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May 7, 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 Red Mesa Unified School District's implementation status for the 16 audit recommendations presented in the performance audit report released in January 2018. As the attached grid indicates:

- 6 recommendations have been implemented.
- 7 recommendations are in the process of being implemented.
- 3 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 January 2018 performance audit.

Sincerely,
Vicki Hanson, Director
Division of School Audits

cc: Governing Board
Mr. Robert Tollefson, Superintendent
Red Mesa Unified School District

RED MESA UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued January 2018 24-Month Follow-Up Report

| Recommendation | Status/Additional Explanation |
|---|---|
| FINDING 1: District had much higher administrative costs and lacked adequate accounting and computer controls | |
| 1. The District should review its administrative positions and related duties and determine and implement ways to reduce administrative costs. | <p>Implementation in process</p> <p>Between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data), the District reduced its total administrative costs by almost \$521,000, or 25 percent. Although the District did not provide any details or documentation of the number of administrative positions it eliminated, the District reduced its total administrative salary and benefit costs by almost \$422,000, or 27 percent, between fiscal years 2015 and 2019. However, the District's number of students also declined by 242 students, or 35 percent, during this time. This resulted in per pupil administrative costs that were higher in fiscal year 2019 than in the audit year and resulted in the District spending just 33.9 percent of its total operating dollars on instruction in fiscal year 2019. Further, the District's per pupil administrative costs remain almost twice its peer districts' average. Therefore, the District should continue to review and reduce its administrative spending, which would free up dollars that could be used on instruction, such as increasing teacher salaries or purchasing instructional materials, or other District priorities.</p> |
| 2. The District should ensure that terminated employees are removed from the payroll system in a timely manner to prevent inappropriate payments. | Implemented at 12 months |
| 3. The District should seek legal counsel to determine whether overpayments made to the terminated employee should be recovered. | Implemented at 12 months |
| 4. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts. | Implemented at 12 months |

Recommendation

Status/Additional Explanation

5. The District should implement and enforce stronger password requirements related to password length, complexity, and expiration and not maintain any lists containing users' passwords.

Implementation in process

The District has strengthened most of its network and system password requirements. However, the District did not provide information for us to evaluate all its password requirements. The District should ensure that all password requirements meet or exceed credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), to help protect it from unauthorized access to its network and systems.

6. 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 February 2020 accounting system user access report and found that although the District has made changes to some users' access, 4 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.

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

Not implemented

We reviewed the District's February 2020 user access reports and identified 50 network accounts with administrator-level access, which is many more than the 22 administrator-level network accounts we identified during the audit. It is important that the District reduce the number of users with administrator-level access to its network and systems because administrator-level access allows the user full control over the network or systems, including the ability to grant themselves full access to view and modify sensitive information in the systems.

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

Not implemented

District officials stated that the District has implemented a formal process to ensure that terminated employees have their computer and systems access promptly removed. However, the District did not provide us with the requested documentation needed to review this recommendation. At the 12-month followup, the District's network and systems still contained many user accounts linked to employees who no longer worked for the District. 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 and District information.

| Recommendation | Status/Additional Explanation |
|--|---|
| 9. The District should ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attacks by limiting their use and/or remove the network access to these servers. | Implemented at 12 months |
| 10. The District should implement a more secure, up-to-date wireless network encryption technology. | Implemented at 24 months |
| 11. The District should review its contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies. Additionally, the District should store backup drives in a secure location, separate from its server. | <p data-bbox="873 573 1208 604">Implementation in process</p> <p data-bbox="873 604 1521 1029">The District’s contingency plan is still missing some key components, such as identifying the steps to be taken to restore critical systems, the order in which the critical systems are to be restored, and plans for continued business operations during a system outage. Additionally, according to District officials, the District is currently in the process of upgrading its back-up storage server, which will allow back-ups to be stored off site. The District should continue to review its contingency plan to ensure it is complete and test its plan periodically to ensure that all responsible individuals know their roles and that the District is able to restore systems timely in the event of a system outage or disruption.</p> |

