favorably in most student achievement indicators and in its operational efficiency in noninstructional areas.¹ In fiscal year 2010, the District's student AIMS scores were higher than peers' in math and reading but slightly lower in writing, and the District generally operated its administration, plant operations, food service, and transportation programs efficiently. Particularly in two areas—reducing energy usage and controlling food service costs—the District has implemented efforts that may be useful to other school districts.

Student achievement slightly higher than peer districts'

In fiscal year 2010, 60 percent of the District's students met or exceeded state standards in math, 72 percent in reading, and 62 percent in writing. As shown in Figure 1, these scores were higher in math and reading than peer districts' and similar to state averages, while its writing score was lower than both its peer districts' and the state averages. Eleven of the District's 12 schools met "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act, a slightly higher percentage of schools meeting AYP than the comparable districts, on average. One Casa Grande ESD school failed to meet AYP because some students did not demonstrate sufficient academic progress.

Figure 1: Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2010 test results on the Arizona Instrument to Measure Success (AIMS).

District operated efficiently overall with most costs lower than peer districts'

As shown in Table 1 and based on auditors' review of various performance measures, for fiscal year 2010, Casa Grande ESD operated its nonclassroom programs efficiently overall. Its administration,

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.

plant operations, and food service costs were lower, and its transportation program costs were mixed. Despite operating efficiently, the District spent less in the classroom than its peers because it received less funding. Casa Grande ESD had less money available primarily because it received less federal monies as a result of its lower poverty level and received less additional funding through voter-approved budget overrides to increase its budget.

Significantly lower administrative costs—Casa Grande ESD’s administrative costs per pupil were 21 percent lower than peer districts’ primarily because it had lower staffing levels. Specifically, Casa Grande ESD did not employ an assistant superintendent, while 11 of its 15 peer districts employed 1 or more assistant superintendents. Additionally, Casa Grande ESD had lower director-level staffing in areas such as human resources, information technology, and purchasing than its peer districts. However, the District needs to improve controls over its computer network and systems to adequately protect sensitive information (see Finding 3, page 9).

Slightly lower plant costs—Casa Grande ESD’s plant costs were 5 percent lower per pupil and 4 percent lower per square foot than peer districts’. Since fiscal year 2009, the District has implemented energy conservation measures to bring its previously very high energy costs in-line with peer districts. However, the District may have room to further reduce its plant costs by also reviewing its currently high plant staffing levels (see Finding 1, page 3).

Efficient food service program—The District’s food service program operated efficiently with a similar cost per meal as peer districts. The District controlled costs by closely monitoring the program and fully using federal commodities. As a result, the District’s food service program was self-sufficient (see Finding 2, page 7).

Transportation costs mixed due to geographic size—Although Casa Grande ESD’s transportation cost per pupil was 72 percent higher than the peer districts’, its cost per mile was 43 percent lower. The cost difference was primarily due to the District’s large geographic size, which resulted in transporting riders 77 percent more miles, on average, than peer districts’. Casa Grande ESD’s routes were reasonably efficient, filling buses to 73 percent of seat capacity, on average. However, the District did not ensure that its drivers met all state certification requirements, and it should review controls over its fuel inventory (see Other Findings, page 11).

Table 1: Comparison of Per-Pupil Expenditures by Function Fiscal Year 2010 (Unaudited)

Spending	Casa Grande ESD	Peer Group Average	State Average
Total per pupil	\$6,906	\$7,783	\$7,609
Classroom dollars	3,673	4,157	4,253
Nonclassroom dollars			
Administration	685	872	721
Plant operations	825	873	914
Food service	389	501	366
Transportation	448	260	342
Student support	452	582	581
Instructional support	434	538	432

Source: Auditor General staff analysis of fiscal year 2010 Arizona Department of Education student membership data and district-reported accounting data.

FINDING 1

District greatly improved energy efficiency but staffing levels should also be reviewed

Casa Grande ESD has made significant reductions in plant operations costs by cutting energy-related expenses in recent years. In fiscal year 2008, the District spent 28 percent more per square foot for energy than its peer districts. However, by implementing an energy conservation program, including the greater use of technology, equipment upgrades, and better oversight, the District was able to reduce its energy costs by 22 percent between fiscal years 2008 and 2010. As a result, in fiscal year 2010, Casa Grande ESD spent \$322,000 less on energy than in fiscal year 2008, and its energy costs in fiscal year 2010 were similar to peer districts'. Although the District has been successful at substantially reducing its energy costs, auditors found that its plant operations salary costs were high primarily because of higher staffing levels.

