

RAY UNIFIED SCHOOL DISTRICT #3
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Dr. Robert W. Dunn, Superintendent and High School Principal

Ms. Rochelle Pacheco, Primary Principal

Mr. Curt Cook, Elementary Principal

August 13, 2012

Ms. Debra K. Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

The purpose of this letter is to respond to your letter dated August 1, 2012 regarding the Ray Unified School District Performance Audit. A meeting has been conducted with all employees that were affected by this audit. They included Dr. Robert Dunn, Superintendent/High School Principal, Joanne Warren, Business Manager, Rochelle Pacheco, Primary School Principal, Curt Cook, Elementary School Principal, Oscar Gonzalez, Technology Director, Karla Luedke, Accounts Payable/Payroll Clerk, Peter Celis, Maintenance Director, and Jim McDowell, Transportation Director.

On the pages that follow we have addressed each recommendation that is included in the report. We would like to extend our appreciation to the Auditor General's staff for their sensitivity to our District's deficiencies. Please rest assured that I and all other employees affected by this report will make every effort to implement those recommendations that have been cited.

If you should have any questions regarding our responses, please do not hesitate to contact me.

Kindest regards,

Dr. Robert W. Dunn
Superintendent

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Responses to the Findings and Recommendations

Finding 1

Poor controls over important operations allowed fraudulent and inappropriate activities to occur without timely detection.

- Lax control environment allowed falsified bus driver drug test results to go undetected.

Response: The District agrees with this finding. We have already initiated steps that will allow for increased oversight and controls for quick detection of fraud and abuse. Currently, drug test results are sent directly to the district office and will be opened by two employees who are not directly involved in transportation. The Transportation Director has contacted the Department of Public Safety to report the falsified drug test results.

- Employee personally profited from sale of district surplus property.

Response: The District agrees with this finding. We will strengthen our current policy which will be provided at the August 16, 2012 meeting. This will include having employees notify designated district officials when they identify items that could be declared as surplus property. In addition, it will specify that employees would not personally take, keep, or sell any district property unless designated district officials having determined it is allowable based on the requirements of Arizona Code or 7-2-11-31. The new policy will be distributed to all current and future employees to make them aware of the district's surplus property policy.

- Poor controls over District keys and building access further increases the District's risk of theft, fraud, and misuse.

Response: The District agrees with this finding. All employees will be required to sign user agreements acknowledging their understanding of the policy and its provisions. The user agreement will include consequences, e.g. disciplinary action or dismissal. A procedure will be put in place for insuring that keys are collected from employees when they leave District employment. District officials will evaluate if and when it would be appropriate to allow an individual sole access to an office and limit such as much as possible.

For your information, the computer housing the energy management software is now accessible to the maintenance director, technology director, superintendent, and business manager. In addition, the District currently numbers all keys produced. A key distribution log will be established at each site with a master log located at the district office and at the maintenance director's office.

The District will strengthen its policy prohibiting the accessing of pornographic material on District computers or its network. This policy will also include consequences, e.g. disciplinary action or dismissal for those employees who violate this policy. District employees will be required to sign a statement indicating that they understand the policy and its provisions.

Responses to the Findings and Recommendations

Finding 2

Inadequate computer controls increase risk of errors and fraud.

- Increased risk of unauthorized access to critical systems

Response: The District agrees with this finding. The District understands the auditor's recommendation regarding employee access to the accounting system. However, with only two full time employees in the District Office it would be difficult for each employee to only have access to the information to meet their job responsibilities. In addition, the District has always cross trained employees to safe guard against the possibility that if either employee would be absent for an extended period of time the job responsibilities of the employee absent could be performed by the other employee. This is especially true if the accounts payable/payroll clerk would be absent, since many of her duties are time sensitive. Compensating controls have been implemented to correct this finding: (a) a second and third review of all payroll and accounts payable warrants issued including a *system generated listing*, which cannot be filtered or altered, for each voucher that details all warrants paid; (b) all requisitions are reviewed and signed by the Superintendent and Business Manager; (c) a part time clerk reviews and initials the listing of every payroll and accounts payable warrant issued by the district to ensure that there are no pseudo employees or vendors paid.

- Weak password requirements

Response: The District agrees with this finding. The Technology Director sent an email to all district employees on August 9, 2012. He has directed all staff that they will be required to change their password to at least 8 alphanumeric characters for Windows and SchoolMaster, beginning August 13, 2012. Besides 8 alphanumeric characters, the password may not contain your full or partial name, the password cannot be one used in the past 5 changes, and the password will expire every one hundred eighty days.

- Lack of disaster recovery plan could result in interrupted operations or loss of data.

Response: The District agrees with this finding. The District is in the process of revising the disaster recovery plan and assigning responsibilities to key personnel, including a flow chart. The recovery plan will integrate the practice of running the verification tool for all the backups to ensure all the files in the backup are physically intact, readable, and can be restored in the event the recovery is needed due to hardware failure. The backups will be tested on a monthly basis to ensure that the integrity of the data is intact. The District will deploy an additional server to hold replicas of all the virtual machines to use in the case of hardware failure to ensure business continuity. Additional software is being considered to allow the District to verify the integrity of the backup.

Responses to the Findings and Recommendations

Finding 3

Transportation program did not meet all state requirements.

- District did not conduct drug testing according to *Minimum Standards*.

Response: The District agrees with this finding. Procedures for drug testing transportation employees have been implemented. The District Superintendent receives from Hire Right those individual(s) who must be randomly screened. The Superintendent informs the Transportation Supervisor of those name(s). The Transportation Supervisor schedules those employees to be tested with the District Nurse. The nurse completes the screening and forwards to the District Superintendent the Federal Drug Testing Custody and Control Form. A copy of this form is then given to the Transportation Supervisor. Hire Right sends the drug test results via fax to the District Superintendent. The District fax machine is in a secure location. This process is followed for all transportation employees for their pre-employment or annual tests, except that the process is initiated by the Transportation Supervisor.

- District lacked proper preventative maintenance documentation

Response: The District agrees with this finding. The Transportation Director has developed a computer check list to document preventative maintenance/routine maintenance on all buses.

See attached Corrective Action Plan

Corrective Action Plan

Area	Corrective Action
Bus driver drug testing results	All current drivers to be tested immediately Notify Department of Public Safety that drug tests were falsified Drug test results will go directly to Dr. Dunn from Hire Right and not to the Transportation Director
Sale of Surplus Property	Strengthen current surplus property policy (DN, D-3350). Distribute new surplus property policy to all employees
District Keys	Create an agreement form to be signed by all employees who have been assigned a key(s) Create a Key Control Procedure Key log to be kept at each site and a master log to be kept in the District Office
Technology Resources	Strengthen current Use of Technology Resources in Instruction Policy (IJNDB-E, I-6431) Distribute new User Agreement to all employees and track that forms are signed and returned to the District Office by each employee
Access to Critical Systems	Implement controls to prevent creation of a pseudo vendor or employee
Password Requirements	System passwords must be strengthened to deter unauthorized use of critical systems
Disaster Recovery Plan	Revise the disaster recovery plan to include a procedure for back up that defines critical resources/applications and defines the responsibilities of key personnel. Develop a flow chart detailing the responsibilities of key personnel. Purchase software to allow the Technology Director to verify the integrity of the backup.
Proper PM on all District Vehicles.	Document PM on District vehicles and log all such work