FINDING 2: Much higher plant costs due to excess space, high energy costs, and higher staffing

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|---|---|
| 1. The District should review the use of space at each of its schools and determine and implement ways to reduce identified excess space. | <p data-bbox="873 1171 1208 1203">Implementation in process</p> <p data-bbox="873 1203 1521 1848">Between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data), the District added 32,907 square feet of building space, most of which was for a new career and technical education building. During this time, the District’s number of students declined by 242 students, or 35 percent. This resulted in the District operating and maintaining even more square footage per student than during the audit year. District officials reported that the District recently closed a classroom building at its high school and is considering closing additional space in the future. Additionally, District officials reported that the District demolished some of its buildings, but they are in the process of working with the School Facilities Board to update the District’s building list. Because the District’s funding is based primarily on its number of students and not on its amount of square footage, the District should continue to review its building space and implement ways to reduce identified excess space, which would allow it to free up dollars that could be spent on instruction or other District priorities.</p> |
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Recommendation**Status/Additional Explanation**

2. To help reduce its energy costs, the District should monitor its energy usage and develop and implement a comprehensive energy conservation plan that identifies ways to lower energy usage at each of its schools based on each school's specific facilities and equipment.

Implementation in process

Between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data), the District reduced its total energy costs by \$96,000, or 18 percent. According to District officials, the District has taken steps to assess its energy usage and facilities and equipment, such as hiring a consultant and vendors to develop an energy-usage strategic plan; evaluate the District's lighting, heating and cooling equipment, windows, and roofing; and implement ways to reduce its energy usage. However, because the District hired a consultant and paid other vendors to help it assess and reduce its energy costs, the District's fiscal year 2019 purchased services costs increased, which limited its total plant cost savings. Similar to its excess space, the District should continue to address this issue to allow it to free up dollars that could be spent on instruction or other District priorities.

3. The District should review its plant operations maintenance and security positions and determine and implement ways to reduce plant operations costs.

Implementation in process

Between fiscal years 2015 (the audit year) and 2019 (the most recent year for complete data), the District reduced its total plant salary and benefit costs by over \$135,000, or 16 percent. According to District officials, the District has eliminated some security positions, it is not filling vacated maintenance and custodial positions, and it has lowered some plant position requirements and salary ranges. However, as discussed in Finding 2, Recommendation 2, the District hired a consultant and paid other vendors to help it assess and reduce its energy costs, which offset the savings it achieved from reducing its salary and benefit costs. Further, the District's fiscal year 2019 salary and benefit costs remain much higher than its peer districts' average. Similar to its excess space and high energy costs, the District should continue to address this issue to allow it to free up dollars that could be spent on instruction or other District priorities.

Recommendation**Status/Additional Explanation****OTHER FINDING 1: District did not always perform bus preventative maintenance in a timely manner**

1. The District should develop a formal preventative maintenance policy and schedule, including the specific procedures to be performed during preventative maintenance services, and ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its policy and the State's Minimum Standards.

Implementation in process

The District has implemented a formal bus preventative maintenance policy, which requires preventative maintenance activities to be performed on each school bus every July and December or every 5,000 miles, whichever comes first. In addition, the District has implemented preventative maintenance checklists and work orders. However, we were not able to assess whether the District is conducting preventative maintenance in accordance with its policy because we did not receive sufficient documentation from the District to make this determination. 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.

OTHER FINDING 2: District did not follow all requirements for its English Language Learner (ELL) program

1. The District should ensure that it submits and follows an approved corrective action plan that corrects all deficiencies in its ELL program.

Implemented at 24 months

In October 2019, the Arizona Department of Education (ADE) visited the District to monitor its ELL program. Based on ADE's findings from that visit, the District developed a corrective action plan that ADE determined meets statutory requirements. ADE will visit the District again in fiscal year 2021 to determine whether the District has corrected its ELL program deficiencies.