



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# St. David Unified School District

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December • 2014  
Report No. 14-208



**Debra K. Davenport**  
Auditor General

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OFFICE OF THE  
**AUDITOR GENERAL**

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December 15, 2014

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
St. David Unified School District

Mr. Mark Goodman, Superintendent  
St. David Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the St. David Unified School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport  
Auditor General

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

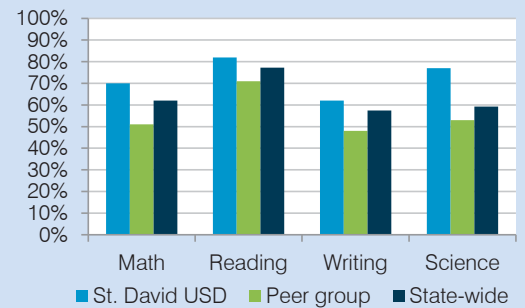
## Much higher student achievement and reasonably efficient operations

### Our Conclusion

In fiscal year 2012, St. David Unified School District's student achievement was much higher than peer districts', on average, and the District was reasonably efficient in most operational areas. The District's administrative costs were much lower than peer districts', but the District lacked sufficient accounting and computer controls. The District's plant operations and transportation program were reasonably efficient overall. However, the District needs to accurately determine and report to the Arizona Department of Education its bus ridership information to help ensure the District is properly funded and to allow it the ability to calculate and monitor rider-based transportation performance measures. The District's food service program was inefficient, with a cost per meal that was much higher than the peer districts' average primarily because of overstaffing and inefficient purchasing practices. As a result, the District spent \$44,110 of its Maintenance and Operation Fund monies to subsidize the program.

**Student achievement much higher than peer districts'**—In fiscal year 2012, St. David USD's student AIMS scores were higher than peer district averages in the four tested areas. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B, while most of its peer districts received Cs. Further, the District's 100 percent graduation rate was much higher than the peer districts' 81 percent average and the State's 77 percent average.

Percentage of students who met or exceeded state standards (AIMS)  
Fiscal year 2012



**District's operations were reasonably efficient in most areas**—In fiscal year 2012, St. David USD's operations were reasonably efficient in most areas. The District's administrative and plant operations costs per pupil were much lower than peer districts', on average, because it employed fewer administrative positions and maintained substantially less building space per student. Additionally, although the District's transportation cost per mile was much higher than the peer districts' average, the program was reasonably efficient for its size. However, the District's food service program operated inefficiently, with a much higher cost per meal because of higher staffing levels and inefficient purchasing practices.

Comparison of per pupil expenditures by operational area  
Fiscal year 2012

	St. David USD	Peer group average
Administration	\$1,171	\$1,487
Plant operations	967	1,438
Food service	365	454
Transportation	346	510

## District lacked sufficient accounting and computer controls

**Poor controls over payroll processing and cash collections**—The District had an increased risk of errors and fraud because it lacked adequate controls over payroll processing and cash collections. For example, the District did not always properly review and approve employee timesheets, did not always have documentation supporting extra duty pay for employees, and did not always have documentation such as cash receipt forms or cash collection reports to help ensure all monies received were properly accounted for.

**Inadequate computer controls**—The District lacked adequate controls over user access to its computer network and systems. More specifically, three of the District's



2014

four accounting system users had more access to the accounting system than they needed to perform their job duties. Additionally, the District allowed network, accounting system, and student information system passwords to be short and did not require passwords to contain numbers or symbols. The District also did not require network and student information system users to periodically change their passwords. Lastly, the District's main server room was located in an area that was accessible to custodial and other noninformation technology staff, which increased the risk of network interruption due to intentional or accidental equipment damage.

### Recommendations

The District should:

- Implement proper controls over payroll processing and cash collections.
- Modify employee access to its accounting system to ensure that an employee cannot initiate and complete a transaction without independent review and approval.
- Implement and enforce stronger password controls.
- Limit physical access to its computer server room.