District significantly reduced energy costs through equipment upgrades and improved oversight

In fiscal year 2009, Casa Grande ESD began making significant efforts to conserve energy. In fiscal year 2008, its energy costs were 28 percent higher per square foot than peer districts'. According to district officials, buildings were generally heated or cooled regardless of occupancy, including during the summer break. Further, the District had not established cost-effective energy policies such as those governing temperature settings or controls over thermostats.

Prior to fiscal year 2010, Arizona school districts had little incentive to conserve energy because Arizona Revised Statutes §15-910 allowed districts to increase their budgets for utility costs that were in excess of an adjusted base year amount. In fiscal years 2008 and 2009, Casa Grande ESD received additional funding of \$856,000 and \$1,023,000, respectively, through this excess utilities provision. However, in fiscal year 2010, the excess utilities provision was eliminated.

In fiscal year 2009, the District contracted for an energy audit and used this information to develop an energy conservation plan. Through implementing the plan, the District reduced its electricity costs by 22 percent per square foot between fiscal years 2008 and 2010, and in fiscal year 2010, its energy costs per square foot were similar to peer districts'. The District implemented several energy conservation efforts, including equipment upgrades and improved oversight.

Equipment upgrades, primarily using monies from a capital bond, included:

- **Energy management system to regulate room temperatures**—The District installed an energy management system (EMS) that regulates room temperatures, and established settings to reduce heating and cooling when rooms are not occupied, such as nights, weekends, and summer months. Additionally, the District's EMS alerts district staff to problems that occur with the heating and cooling systems, allowing them to identify problems quickly before they become more costly.
- **Air conditioner upgrades**—The District replaced 119 motors that allowed its air-conditioning systems to operate more efficiently. Further, the District made major retrofits to its older schools' air conditioning. For example, at Casa Grande Middle School, the District replaced classroom air conditioners with newer, more energy-efficient units.
- **Upgraded lighting**—The District has upgraded its lighting systems to more energy-efficient units. In fiscal year 2009, the District received \$82,280 when it took advantage of an Arizona Public Service (APS) rebate that is available to nonresidential APS customers who apply for the rebate upon completing energy-saving projects. The rebate reimbursed approximately half of the lighting upgrade costs.

Improved oversight of energy usage included:

- **Monitoring energy usage**—The District's plant staff collects, reviews, and monitors energy usage data at both individual school and district levels. According to district officials, among other benefits, the energy data helped the District evaluate the effectiveness of various energy conservation efforts. For example, the District began heating and cooling building space only when they are occupied and modified the schedule of its comprehensive summer cleanings to minimize energy usage.
- **Educating staff on energy conservation**—The District has taken efforts to educate staff on energy conservation efforts, such as turning off lights when not in use and shutting down computers and printers when employees leave for the day. Further, district staff are not allowed to have space heaters, toaster ovens, or coffee makers in classrooms. Additionally, the plant director provides principals with energy trend usage reports for their schools along with reminders and tips on how to conserve more energy.

District employed more plant personnel

Although the District has made significant reductions in its energy costs, it may be able to do more to control other aspects of plant operations costs. The District's salary costs in plant operations were higher than peer districts' in fiscal year 2010 primarily because of higher staffing levels. The District employed an additional plant director and more plant operations employees than peer districts.

More plant directors—The District employed two full-time plant directors, while peer districts employed one or less. According to district officials, an additional director was added in fiscal year 2006 to oversee new school construction because the District was adding schools as a result of its fast growth between fiscal years 2005 and 2009. However, district growth has slowed since fiscal year 2009, and the District has not added a school since that time. Further, the District’s schools operated at a reasonable, but not nearly full, 84 percent of their capacity during fiscal year 2010, indicating the unlikelihood of any new school construction in the near future. With no new construction, the District’s two plant directors oversee daily plant maintenance and operations and the District’s energy conservation program. However, as discussed earlier, the District’s planned energy conservation efforts have been implemented, and the District should review whether it still needs two plant directors.

Higher plant staffing levels—In fiscal year 2010, the District employed 73 full-time equivalent custodial, maintenance, and grounds employees. This staffing equated to 1 full-time plant employee per 12,840 square feet, while the ten peer districts that primarily performed these functions in-house employed 1 full-time plant employee per 15,750 square feet. Additionally, Casa Grande ESD’s custodial staffing levels were higher than industry standards. Each of Casa Grande ESD’s custodians maintained 16,400 square feet, on average, which is below the national average of approximately 32,100 square feet per custodial position.¹ Had Casa Grande ESD staffed its plant operations at a similar level to its peer districts, it would have employed fewer full-time equivalent positions.

