



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

October 14, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed a 24-month followup of the Higley Unified School District's implementation status for the 14 audit recommendations presented in the performance audit report released in May 2012. As the enclosed grid indicates:

- 10 recommendations have been implemented;
- 1 recommendation is in the process of being implemented; and
- 3 recommendations have not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the May 2012 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Dr. Denise Birdwell, Superintendent
Governing Board
Higley Unified School District

HIGLEY UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued May 2012 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Additional steps may help lower District’s transportation program costs	
1. The District should continue to review its regular, special needs, and shuttle routes to determine whether it can increase efficiency and lower costs.	<p>Not implemented</p> <p>The District continues to operate bus routes with very low ridership. One-fourth of the District’s regular education routes resulted in buses being filled to less than 50 percent of capacity, which is more low-capacity usage routes than were identified during the audit. In fact, three of every five district regular education routes resulted in buses being filled to less than 75 percent of capacity—a rate generally achieved by efficient transportation programs. As noted in the 18-month followup, the District had to subsidize its transportation program in fiscal year 2013 with almost \$1.1 million that otherwise potentially could have been spent in the classroom.</p>
2. The District should contact nearby districts to determine whether special needs services or special needs transportation can be provided cooperatively.	<p>Implemented at 18 months</p> <p>Higley USD contacted three nearby school districts to explore the option of cooperatively providing transportation for its special needs riders. After discussions, Higley USD and the three districts chose not to enter into cooperative special education transportation agreements. District officials felt that the particular cooperative routes would not be in the students’ best interest as they would add additional time to routes, would create logistical difficulties at transfer points for students and staff, and could create legal liability issues.</p>
3. The District should consider reviewing bus driver salaries, comparing them to neighboring school districts’, and determining whether paying higher salaries is necessary to obtain and retain qualified drivers.	<p>Implemented at 12 months</p>

Recommendation

Status/Additional Explanation

FINDING 2: District’s solar power system contract unlikely to meet expectations for cost savings

1. Since the District loses money on every excess solar kilowatt hour accumulated at the end of the hour, the District should work with its solar power system vendor to either decrease the size of the system, increase the number of meters to which the system is connected, or find some other means to reduce the amount of excess solar power.

Implemented at 18 months

The District negotiated new contracts with its solar power system provider to lower its per kilowatt hour charges at its two sites with solar power systems from 9.6 cents to 8.25 cents at one site and from 12 cents to 9.25 cents at the other. It also negotiated a lower annual per kilowatt cost escalator at one site from 3 percent to 2 percent and connected one of its solar power systems to a meter with a higher energy load. These changes alone are expected to reduce the District’s solar power costs by over \$1 million over the length of its solar power contracts. Additionally, the District’s electric utility made changes in November 2012 to allow the District to begin banking unused solar power and use it to reduce its regular electricity demands through April of each year. This has substantially reduced the amount of unused solar power the District sells to its electric utility at a loss.

2. To determine the actual cost savings from using solar power, monthly and annually, the District should calculate and compare its total electricity costs, including the costs of solar power and other electricity purchased from its electric utility, to what its electricity costs would have been had the District continued purchasing all of its electricity from its electric utility.

Not implemented

The District’s two schools with solar power systems began producing solar power in July 2011. Since then, the District has only reviewed its electricity costs for one 12-month period, namely November 1, 2012 through October 31, 2013. That analysis was conducted by the District’s electric utility and showed that during the 12-month period, the District paid \$12,153 more for electricity than if it had continued purchasing all of its electricity needs from its electric utility. The District has not produced or obtained analysis for the other 25 months for which its solar power systems generated electricity and for which it has received billing statements for its solar power. The District should conduct, or obtain, such an analysis over the life of its solar power system contracts.

Recommendation	Status/Additional Explanation
<p>3. If the District finds it is paying more for electricity through its solar power system contract than it would have through its electric utility, the District, in consultation with its legal counsel, should ensure that the operational cost savings as described in A.R.S. §15-213.01 are accurately applied to the contract and that the solar vendor makes reimbursements of any savings shortfall, as appropriate. Additionally, contract modifications to further reduce losses should also be considered.</p>	<p>Implementation in process According to district officials, in July 2014 the District requested reimbursement from its solar power vendor for \$8,205—only a portion of the \$12,153 shortfall identified in the analysis of the 12 months including November 2012 through October 2013. The District requested reimbursements from its solar power vendor for only one of its two schools with solar power systems, but plans to request reimbursements for the savings shortfall at the other school as well. The District has not yet received any reimbursements from its solar power vendor, as required by Arizona Revised Statute §15-213.01 and, according to district officials, has turned the matter over to the District’s legal counsel.</p>

FINDING 3: Some Classroom Site Fund monies spent inappropriately

<p>1. The District should pay Classroom Site Fund monies in accordance with its Governing Board-approved plan.</p>	<p>Implemented at 12 months</p>
<p>2. The District should ensure that it retains adequate documentation for the required time period to demonstrate that performance pay goals were met.</p>	<p>Implemented at 12 months</p>
<p>3. The District should ensure that it pays Classroom Site Fund monies only to eligible employees.</p>	<p>Implemented at 24 months</p>
<p>4. The District’s performance pay plan or employment contracts should specify the amount or a range of amounts of performance pay each eligible employee can earn if performance criteria are met.</p>	<p>Implemented at 18 months</p>

FINDING 4: Inadequate computer controls increases risk of errors and fraud

<p>1. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.</p>	<p>Implemented at 18 months</p>
<p>2. The District should implement and enforce password requirements related to password length.</p>	<p>Implemented at 24 months</p>
<p>3. The District should create a comprehensive disaster recovery plan and test it periodically to identify and remedy any deficiencies.</p>	<p>Not implemented The District has not created a comprehensive formal disaster recovery plan.</p>

Recommendation**Status/Additional Explanation****OTHER FINDINGS: Some purchases lacked proper approval**

1. The District should ensure that all purchases are approved by appropriate supervisors prior to being made.

Implemented at 24 months
