



Fountain Hills Unified School District #98

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Mr. Tom Lawrence
Superintendent

Lisa Martinez
Executive Director of Business & Support Services

July 10, 2012

Ms. Debra Davenport, Auditor General
State of Arizona, Office of the Auditor General
2910 N. 44th St., Suite 410
Phoenix, AZ 85018

Re: Response to Fountain Hills Unified School District's 2010 Performance Audit

Dear Ms. Davenport:

Fountain Hills Unified School District respectfully submits our written response to the performance audit conducted by the Arizona Auditor General for fiscal year 2010. The audit revealed five findings along with two less significant areas of concern. The following pages outline the District's response to each finding and recommendation along with the District's implementation plan.

The Fountain Hills Unified School District is committed to fiscal responsibility, operating in an efficient manner and effective stewardship of taxpayers' funds. The information provided in our audit will ensure the District remains compliant with regulations and procedures.

On behalf of Fountain Hills Unified School District I would like to thank the audit team for their professionalism and the courtesy they extended to our staff throughout this audit process. We value the input and view the Auditor General's Office as a partner in our efforts.

If you have any questions regarding the District's response, please feel free to contact me.

Sincerely,

Lisa Martinez
Executive Director
Business and Support Services

cc: Tom Lawrence, Superintendent
Helen Howard, Governing Board President
Dr. C.T. Wright, Governing Board Vice President
Cathy Kiener, Director of Human Resources



Fountain Hills Unified School District #98

Responses to Performance Audit Findings

Finding 1

District has addressed some of its higher administrative costs, but can do more.

Recommendation

The District should continue to review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.

District's Response

Fountain Hills Unified School District concurs with this finding and has taken steps to reduce administrative costs. In FY 12 the Assistant Superintendent for Business and Support Services position was eliminated. The Director of Finance assumed the duties of the Assistant Superintendent for a savings of \$120,000 in salary and benefits. FY 12 was also the last year of the Superintendent's contract. The position of Superintendent was filled by an internal candidate who was also the High School's Principal. Because of the internal hire the District was able to eliminate one Principal position, restructure the remaining Principals and reducing administrative costs at the school levels by \$120,000. There is one Principal for Grades PS-3rd, 4th – 8th and 9th -12th. The District also eliminated dependent care medical coverage for all Director level positions and it will not be included when Principal contracts come up for renewal.

Finding 2

With declining enrollment and high plant operations costs, District closed a school but did not realize all potential savings.

Recommendation

The District should ensure that the thermostats at the vacant school are set at the recommended temperatures while the building is unoccupied.

District's Response

Fountain Hills Unified School District concurs with this finding and has increased the vacant building temperature setting to 88 degrees. The temperature is set on a program setting and can be overridden only when the building is occupied.

Finding 3

Despite reasonably efficient transportation program, District had to subsidize it by \$105,000.

Recommendation

1. The District should ensure it applies to Maricopa County to receive funding for transporting students from unorganized territories.
2. The District should accurately report the data needed for state transportation funding to the Arizona Department of Education.
3. The District should contact the Arizona Department of Education and correct its fiscal year 2010 transportation report and subsequent expenditure budgets as allowable.

District's Response

Fountain Hills Unified School District concurs with this finding and has implemented a process to invoice Maricopa County for all unorganized territory funding. The District is also in the process of evaluating routing software to ensure data is accurately being collected and reported. The evaluation of the software is occurring now and should be implemented for FY 2013. The District will work with the Arizona Department of Education and correct its FY 10 transportation route report and will review FY 11 and 12 to see if necessary corrections are needed.

Finding 4

District reduced classroom spending and shifted monies to other operational areas.

Recommendation

The District should look for ways to reduce non-classroom spending, especially in administration and transportation, to allow it to direct more of its monies back into the classroom.

District's Response

Fountain Hills Unified School District concurs with this finding. As addressed in the District's response in Finding 1, the District has made several changes to move funding from administrative costs back into the classroom. As addressed in the District's response in Finding 3, the District will be implementing transportation routing software to help streamline transportation routes. Streamlined routes will allow funding to shift from transportation costs back into the classroom.

Finding 5

District should strengthen its purchasing and computer controls

Recommendation

1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchase being made.
2. The District should limit employees' access to the student information systems for only those functions needed to perform their work.

District's Response

Fountain Hills Unified School District concurs with this finding. The District will annually review purchasing procedures with all staff members and will implement the recommendations to ensure internal controls remain strong.

The District's Technology Department has tightened the level of access to student information. Individuals who require this information as a function of their position have retained access and access to all other individuals has been removed. The building administrator will have to make a written request to Technology before access will be granted to other personnel.

Other Findings

District did not accurately report costs

Recommendation

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

District's Response

Fountain Hills Unified School District concurs with this finding. The District has corrected all salary and benefit account codes and is in the process of reviewing all accounts payable account code structures. The District is in the process of implementing this recommendation.

District did not sufficiently oversee its food service contract

Recommendation

1. The District should ensure that any price increases follow the terms of its contract.
2. The District should carefully review vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its contract.

District's Response

Fountain Hills Unified School District concurs with this finding. The District has reviewed the management company's contract with both the Food Management Company and the Arizona Department of Education Food Services Division to ensure increases follow the terms of the contract. The District has also worked with the Arizona Department of Education Food Services Division and Food Management Company to change the way the invoices are structured for clear and accurate billing.