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April 16, 2020

The Honorable, Anthony T. Kern, Chair  
Joint Legislative Audit Committee

The Honorable Rick Gray, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Kern and Senator Gray:

We recently completed a 24-month followup of Piñon Unified School District's implementation status for the 13 audit recommendations presented in the performance audit report released in December 2017. As the attached grid indicates:

- 7 recommendations have been implemented.
- 1 recommendation is in the process of being implemented.
- 5 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 December 2017 performance audit.

Sincerely,  
Vicki Hanson, Director  
Division of School Audits

cc: Governing Board  
Mr. Chris Ostgaard, Superintendent  
Piñon Unified School District

# PIÑON UNIFIED SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued December 2017 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: District had higher administrative costs and lacked adequate credit card and computer controls</b>	
<p>1. The District should review its administrative positions and related duties and salaries and determine and implement ways to reduce administrative costs.</p>	<p><b>Not implemented</b></p> <p>District officials reported that they reduced administrative positions by combining some positions and eliminating others and lowered some positions' salaries since the audit year (fiscal year 2015). However, the District's fiscal year 2019 (the most recent year for complete data) administrative staffing and total costs were almost the same as during the audit year. Further, the District experienced a decline of 188 students, or 15 percent, between those years. Therefore, the District's fiscal year 2019 administrative cost per pupil was 10 percent higher than in fiscal year 2015. District officials stated that they do not want to make any further changes because they do not want to hinder their programs. However, the District's per pupil administrative costs remain almost twice that of the peer districts' average and resulted in the District spending just 38.6 percent of its total operating dollars on instruction in fiscal year 2019, while the peer districts averaged 51.5 percent. If the District reduced its administrative spending, it would free up dollars that could be used on instruction, such as to increase teacher salaries or to purchase instructional materials, or other District priorities.</p>
<p>2. The District should ensure that it requires an independent review and approval for all its credit card purchases prior to the purchases being made.</p>	<p><b>Implemented at 12 months</b></p>
<p>3. The District should implement and enforce stronger password requirements related to password length, complexity, and expiration and not maintain any lists containing users' passwords.</p>	<p><b>Implemented at 6 months</b></p>

**Recommendation****Status/Additional Explanation**

4. The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their work.

**Not implemented**

We reviewed the District's January 2020 accounting system user access report and found that 19 users still had more access to the system than was necessary to perform their job duties. Granting such broad access exposes the District to a greater risk of errors and fraud, such as processing false invoices or adding and paying nonexistent vendors or employees, and should be remedied.

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

**Implemented at 24 months**

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

**Implementation in process**

Since the audit year, the District has implemented a process for removing terminated employees' computer network and systems access. We reviewed January 2020 user access reports and March 2020 network and system screen shots and found that the District had disabled all computer network and accounting system user accounts linked to employees who no longer work for the District. However, we found 8 terminated employees with active student information system accounts. The District should ensure it follows its process for removing terminated employees' access to all District systems to reduce the risk of unauthorized persons gaining access to sensitive student information.

7. The District should implement a more secure, up-to-date wireless network encryption technology.

**Implemented at 24 months**

8. The District should create a formal information technology (IT) contingency plan and test it periodically to identify and remedy deficiencies.

**Implemented at 24 months**

9. The District should store backup drives in a secure location, separate from its server.

**Implemented at 12 months**

**Recommendation**

**Status/Additional Explanation**

**FINDING 2: District’s excess building space and higher staffing resulted in higher costs**

1. The District should review the use of space at its schools and determine and implement ways to reduce identified excess space.

**Not implemented**

According to District officials, no modifications have been made to the District’s excess space because they feel that enrollment has been steadily increasing. However, as stated earlier in the status for Finding 1 Recommendation 1, the District experienced a decline of 188 students, or 15 percent, between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data). This resulted in the District operating its schools at just 37 percent of their total designed capacity, even lower than the 44 percent of capacity during the audit year. Because the District’s funding is based primarily on its number of students and not on its amount of square footage, the District should address this issue to allow it to free up dollars that could be spent on instruction or other District priorities.

2. The District should review its plant operations custodial staffing levels and determine and implement ways to reduce plant operations costs.

**Not implemented**

Between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data), the District increased its total plant operations spending by over \$867,000, or 32 percent. Further, we reviewed the District’s fiscal year 2019 custodial staffing levels and found that they remained the same as fiscal year 2015 levels. Additionally, the District’s fiscal year 2019 plant operations costs per square foot and per pupil continued to be substantially higher than the peer districts’ averages. Similar to its excess space, the District should address this issue to allow it to free up dollars that could be spent on instruction or other District priorities.

**FINDING 3: District had high transportation program costs and needs to improve oversight**

1. The District should review its transportation employee salary and benefit costs and determine and implement ways to reduce transportation costs, including looking for ways to reduce bus driver nonproductive time, such as finding other duties for these individuals to perform when they are not driving buses. In addition, the District should also look for ways to reduce overtime, such as staggering bus drivers’ schedules so that drivers performing early-morning routes do not also perform late-afternoon routes or using a combination of full-time and part-time bus drivers to complete daily routes.

**Implemented at 24 months**

Since fiscal year 2015, the audit year, the District has taken several steps to reduce its transportation costs, including staggering transportation employees’ schedules, which reduced overtime payments by 39 percent, and reducing the number of transportation employees by almost 4.5 full-time equivalent positions. As a result, the District’s fiscal year 2019 transportation costs were about \$195,000, or 12 percent, lower than in fiscal year 2015.

**Recommendation****Status/Additional Explanation**

2. The District should develop and follow a formal preventative maintenance policy that meets the State's Minimum Standards and includes the maximum number of miles and the maximum amount of time a bus can travel before it receives preventative maintenance services. Additionally, the District should ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with its formal policy.

**Not implemented**

Since the audit, the District implemented new preventative maintenance schedules and forms but has yet to formalize its policies. Additionally, according to District officials, the District implemented software to track bus preventative maintenance, but not all pertinent employees have been trained to properly utilize the software. We reviewed preventative maintenance records for a sample of 4 buses and determined that all 4 buses exceeded the District's maximum number of days between services based on its informal policy. District staff did not record the 4 buses' odometer readings when they performed preventative maintenance services. Therefore, we could not determine if the buses met or exceeded the District's maximum mileage between services based on its informal policy. However, given the number of days in between services and the number of total miles each bus traveled in fiscal year 2019, it seems likely that all 4 buses also exceeded the District's maximum number of miles between services as well. Conducting systematic and timely preventative maintenance on its buses is important to ensure bus passengers' safety, extend the useful life of District buses, and ensure the District complies with the State's Minimum Standards.