



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Kingman Unified School District

September • 2013
Report No. 13-10



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

September 24, 2013

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Kingman Unified School District

Mr. Roger Jacks, Superintendent
Kingman Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Kingman Unified 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.

Sincerely,

Debbie Davenport
Auditor General

REPORT HIGHLIGHTS PERFORMANCE AUDIT

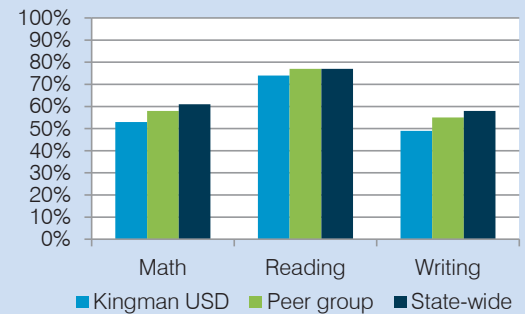
Similar student achievement and efficient operations

Our Conclusion

In fiscal year 2011, Kingman Unified School District's student achievement was similar to peer district averages, and it operated efficiently with lower costs than peer districts', on average. The District operated its administration with lower per pupil costs because it employed fewer administrative staff per pupil than peer districts, on average. In addition, the District's plant operations cost per square foot and food service cost per meal were lower than peer districts' averages. The District's transportation program cost per pupil was higher than the peer districts' average, but the program was efficient, with lower per mile costs. However, the District should improve some of its administrative practices. In particular, the District should strengthen controls over its cash handling, culinary arts program, and computer network and systems.

Student achievement similar to peer districts'—In fiscal year 2011, Kingman USD's student AIMS scores were similar to peer district averages in math and reading, and slightly lower in writing. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B as did most of its peer districts. The District's 76 percent high school graduation rate was slightly lower than the peer districts' 84 percent average and similar to the 78 percent state average.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2011



District operated efficiently with lower costs than peer districts'—Kingman USD operated efficiently in fiscal year 2011 with lower administration, plant operations, and food service program costs per pupil than peer districts', on average. The District's administrative costs were 14 percent lower primarily because it employed fewer business services positions at its district office. The District's plant operations cost per square foot and food service program cost per meal were also lower than peer districts', on average. Further, although the District's transportation costs were higher per pupil, its transportation program operated efficiently with lower costs per mile.

Comparison of per-pupil expenditures by operational area
Fiscal year 2011

Per pupil	Kingman USD	Peer group average
Administration	\$635	\$736
Plant operations	812	917
Food service	273	351
Transportation	469	360

District lacked sufficient accounting controls

Inadequate controls over cash handling—In fiscal year 2011, Kingman USD deposited over \$170,000 received through its bookstore. However, the District lacked proper controls to accurately ensure that all monies received through the bookstore were deposited into the proper accounts. Specifically, the bookstore supervisor was solely responsible for all cash-handling responsibilities without an independent supervisory review. In addition, cash and checks were not counted, documented, and reconciled to issued receipts at the end of each day, and cash was neither properly safeguarded nor deposited in a timely manner.



2013

Controls over culinary arts program should be strengthened—The District offered a culinary arts class at its high school and also operated a culinary arts club that catered local events to help students obtain additional experience. We found that the District allowed an employee working with the class and the club to be the only district employee involved in issuing invoices to catering customers. As a result, the employee was able to issue two invoices to some catering customers, separating the food and supply costs from the labor costs and requesting that payments for labor costs be directly sent to him. We reviewed catering invoices totaling almost \$219,000 for fiscal years 2007 through 2012 and found invoices for labor costs totaling \$32,603, with printed instructions directing customers to make payments directly to the employee. At the time of this report's release, this issue was under further review by our Office.

Recommendations

The District should:

- Strengthen its controls over cash handling for its bookstore operations.
- Implement proper controls over invoicing catering customers to ensure all payments are made directly to the District.

District lacks sufficient computer controls to protect sensitive information

Kingman USD has weak controls over user access to its computer network and systems. For example, some employees have more access to the accounting system than they need to perform their job duties. In addition, 4 district employees have administrator-level access to the District's computer network and systems, allowing them to make changes to computer network settings. Typically only 1 or maybe 2 information technology employees have this type of access. Additionally, 14 employees have administrator-level access to the District's student information system, which houses critical and sensitive student data.