Recommendation

The District should review its plant operations staffing levels to determine if savings can be achieved.

¹ “38th Annual Maintenance & Operations Cost Study-SCHOOLS.” The American School and University, April 2009. [<http://asumag.com/Maintenance/school-district-maintenance-operations-cost-study-200904/>]

FINDING 2

District oversight helps control food service costs

In fiscal year 2010, Casa Grande ESD's food service program operated efficiently and was self-sufficient. The District's \$2.31 cost per meal was similar to the peer districts' \$2.32 average and lower than the \$2.41 state average. In order to control costs and maintain a self-sufficient food service program, Casa Grande ESD has implemented many effective techniques and practices. For example:

- **Monitoring performance measures**—The District calculates several performance measures to help monitor program efficiency. For example, the District calculates a monthly meals-per-labor-hour using number of meals served and employee work hours. The District compares the calculation to an industry standard of 18 meals per labor hour to evaluate staffing levels and make changes as necessary. In fiscal year 2010, the District's calculations showed that it met or exceeded the standard each month. The District also calculates other measures such as cost per meal and compares program income and expenses to ensure self-sufficiency.
- **Effective purchasing practices**—The District participates in a cooperative purchasing group to help purchase food at lower costs. Additionally, to help limit waste and ensure appropriate inventory levels, district officials review weekly inventory reports from each of the schools to determine what food was used and what needs to be purchased.
- **Monitoring meal demand to limit waste**—Casa Grande ESD's schools each prepares daily production records that identify the number of meals planned and served for breakfast and lunch. The District uses these daily production records to determine the appropriate amount of food items to order and meals to prepare the next time specific meals are served. This helps to limit food and production costs by making only what is needed and limiting waste. The District also incorporates student preferences into meal planning by conducting meal preference surveys three times each year.
- **Fully using commodities**—The District also controls costs by using United States Department of Agriculture (USDA) food commodities. Districts participating in the National School Lunch Program can obtain USDA food commodities by paying only a small shipping charge. Districts receive allocations of USDA commodities based on student meal participation in the prior year and may also obtain additional available commodities. Casa Grande ESD maximizes its cost savings by planning its menus around available USDA commodities. By doing so, the District was able to use its allotted share of commodities, as well as additional available commodities.

FINDING 3

District lacked sufficient computer controls to adequately protect sensitive information

Casa Grande ESD lacked adequate controls over its computer network and systems. Although no improper transactions were detected in the samples auditors reviewed, these poor controls exposed the District to an increased risk of errors and fraud.

Increased risk of unauthorized access to critical systems

Weak controls over user access to the District's accounting and student information systems increased the risk of unauthorized access to these critical systems.

Broad access to accounting system increased risk of errors, fraud, and misuse of sensitive information—Two district employees had the ability to perform all accounting system functions. Full access in the accounting system provides one employee the ability to add new vendors, create and approve purchase orders, and pay vendors. It also provides the ability to add new employees, set employee pay rates, and process payroll payments. Although no improper transactions were detected in the sample auditors reviewed, access beyond what is required for job duties exposed the District to increased risk of errors and fraud, such as processing false invoices or authorizing payments for a nonexistent employee.

Inadequate procedures for removing access to student information system—

The District did not have sufficient procedures in place to ensure that only current employees had access to the student information system. Auditors found 55 user accounts in the District's student information system that were linked to terminated employees. Although the District had procedures to disable employee accounts upon termination and delete them during annual account reviews, 9 of the 55 accounts were not disabled. Accounts linked to terminated employees increases the District's risk of unauthorized use of sensitive student information.

Outdated and unsupported software increased vulnerability

Auditors noted that some of Casa Grande ESD's computers were running on outdated operating systems. Review of district documentation and discussion with district officials revealed that approximately one-third of the District's servers and nearly 10 percent of its computers were using outdated and unsupported operating system software. The use of outdated and unsupported operating systems could compromise the computer network and its sensitive information. Outdated and unsupported software applications are at higher risk of computer-related attacks because software manufacturers no longer provide fixes for vulnerabilities discovered in the software. Additionally, for computers that were using currently supported operating systems, the District did not have a process to ensure that critical software updates were properly installed on these computers. Failure to install critical updates can result in an increased risk of security vulnerabilities.

