

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Ray Unified School District's student achievement was similar to peer districts' but mostly lower than state averages. The District operated efficiently, with administration, plant operations, food service, and transportation per-pupil costs that were similar to, or lower than, peer districts'. However, weak controls in several areas have created an environment in which some fraudulent and inappropriate activities have occurred in recent years. As a result, the District needs to strengthen controls over its bus driver drug testing, surplus property disposition, and building access. In addition, the District needs to strengthen its computer controls and ensure that its transportation program meets all state requirements.



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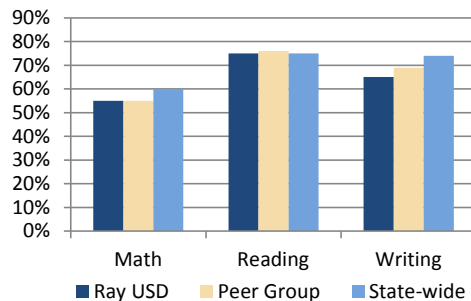
August • Report No. 12-11

Similar student achievement and efficient operations

Student achievement similar to peer averages—In fiscal year 2010, Ray USD's student AIMS scores for math and reading were similar to peer districts', and its writing score was slightly lower. In addition, two of the District's three schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, and the District's 89-percent high school graduation rate was higher than the 80-percent peer district average and 78-percent state average.

District operated efficiently—In fiscal year 2010, Ray USD's administrative costs were similar to peer districts'. Further, the District's plant operations and food service program operated efficiently with lower costs than peer districts'. The District's plant operations costs were lower because the District employed fewer plant staff and had lower energy costs. The District's food service costs were lower because it served fewer meals and had lower supply costs. Lastly, the District's transportation program was reasonably efficient with lower costs per mile and efficient bus routes.

**Percentage of Students Who Met or Exceeded State Standards (AIMS)
 Fiscal Year 2009**



**Comparison of Per-Pupil Expenditures by Operational Area
 Fiscal Year 2009**

Per Pupil	Ray USD	Peer Group Average
Administration	\$1,422	\$1,447
Plant operations	1,145	1,473
Food service	368	428
Transportation	444	468

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

The District allowed one employee complete control over certain aspects of district operations without any oversight, and this employee took advantage of the lax control environment. Specifically, the employee admitted to falsifying bus driver drug test results and selling district surplus property for his own financial gain.

However, the lack of oversight and controls provided the opportunity for the employee to falsify drug test results. We identified five altered drug test results during our audit work. After we notified officials of the falsified drug test results, the employee admitted to falsifying two of the five test results, and he resigned from district employment.

Falsified drug test results—To meet the bus driver drug testing requirements found in the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*, the District allowed one employee to control an in-house drug-testing process from start to finish.

Employee personally profited from sale of surplus property—This same employee also circumvented the District's surplus property policy when he sold parts from the District's old energy management system that was being

replaced. The employee removed the parts from the old system that were still working and sold them on the Internet and through other means. After we notified the District of this inappropriate sale, the employee admitted to receiving and keeping for himself approximately \$4,000 for the parts he sold. The employee also admitted to a prior incident of taking and selling copper from district buildings that were being renovated and receiving about \$3,000 from the sale of the copper.

Poor controls over building access—The District also lacked oversight and controls over its process for producing, distributing, and tracking keys for district buildings to ensure that only authorized employees are given keys. Specifically, one employee is responsible for producing, numbering, distributing, and tracking all keys without oversight. Also, employees receiving keys are not required to sign user agreements and there is no procedure in place for ensuring that keys are collected from employees leaving district employment. Further, we identified at least one district office that was accessible to only one employee. Allowing one

employee to have sole access to a secluded office increased the risk of improper behavior, fraud, theft, or abuse. In fact, we found that pornographic images had been viewed on the computer kept in that office.

Recommendations—The District should:

- Provide increased oversight and controls over its in-house bus driver drug testing process and contact the Department of Public Safety to report the falsified drug tests.
- Strengthen its surplus property policy and disseminate the policy to all current and future employees to ensure they are aware of its provisions.
- Implement controls over its process for producing and distributing keys to district buildings.
- Strengthen its policy prohibiting the accessing of pornographic material on district computers or its network and require employees to sign a statement indicating they understand the policy and its provisions.

Inadequate computer controls

Ray USD lacks adequate controls over its accounting system and computer network. Three district employees have more access to the accounting system than is needed to perform their job duties. Although no improper transactions were detected in the sample we tested, access beyond that which is necessary to perform job functions exposes the District to increased risk of fraud and errors. In addition, the District needs to strengthen password requirements for its computer network and create a formal disaster recovery plan.

Recommendations—The District should:

- Limit employees' access to only those accounting system functions needed to perform their work.
- Increase the complexity requirements of computer passwords.
- Create and implement a formal disaster recovery plan.

Transportation program did not meet all state requirements

The State's *Minimum Standards* require districts to conduct annual drug tests as well as random drug and alcohol tests of bus drivers. However, in fiscal year 2010, eight of the District's nine bus drivers did not receive annual drug testing, and no drivers were randomly tested for drug use. In addition, the District is required to demonstrate that its school buses receive systematic preventative maintenance and inspections. Although the District maintained records of oil changes, it did not maintain

documentation to show whether other preventative maintenance activities were performed.

Recommendations—The District should:

- Ensure that annual and random bus driver drug testing is performed according to state standards.
- Develop and implement a checklist to document preventative maintenance.