Recommendation

The District should:

- Review and reduce the number of employees with overly broad access to its computer network and systems, including reducing employees with administrator-level access.

Efficient practices keep food service program costs low

In fiscal year 2011, Kingman USD's \$2.27 cost per meal was 13 percent lower than the peer districts' average of \$2.60 per meal primarily because it had lower food costs. By maintaining a low cost per meal, the District was able to cover all of its program costs while having enough monies remaining to save for capital costs and pay for some indirect costs, such as utilities. The District used several effective cost-controlling techniques to keep food costs low. Specifically, the District made full use of its United States Department of Agriculture commodities allocation; obtained its own quotes when purchasing food to help ensure it obtained the best prices; operated a central kitchen, which helped facilitate meal preparation and inventory management; and monitored meal demand to help reduce production costs and limit food waste.

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DISTRICT OVERVIEW

Kingman Unified School District is a medium-large sized district located in Kingman in Mohave County. In fiscal year 2011, the District served 6,906 students at its ten schools: five kindergarten-through-5th-grade elementary schools, two 6th-through-8th-grade middle schools, one kindergarten-through-8th-grade school, one kindergarten-through-12th-grade school, and one 9th-through-12th-grade high school.

In fiscal year 2011, Kingman USD's student achievement was similar to peer districts' and it operated efficiently with lower administration, plant operation, and food service program costs per pupil than peer districts', on average.¹ In addition, the District's plant operations cost per square foot and food service program cost per meal were also lower than peer districts' averages. Further, although the District's transportation costs were higher per pupil, its transportation program operated efficiently with lower costs per mile. However, the District should improve some of its administrative practices and computer controls.

Student achievement similar to peer districts'

In fiscal year 2011, 53 percent of the District's students met or exceeded state standards in math, 74 percent in reading, and 49 percent in writing. As shown in Figure 1, the District's math and reading scores were similar to the peer districts' averages and its writing scores were slightly lower. Further, under the Arizona Department of Education's A-F Letter Grade Accountability System, Kingman USD received an overall letter grade of B for fiscal year 2011.² Fourteen of the 22 peer districts also received B letter grades, 6 received Cs, and 2 received Ds. The District's 76 percent graduation rate in fiscal year 2011 was slightly lower than the peer districts' 84 percent average and similar to the State's 78 percent average.

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2011 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2011 test results on Arizona's Instrument to Measure Standards (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.

² The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades primarily based on academic growth and the number of students passing AIMS.

District operated efficiently

As shown in Table 1 and based on auditors' review of various performance measures, in fiscal year 2011, Kingman USD operated efficiently with lower costs in all operational areas except for transportation. The District's transportation program had higher costs per pupil but operated efficiently with lower costs per mile.

Lower administrative costs—In fiscal year 2011, Kingman USD's administrative costs per pupil were 14 percent lower than peer districts averaged—\$635 compared to \$736. The District spent less on administration primarily because it employed fewer administrative positions per pupil. However, this report identified some administrative practices and controls that need strengthening (see Finding 1, page 3).

Efficient plant operations—Kingman USD's plant operations cost of \$5.04 per square foot was 9 percent lower than the peer districts' average, and its cost of \$812-per-student was 11 percent lower. The District spent less on plant operations, in part, because it employed fewer plant employees. The District employed one plant full-time equivalent (FTE) position for every 19,221 square feet while the peer districts employed one plant FTE for every 15,936 square feet, on average. Further, lower energy costs also contributed to the District's lower plant operations costs. The District's per-square-foot energy costs were 16 percent lower than peer districts' likely in part because the District controlled energy usage through a central energy management system that monitored and adjusted building temperatures to keep them within district-approved ranges. Also, most of the District's rooftop air conditioning units were upgraded or replaced during recent years and, therefore, operated more efficiently than older units. The District also monitored energy bills monthly and investigated spikes in usage and costs.