Recommendations

1. The District should review employee access to the accounting system and modify access to ensure that any one employee cannot initiate and complete a transaction without independent review.
2. The District should develop and implement a formal process to ensure terminated employees are promptly removed from its IT network.
3. The District should ensure that its servers and computers are using currently supported operating system software and develop and implement a process to ensure critical updates are installed on its computers.

OTHER FINDINGS

In addition to the three main findings presented in this report, auditors identified two other, less significant areas of concern that require district action. These additional findings and their related recommendations are as follows:

1. Driver certification requirements were not met

The Arizona Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)* requires that drivers be properly certified and receive periodic physical examinations, drug tests, refresher training, and CPR and first aid certification. However, review of district records identified lapses in driver requirements for seven of ten bus drivers auditors sampled. Specifically, auditors noted that five drivers had 4-month lapses in physical performance testing, and two drivers had a 2- to 3-month lapse in annual drug screening.

Although the District maintains a log to track driver requirements, the District did not adequately ensure that drivers met requirements. To comply with the *Minimum Standards* and to help ensure a safe transportation program, the District should ensure that drivers meet all required standards.

Recommendation

The District should regularly monitor its driver requirement log to ensure that its drivers meet the Arizona Department of Public Safety's *Minimum Standards*.

2. Inadequate controls over fuel inventory increased risk of theft

The District did not implement proper controls over its fuel inventory. The District maintained a 20,000-gallon diesel fuel tank for its buses. Access to the fuel pumps was not restricted during the day, and although the gate to access the pumps was locked after hours, the fuel pumps were not turned off, and many district employees had keys to the gate. Further, although employees completed fuel logs showing the date, employee name, vehicle identification number, odometer readings, and the amount of fuel, the logs were not reconciled with the amount of fuel used each month. Although auditors did not identify any indications of improper fuel usage, this lack of controls over fuel pump access and logs places the District at greater risk for unauthorized fuel usage.

Recommendation

The District should evaluate its controls over fuel inventory, restrict access to fuel pumps, and ensure proper accounting of all fuel use.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Casa Grande 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 School District Spending (Classroom Dollars)* report), this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2010, 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 2010 summary accounting data for all districts and Casa Grande ESD's fiscal year 2010 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 Casa Grande 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 Casa Grande ESD and the 15 other elementary school districts that also served between 1,150 and 7,999 students and were located in city/suburb areas.² To compare districts' academic indicators, auditors developed a separate student achievement peer group using poverty as the primary factor because poverty has been shown to be strongly related to student achievement. Auditors also used secondary factors such as district type, size, and location to further refine these groups. Casa Grande ESD's student achievement peer group includes Casa Grande ESD and the nine other elementary districts that also served student populations with poverty rates between 18 and 22 percent. Additionally:

- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2010 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'. Auditors also reviewed the District's 2008 and 2009 energy costs and compared these costs to peer districts'.

¹ Current expenditures are those incurred for the District's day-to-day operations. 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 The operational peer group excludes one district that received high levels of additional funding (substantially higher than Casa Grande ESD and the other districts in the peer group) and skewed the peer-spending averages.

- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2010 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts', reviewed the Arizona Department of Education's food service monitoring reports, and observed food service operations.
- 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's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2010 transportation costs and compared them to peer districts'.
- To assess the District's student achievement, auditors reviewed the Arizona's Instrument to Measure Standards (AIMS) passing rates and "Adequate Yearly Progress" for the federal No Child Left Behind Act. AIMS passing rates were compared to the state-wide average and the average of the student achievement peer districts.
- 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 2010 administration costs and compared these to peer districts'.
- 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.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2010 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. 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 Casa Grande Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE

Casa Grande Elementary Schools

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Telephone: (520) 836-2111

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Kevin J. Kelty
Administrative Services Manager

December 1, 2011

Debra Davenport, CPA
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

RE: Response to Casa Grande Elementary School District FY10 Performance Audit

Dear Ms. Davenport:

Casa Grande Elementary School District respectfully submits our written response to the performance audit conducted by the Auditor General for FY2010. The audit indicated six findings and you will find the responses to these recommendations attached.

The District would like to extend our appreciation for the professionalism and courtesy extended by your staff during the audit.

Respectfully,

Frank Davidson, Ed. D
Superintendent

Finding 1: District greatly improved energy efficiency but staffing levels should also be reviewed

Recommendation: The district should review its plant operations staffing levels to determine if savings can be achieved.

We concur with the recommendation and will review our plant operations staffing levels.

