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**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

January 6, 2016

The Honorable Judy Burges, Chair  
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed a 24-month followup of the Paradise Valley Unified School District's implementation status for the 13 audit recommendations presented in the performance audit report released in October 2013. As the enclosed grid indicates:

- 8 recommendations have been implemented;
- 3 recommendations are in the process of being implemented; and
- 2 recommendations have not been implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Ross Ehrick, CPA  
Director, Division of School Audits

RE:bh  
Enclosure

cc: Dr. James Lee, Superintendent  
Governing Board  
Paradise Valley Unified School District

# PARADISE VALLEY UNIFIED SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued October 2013 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
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**FINDING 1: District’s solar power system contracts unlikely to meet cost-saving expectations, but District has acted to recover estimated financial losses**

<p>1. The District should continue to monitor its solar power production and electricity usage and costs to help ensure any financial losses are minimized and that the amounts in the escrow accounts are adequate to cover actual losses.</p>	<p><b>Implementation in process</b> The District has continued to monitor its electricity costs, usage, and solar power production, and has taken some actions to minimize losses from its solar power systems. Additionally, the District has prepared an analysis of its savings or losses resulting from each of its solar power systems. However, auditors identified several errors in the District’s analysis that resulted in the District substantially overstating its savings and understating its losses on the solar power systems. Auditors informed district officials of the errors, and they agreed to provide auditors with a corrected analysis. Auditors will review this recommendation again at a future followup when the corrected analysis is available for review.</p>
<p>2. The District should regularly review its electric utility’s rate plan options, especially for the District’s sites with solar power systems, to determine if the District is on the best rate plan available for each site’s specific conditions.</p>	<p><b>Implemented at 6 months</b></p>

**FINDING 2: District should continue to review options to address excess building capacity**

<p>1. In light of the District’s continued decline in student enrollment and excess building capacity even after closing two schools, the District should continue to evaluate how it can reduce its excess building space.</p>	<p><b>Not implemented</b> The District is continuing to monitor its excess capacity, and district officials stated that they consider the excess space in long-term planning, but the District has no current plans for reducing its excess building capacity. As reported in the audit, the District was operating at 75 percent of its buildings’ designed capacities on average, with ten of its schools operating at less than 60 percent of capacity. This excess capacity has increased since the audit year because the District’s enrollment is down about 400 students since that time.</p>
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**Recommendation****Status/Additional Explanation****FINDING 3: District needs to strengthen controls over computer systems**

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| 1. The District should improve password controls and require users to immediately change assigned passwords and then again periodically.   | <b>Implementation at 24 months</b>  |
| 2. The District should enforce its policies to ensure that terminated employees have their IT system access promptly removed.  | <b>Implementation in process</b><br>The District implemented a new process to help ensure that terminated employees' IT system access is promptly removed. Although the District succeeded at substantially reducing the number of terminated employees with IT system access, auditors identified several terminated employees' accounts that were still active in critical systems. The District should continue to refine the new process to ensure all terminated employees have their IT system access promptly removed.                                       |
| 3. The District should reduce its number of users with high-level access to its critical systems.  | <b>Implementation in process</b><br>The District has reduced the number of users with high-level access to its critical systems, but still has too many employees with high-level access. For example, the District has seven administrative users for one of its applications.   |
| 4. The District should conduct a more thorough cost-benefit analysis and risk assessment for using on-line computing and storage services for sensitive information to evaluate the costs and risks of using these services. | <b>Not implemented</b><br>The District developed a basic procedure to evaluate some factors associated with on-line computing and storage services for sensitive information, but it was very basic and lacked supporting documentation. For example, the District assessed the risk of cloud-based computing to be higher than internal computing while the cost was lower, but it did not identify what those risks were, what sensitive information was involved, how the District justified accepting those higher risks, or what the actual cost savings were. |
| 5. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.  | <b>Implemented at 24 months</b>   |

**FINDING 4: Some Classroom Site Fund monies spent inappropriately or without adequate support**

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| 1. The District should ensure that it properly documents all requirements for eligible employees to receive CSF monies in its Governing Board-approved performance pay plan. | <b>Implemented at 6 months</b> |
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Recommendation	Status/Additional Explanation
2. The District should ensure that it pays CSF monies in accordance with its Governing Board-approved performance pay plan.	Implemented at 6 months
3. The District should ensure that it retains adequate documentation for the required time period to demonstrate that performance pay goals were met.	Implemented at 6 months
4. The District should ensure that only eligible employees receive CSF monies.	Implemented at 6 months
<b>OTHER FINDINGS: Student transportation mileage misreported</b>	
1. The District should accurately calculate and report miles driven for state funding purposes.	Implemented at 6 months