Efficient food service program—Kingman USD's food service program operated efficiently with lower costs per pupil and per meal. The District's \$2.27 cost per meal was 13 percent lower than the \$2.60 peer district average in fiscal year 2011. The District controlled costs and maintained a self-sufficient program by fully using federal commodities and closely monitoring the program (see Finding 2, page 7).

Efficient transportation program—Although it spent more per pupil for transportation than its peer districts, Kingman USD's transportation program operated efficiently. The District's \$2.07 cost per mile was 29 percent lower than the peer districts' \$2.93 average, and its cost per rider was similar to peer districts' despite traveling 35 percent more miles per rider because of its larger geographical size.

**Table 1: Comparison of per-pupil expenditures by operational area
Fiscal year 2011
(Unaudited)**

Spending	Kingman USD	Peer group average	State average
Total per pupil	\$6,389	\$7,026	\$7,485
Classroom dollars	3,386	3,783	4,098
Nonclassroom dollars			
Administration	635	736	728
Plant operations	812	917	927
Food service	273	351	375
Transportation	469	360	352
Student support	480	528	571
Instruction support	334	351	434

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting data.

FINDING 1

District had lower administrative costs but inadequate accounting and computer controls increase risk of errors and fraud

In fiscal year 2011, Kingman USD's administrative costs were 14 percent lower than peer districts' primarily because it employed fewer administrative positions per pupil than peer districts, on average. However, the District had an increased risk of errors and fraud because it did not have adequate controls over some administrative practices and its computer network and systems.

Lower staffing levels primary reason for low administrative costs

As shown in Table 2, in fiscal year 2011, Kingman USD spent \$635 per pupil on administration, 14 percent less than the peer districts' \$736-per-pupil average. Administrative costs were lower primarily because Kingman USD employed one administrative full-time equivalent (FTE) position for every 108 students while the peer districts employed one FTE for every 96 students, on average. Staffing levels were lower primarily at the district office level where the District employed fewer business services positions, including noninstructional information technology and administrative support positions.

**Table 2: Comparison of administrative cost-efficiency measures
Fiscal year 2011
(Unaudited)**

Efficiency measures	Kingman USD	Peer group average
Cost per pupil	\$635	\$736
Students per administrator	108	96

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting and staffing data.

Inadequate controls over cash handling

In fiscal year 2011, Kingman USD received cash for various purposes, including student activities, student course fees, and extracurricular activities. The majority of these monies were received at the high school bookstore. In fiscal year 2011, the District deposited approximately \$170,000 received at its bookstore. However, the District did not have proper controls in place at its bookstore to ensure that all monies received were properly accounted for. Specifically:

- **Duties not properly separated**—The bookstore supervisor was solely responsible for all cash-handling responsibilities without an independent supervisory review, including receiving monies, entering transactions into the student information system, and preparing and making deposits.
- **Cash receipts not reconciled each day**—Cash and checks were not counted, documented, and reconciled to issued receipts at the end of each day.
- **Cash not properly secured**—Although cash should be deposited daily if significant, or at least weekly, the District often waited more than a week before making deposits. Auditors reviewed four fiscal year 2011 bookstore deposits, ranging in amounts from \$823 to \$4,589, and found that each of the four deposits included monies that had been received during the 9 to 13 days prior to when the deposit was actually made. In addition, auditors found that cash, checks, and receipts were located throughout the bookstore office in a disorganized fashion, and the unlocked safe contained approximately \$2,000, mostly in cash, on the day that auditors visited the bookstore.

With the lack of proper controls and the disarray of the bookstore office, the District could not accurately determine if all monies received through the bookstore were deposited into the proper accounts. Because of the relatively high risk for loss, theft, and misuse associated with cash transactions, the District should establish and maintain effective internal controls to safeguard cash.