Director Level Staffing - When construction activity spiked early in 2003, a district-hired demographer projected that our student population would be increasing more than 10% per year for years into the future that would require the construction of a new school every year. At that time, we created a Director of Construction position to manage the new construction activities that would be occurring. Since then we built four schools, a new administration facility and a transportation facility, as well as completing numerous renovations throughout the district. We also anticipated rebuilding three of our older schools using bond proceeds from a November 2011 election; however, since the bond election failed, we have already begun the process of evaluating the need for the two director-level facility employees.

Facility Staffing - We will examine the number of facility department employees we employ in comparison to appropriate industry and district standards to ensure that our schools are properly maintained but not overstaffed.

Energy Cost Savings - We appreciate your acknowledgment of our efforts to save taxpayer money by implementing an effective energy conservation program. Late in 2008, the district adopted an aggressive program addressing both employee behavior issues and equipment modifications that greatly reduced the amount of energy consumed by the district as well as the district's budget dedicated to energy costs.

Finding 2: District oversight helps control food services costs

We appreciate the recognition of our food services program in helping to control costs. Our Food Services Director diligently oversees all aspects of the food services program, including appropriate staffing levels based on the number of students participating in the meal program, meal preparation and prudent purchasing practices to ensure that it is operating as efficiently and effectively as possible.

Finding 3: District lacked sufficient computer controls to adequately protect sensitive information

Recommendation 1 – The District should review employee access to the accounting system and modify access to ensure that any one employee cannot initiate and complete a transaction without independent review.

The district agrees with this finding. The District will eliminate the full access to complete an entire transaction from one of the two employees who has full access. For the other employee with full access, we will implement a compensating control which will include a monthly review of access logs by an information technology (IT) employee to ensure this one employee never provides themselves access to all of the critical steps needed to complete an entire transaction.

Throughout the first six months after the implementation of this process, the effectiveness of the compensating control will be reviewed by IT and business office staff. If at anytime we determine this review is not practical or effective, we will modify access to ensure no employee outside of the IT staff can initiate and complete an entire transaction. While this access would technically provide the ability for the IT staff to complete an entire transaction, lack of familiarity with the detailed accounting software and lack of access to hard copies of check stock, invoices , contracts, etc. makes it improbable that such a transaction could be completed without being detected.

Recommendation 2 – The District should develop and implement a formal process to ensure terminated employees are promptly removed from its IT network.

The District concurs with this finding and is in the process of implementing a formal process for ensuring that terminated employees are promptly removed from the network. It is anticipated that a final process to ensure this occurs on a consistent basis will be implemented by December 31, 2011.

Recommendation 3 – The District should ensure that its servers and computers are using currently-supported operating system software and develop and implement a process to ensure critical updates are installed on its computers.

The District concurs with this finding. We recognize we have outdated operating system software on a number of computers and file servers in our district. However, due to State budget cuts over the past few years, we do not have the necessary funding to purchase upgrades for all of our systems. As funding allows, the District will review and update servers and computers based on the most likely to be subject to risk of attack and we will implement a process for the installation of critical updates on our computer systems.

Other Finding 1 – Driver certification requirements were not met

Recommendation – The District should regularly monitor its driver requirement log to ensure that its drivers meet the Arizona Department of Public Safety’s Minimum Standards.

We concur with this recommendation. Since the completion of the audit, we have implemented a tracking system that will be reviewed monthly for driver physicals, annual drug screenings, physical performance testing, refresher training, CPR and first aid. The tracking system identifies the next due date for each of the six requirements for each employee. Each month a report will be printed indicating the due date for each requirement and anyone who needs to complete any of the six requirements in the subsequent two months will be notified. Once the employee completes the requirement, the system will be updated. At this time, all employees meet all required certification requirements.

Other Finding 2 – Inadequate controls over fuel inventory increase risk of theft

Recommendation – The District should evaluate its controls over fuel inventory, restrict access to fuel pumps, and ensure proper accounting of all fuel use.

We concur with this recommendation. The card lock system that was purchased at the time the transportation facility was built which restricts access to fuel pumps and ensures proper accounting

of all fuel use was inoperable before and during the performance audit. Even though we never suspected inappropriate use of the fuel system, it did allow uncontrolled access to the fuel pumps and made accounting for appropriate fuel use inadequate. The card lock system is now fully functional. All buses are assigned a fuel card that must be used before dispensing fuel. Reports will be printed out monthly and reviewed for reasonableness.

