

May 17, 2012



State of Arizona
Office of the Auditor General
C/o Debra Davenport, Auditor General
2910 North 44h Street, Suite 410
Phoenix, Arizona 85018

Ms. Davenport:

The Higley Unified School District (HUSD) is in receipt of your performance audit report which was conducted in conformity with Arizona Revised Statute (ARS) 41-1279.03. HUSD understands that this Statute requires all Arizona public school districts to undergo a specialized audit assessing its comparative expenditure patterns with similar sized districts.

HUSD would like to thank the Auditor General staff that was assigned to our District in regard to their professionalism while interacting with our various staff members. These individuals were very sensitive to the District's added time needed for completion of this audit, and appeared receptive to the District's rationale provided for possible variations in approach needed to effectively serve the students of the State of Arizona.

On the following pages, HUSD has responded to each recommendation in the report, stating whether or not we agree or disagree with the finding, as well as providing a response as to how the district plans to move forward in the areas reviewed.

HUSD exists for the sole purpose of providing an appropriate education for the students who choose to attend it. Despite the inquiring evaluative nature that various audits can bring to an entity, we welcome the opportunity to become a better organization. We are optimistic to believe that this performance audit has, and will, make us stronger, and also more confident that the educational and operational improvements we are pursuing, will serve our clientele in an increasingly more incisive manner.

Sincerely,

Dr. Jim Lockwood, CPA
Chief Financial Officer

Cc: Dr. Denise Birdwell, HUSD Superintendent
Ross Ehrick, Director of the Division of School Audits
Vicki Hanson, Audit Manager

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Responses to Performance Audit Findings

Transportation

Finding:

Additional steps may help lower District's transportation program costs.

Response:

The District concurs with the finding and will implement the recommendations offered. HUSD will continue to strive toward enhancing a safe, efficient student transportation system.

As noted in the report, Higley Unified School District (HUSD), given its small geographic size (24 square miles), maintains shorter daily transportation routes than similar sized (Average Daily Membership) school districts. Limited mileage runs coupled with a higher comparative percentage of route miles originating from special needs students (53% vs. 32% in peer districts) resulted in increased transportation costs.

HUSD in efforts to control costs in this area, continues to monitor employee time and work schedules to ensure greater efficiency. Routes are regularly reviewed to create effective student capacities on buses without sacrificing safety or incurring excessive time on daily routes. As demographic populations rapidly change in the District, HUSD will continue to utilize computerized routing systems in order to manage costs in this area. The District is considering possible Intergovernmental Agreements (IGA's) with other neighboring school districts in the area of transportation to assist in lowering costs in the future.

HUSD believes that continuity of staffing enhances safety and promotes consistency and effectiveness in getting students to and from school. As a result, the District has strived to maintain a competitive compensation structure for its drivers as well as other employees in the District. HUSD will continue to review this area of compensation and assess if changes are desirable in order to assist in shifting resources closer to the classroom.

Facilities

Finding:

The District's solar power system contract is unlikely to meet expectations for cost savings.

Response:

The District concurs with the finding assuming that traditional cost structures for utilities do not increase beyond anticipated levels. HUSD will implement the recommendations offered.

HUSD entered into a solar power purchasing agreement in August 2010 that was multifaceted. The goal was to create a delivery structure that contained greater long-term utility rate stability as well as provide ancillary benefits related to shade and educational opportunities for students.

Given the uncertainty of utility rates in the future, many organizations have been proactive in seeking out ways to manage costs in this area over an extended period of time. HUSD entered into a solar power purchase agreement through an existing cooperative bid with the potential of acquiring the system if it made financial sense to do so at a later date. The solar agreement conformed to requirements of power purchase agreements in the State of Arizona requiring an evidential study to be conducted to identify savings achieved as a result of the project. Given some uncertainty at the time of the contract as it related to the relationship with Salt River Project (SRP) including the production of excess power, HUSD has requested the vendor to re-visit pricing as well as other components of the contract in an attempt to achieve even greater anticipated savings. Throughout the duration of the solar program, HUSD will monitor costs, usage, and efficiencies to ensure maximum savings are being pursued.

In addition to providing power at a predictable cost in the future, HUSD is also receiving the benefit of shade structures at its transportation facility where many of the solar panels are housed. These shade structures provide not only the stability needed to house the solar panels but also provide shade for the entire HUSD bus fleet. The shade extends the life expectancy of the buses while also lessening the time needed to cool them down (via A/C) when afternoon runs are needed. In addition, safety checks done daily by drivers are conducted in an environment that is safer decreasing the likelihood of employee burns and heat exhaustion.

Another attribute that the solar panels provide are educational opportunities for HUSD students. The District has an extensive program at its high schools in renewable energy and looks forward to leveraging this solar project to benefit its students as well.

Classroom Site Funds

Finding:

Some Classroom Site Fund monies spent inappropriately.

Response:

The District concurs with the finding, and will implement the recommendations offered.

HUSD strives to create and administer programs originating from the Classroom Site Fund which recognize and reward exemplary instructional practices. Additional steps will be taken to educate those administering/participating in the program to ensure that they fully comply with the program's intent. These steps will include the retention of appropriate documentation to support the expenditures incurred.

Technology

Finding:

Inadequate computer control increased the risk of errors and fraud.

Response:

The District concurs with the finding and will implement the recommendations offered to ensure that internal controls remain strong in the area of technology.

Despite the performance audit not detecting any improper transactions in this area, the District acknowledges that operations must be continually reviewed to ensure secure, safe environments are maintained.

HUSD has taken additional steps to limit employee access to the District's accounting system. Every employee job function is reviewed to only allow access to accounting functionality that is needed to perform the specific task at hand. The District at the beginning of each year meets with staff to outline proper procedures in order to produce exemplary compliance in a variety of areas of internal control. The most recent independent audit report identified no internal control weaknesses in this area of concern.

In addition to controls over the District's accounting system, HUSD regular requires passwords to be changed and be created in such a way (alpha-numeric) that heighten the level of security desired. HUSD has also created a comprehensive disaster recovery plan and tests it periodically to identify and remedy any deficiencies.

Purchasing

Finding:

Some purchases lacked proper approval.

Response:

The District concurs with the finding and will implement the recommendations offered to ensure that internal controls remain strong in this area.

The District prides itself in its ability to maintain proper internal controls and produce financial statements that constituents can trust. For years, the HUSD has received unqualified “clean” audit opinions from independent CPA firms.

Despite this finding producing no inappropriate transactions, it is important to review various accounting practices to ensure established procedures are being followed. Each year financial staff visit schools/departments and review proper procedures. This practice will continue along with additional assistance as needed.