Controls over culinary arts program should be strengthened

The District offered a culinary arts class at its high school as well as a student activities club that participated in culinary arts competitions and catered local events to help students obtain additional experience. District officials were aware that the club catered events and used the District's high school kitchen equipment and delivery truck as part of these catering services. An employee working with the club ordered the food and supplies for the catering services, and district business office staff reviewed and approved these orders. However, the District allowed the employee to oversee catering customer invoicing without involvement from the District's business office. As a result, the employee was able to have two separate invoices issued to some catering customers requesting that some payments be made to the District and others be made directly to the employee. Specifically, auditors reviewed catering invoices for fiscal years 2007 through 2012 and found invoices for food and supply costs totaling \$186,188, with printed instructions directing customers to make payments to the District. Auditors also found invoices for labor costs totaling \$32,603, with printed instructions directing customers to make payments directly to the employee. According to the employee, he requested separate payment for labor charges because many of the catered events took place on weekends and he wanted to be compensated for his additional work hours. However, the employee's employment contracts for the same period included a \$4,010 stipend each year for catering services that the employee provided for the District. District officials stated they were not aware of the employee's invoicing practices. Further, as required by the *Uniform System of Financial Records for Arizona School*

Districts, such monies raised through the efforts of students must be deposited in the Student Activities Fund on deposit with the District.

At the time of this report's release, the employee's catering-customer-invoicing practices were under further review by the Office of the Auditor General.

Weak computer controls increased risk of unauthorized access to critical systems

The District needs to improve controls over its computer network and systems. Although no improper transactions were detected in the fiscal year 2011 payroll and purchasing transactions auditors reviewed, these improvements are necessary to help prevent fraud and abuse and protect sensitive information.

Increased risk of unauthorized access to critical systems—Weak controls over user access to the District's network, accounting system, and student information system increase the risk of fraudulent transactions, access to or manipulation of sensitive information, or other issues. Specifically:

- **Broad access to accounting system**—Auditors reviewed the District's user access report for the 14 users with access to the accounting system and found that 8 district employees have more access to the accounting system than they need to perform their job duties, including 2 employees who have the ability to perform all accounting system functions. Although no improper transactions were detected in the 30 employee payroll and personnel records and the 30 accounts payable transactions auditors reviewed, granting employees system access beyond what is required for their job duties, especially full system access, exposes the District to increased risk of errors, fraud, and misuse of information, such as processing false invoices or adding nonexistent vendors or employees. The District should review and further restrict its employees' access to the computerized accounting system to ensure no one employee has the ability to initiate and complete a transaction without independent review and approval.
- **Too many employees with administrator-level access are able to make changes to computer network settings**—Administrator-level access allows the user full control over network settings, including the ability to add new users and modify the level of access users have in the system. Typically, only one or maybe two information technology (IT) employees have this type of access. However, at Kingman USD, four IT employees have this access. By allowing too many users to have this access level, the District increases its risks of security breaches because administrator accounts are typically targeted by hackers because of their high-level privileges. A compromised administrator account could result in unauthorized access to and loss of sensitive data or disruption of district operations. In addition, 14 district employees have administrator-level access to the District's student information system, which houses critical and sensitive student data.

- **District does not monitor user activity**—Despite having numerous employees with broad access to its network and systems, the District does not review and monitor logs of user activity to determine whether any unauthorized activity or changes to critical systems or applications occurred. This includes monitoring administrative users' activities. To reduce the risk of unauthorized activities going undetected, the District should develop and implement policies and procedures for monitoring and reviewing user activities on critical systems and applications.
- **Inadequate procedures for removing access to critical systems**—The District lacks a timely process for ensuring that only current employees have access to critical systems. Using reports of fiscal years 2010 and 2011 terminated employees and system users, auditors found that 25 of 38 network user accounts reviewed, 4 of 66 student information system user accounts reviewed, and 4 of 26 accounting system user accounts reviewed were linked to employees who no longer worked for the District. To reduce the risk of unauthorized access, the District should promptly remove accounts when it no longer employs a user.

Recommendations

1. The District should strengthen its controls over cash handling for its bookstore operations, including separating cash-handling duties, preparing and retaining daily cash receipt summaries to reconcile cash collected to receipts issued, and incorporating supervisory review of this process. Additionally, the District should better safeguard monies received by securing them in a safe, locked box, or locked cabinet and depositing them at least weekly.
2. The District should implement proper controls over the catering program to ensure that duties are separated and all payments are made directly to the District.
3. 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 employees have only the access necessary to meet their job responsibilities.
4. The District should review and reduce the number of users with administrator-level access to its network.
5. The District should establish and implement policies and procedures for logging and monitoring users' activities on critical systems and applications.
6. The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.

FINDING 2

Efficient practices keep food service program costs low

In fiscal year 2011, Kingman USD's food service program operated efficiently with a \$2.27 cost per meal that was 13 percent lower than the peer districts' average of \$2.60. By maintaining a low cost per meal, the District was able to cover all of its program costs while having enough monies remaining to save for capital costs and pay for some indirect costs, such as utilities. The District's lower cost per meal was primarily the result of lower food costs, which were 18 percent lower per meal than the peer districts', on average. The District has implemented several effective techniques and practices for controlling food costs. Specifically:

- **Fully uses commodities**—The District helps keep its food costs low by fully using United States Department of Agriculture (USDA) food commodities. Districts participating in the National School Lunch Program can obtain USDA commodities by paying only a small shipping charge. Districts receive allocations of USDA commodities based on student meal participation rates in the prior year and may also obtain additional available commodities not used by other participants or when the USDA has large surpluses. Further, districts may use some of their allotted value of commodities to purchase fresh fruits and vegetables through another federal program. In fiscal year 2011, Kingman USD received over \$170,000 worth of food commodities and fresh fruits and vegetables, which was over 20 percent more than the peer districts' average on a per-meal basis.
- **Procurement process helps district obtain lower food costs**—To ensure it obtains the best price when purchasing food, the District obtains its own quotes each year. According to district officials, this practice allows the District to evaluate the costs of food items from different vendors and potentially obtain them for a better price than if it had it obtained all of its food through a single purchasing cooperative.
- **Central kitchen facilitates inventory management**—The District operates a central kitchen that prepares a variety of items, including hot entrees, salad bar items, sandwiches, pizza, and cupcakes. District officials stated that the central kitchen helps facilitate meal preparation and inventory management, which helps the District maintain lower overall food service costs. All food is delivered directly to the central kitchen and very little inventory is kept at the schools. Therefore, district officials stated that food delivery costs are lower because vendors only deliver to one location. The District then uses its own trucks and employees to deliver only the food needed to each school. Because its food inventory is kept in one central location, the District is better able to continually track its inventory and ensure that food items are used in district menus

following a first in, first out inventory method, which also helps reduce waste. The District also caters class parties using foods prepared by the central kitchen workers rather than having students bring in outside foods. Catering class parties allows the District to claim the meals served as reimbursable meals under the National School Lunch Program.

- **Monitors meal demand to limit waste**—Teachers at Kingman USD’s elementary schools provide daily counts of the number of students who will be purchasing lunches that day to the central kitchen. However, the middle school and high school cafeterias each prepare daily production records that identify the number of meals planned and served by menu option. The District uses these daily production records to determine the appropriate amount of food items to order and the number of meals to prepare the next time specific meal options are served at those schools, thereby helping to reduce production costs and limit food waste.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Kingman Unified 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 operational spending, primarily for fiscal year 2011, was 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 2011 summary accounting data for all districts and Kingman USD's fiscal year 2011 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 compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Kingman USD's student achievement peer group includes Kingman USD and the 21 other unified districts that also served student populations with poverty rates between 19 and 27 percent in towns and rural areas. Auditors compared Kingman USD's student AIMS scores and graduation rate to those of its peer group averages. Generally, auditors considered Kingman USD's student AIMS scores and graduation rate to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between Kingman USD and its peers, as well as the District's graduation rate and Arizona Department of Education-assigned letter grade.

To analyze Kingman USD'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 Kingman USD and 19 other unified and union high school districts that also served between 2,000 and 7,999

¹ Operational spending includes costs incurred for the District's day-to-day operations. It excludes 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.

students and were located in towns or rural areas. Auditors compared Kingman USD's costs to its peer group averages. Generally, auditors considered Kingman USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Kingman USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as years of service by staff, square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. 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 interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2011 administration costs and compared these to peer districts' and surveyed the peer districts to further evaluate staffing levels.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 1,116 individuals who received payments through the District's payroll system and reviewed supporting documentation for 30 of the 19,957 accounts payable transactions in fiscal year 2011. No improper transactions were identified. Auditors also evaluated other internal controls that were considered significant to the audit objectives and reviewed fiscal year 2011 spending across operational areas.
- 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 food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2011 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2011 plant operations and maintenance costs and district building space, and compared these costs and capacities 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, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2011 transportation costs and compared them to peer districts'.

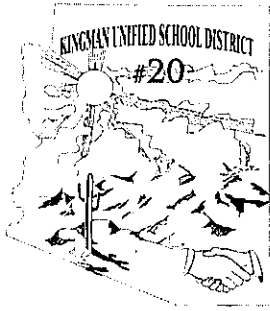
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2011 expenditures to determine whether they were appropriate and if the District properly accounted for them. Auditors also reviewed the District's performance pay 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 Kingman Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE



Kingman Unified School District #20

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SUPERINTENDENT
Mr. Roger Jacks

September 13, 2013

Ms. Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport,

Enclosed is the audit response from Kingman Unified School District for the performance audit conducted for the fiscal year 2012.

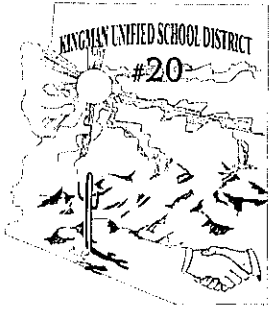
Kingman Unified School District agrees with the findings and we are in the process of implementing plans and procedures that will correct the findings. All of the audit recommendations will be utilized to improve our operation.

I wish to thank you and your team for all of your hard work on this audit. Your team was extremely professional, worked with our employees as a collaborative effort, and in our opinion were very knowledgeable. Kingman Unified School District will use this audit as a tool to become more efficient in our educational mission.

Please do not hesitate to contact me if I can be of further assistance.

Respectfully,

Roger Jacks, Superintendent



Kingman Unified School District #20

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SUPERINTENDENT
Mr. Roger Jacks

Recommendation 1

The District should strengthen its controls over cash handling for its bookstore operations including separating cash-handling duties, preparing and retaining daily cash receipt summaries to reconcile cash collected to receipts issued, and incorporating supervisory review of this process. Additionally, the District should better safeguard monies received by securing them in a safe, locked box, or locked cabinet and depositing them at least weekly.

Response

The District will implement this recommendation as stated by strengthening its controls over our bookstore operations, as well as safeguarding monies and depositing weekly.

Recommendation 2

The District should implement proper controls over the catering program to ensure that duties are separated and all payments are made directly to the District.

Response

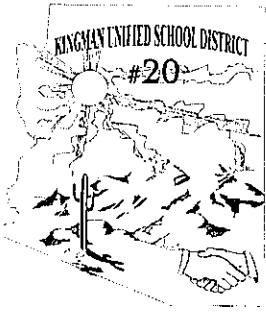
The District will implement this recommendation by reviewing the controls currently in place and ensuring duties are separated and that all payments are made directly to the district.

Recommendation 3

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 employees only have the access necessary to meet their job responsibilities.

Response

The District will implement this recommendation by reviewing each person's access to the accounting system and verify that they cannot complete a transaction without independent review and that they only have the access necessary to meet their job responsibilities.



Kingman Unified School District #20

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SUPERINTENDENT
Mr. Roger Jacks

Recommendation 4

The District should review and reduce the number of users with administrator-level access to its network

Response

The District will implement this recommendation by reviewing each person's access to the network and verify that they only have the access necessary to meet their job responsibilities. The District will reduce the number of users with administrator level access.

Recommendation 5

The District should establish and implement policies and procedures for logging and monitoring users' activities on critical systems and applications.

Response

The District will implement this recommendation by developing written monitoring procedures and monthly review procedures.

Recommendation 6

The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.

Response

The District will implement this recommendation by changing its current procedures and immediately adopting new procedures that promptly remove terminated employees and we will follow up with a quarterly review of the active directory.