### Improvements needed to lower District's food service costs

In fiscal year 2012, St. David USD's \$4.22 cost per meal was 32 percent higher than peer districts', on average, primarily because the District had higher staffing levels and inefficient purchasing practices. As a result, the District had to subsidize the program's costs with \$44,110 that otherwise potentially could have been spent in the classroom. In fiscal year 2014, the District began taking steps to help reduce its food service costs through better purchasing practices and better monitoring, which helped lower the District's cost per meal to \$3.71. However, this amount was still much higher than the peer districts' \$3.19 average cost per meal in fiscal year 2012.

### Recommendations

The District should:

- Review food service staffing levels to determine if changes can be made to produce cost savings.
- Continue to identify and implement additional cost savings measures.

### District misreported number of riders for transportation funding

St. David USD incorrectly reported its fiscal year 2012 ridership to the Arizona Department of Education by reporting the number of students eligible for transportation rather than the number of students actually transported as required by Arizona Revised Statutes §15-922. Although the District's inaccurate rider counts did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. This would also give the District the ability to calculate and use rider-based performance measures, such as cost per rider and bus capacity utilization, to evaluate its routes and program efficiency.

### Recommendation

The District should determine and report the actual number of students transported as required by statute for funding purposes.

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## District Response

### Table

- 1 Comparison of per pupil expenditures by operational area  
Fiscal year 2012  
(Unaudited)

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### Figure

- 1 Percentage of students who met or exceeded state standards (AIMS)  
Fiscal year 2012  
(Unaudited)

1

# DISTRICT OVERVIEW

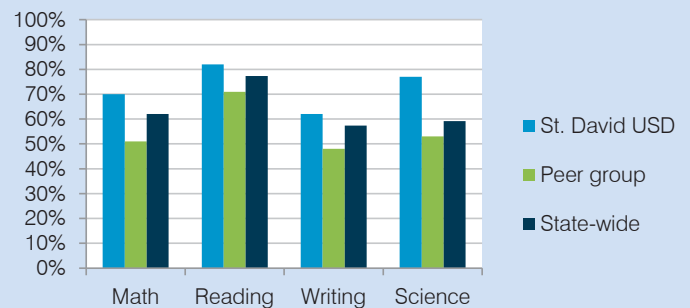
St. David Unified School District is a small, rural district located about 55 miles southeast of Tucson in Cochise County. In fiscal year 2012, the District served 425 students in kindergarten through 12th grade at its two schools located on the same campus.

St. David USD's fiscal year 2012 student achievement was much higher than the peer districts' and state averages, and its operations were reasonably efficient in most areas.<sup>1</sup> However, the District's food service program was inefficient, with a cost per meal that was much higher than the peer districts' average. In addition to taking steps to lower its food service costs, the District should strengthen its accounting and computer controls and improve its transportation program oversight.

## Student achievement much higher than peer districts'

In fiscal year 2012, 70 percent of the District's students met or exceeded state standards in math, 82 percent in reading, 62 percent in writing, and 77 percent in science. As shown in Figure 1, the District's reading and writing scores were higher than the peer districts' averages, and its math and science scores were much higher. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, St. David USD received an overall letter grade of B for fiscal year 2012. Of the 15 districts in the student achievement peer group, 4 other districts also received a B letter grade, 9 districts received a C letter grade, and 2 districts receive a D letter grade. Further, the District's 100 percent graduation rate in fiscal year 2012 was much higher than the peer districts' 81 percent average and the State's 77 percent average.

**Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2012 (Unaudited)**



Source: Auditor General staff analysis of fiscal year 2012 test results on Arizona's Instrument to Measure Standards (AIMS).

## District's operations were reasonably efficient in most areas

As shown in Table 1 on page 2, and based on auditors' review of various performance measures, in fiscal year 2012, St. David USD operated in a reasonably efficient manner in most operational areas. The District spent \$1,583 less per pupil overall than its peer districts, primarily because it received less federal grant monies because of its slightly lower poverty rate and less Maintenance and Operation Fund monies because it transported students fewer miles.

<sup>1</sup> Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.



**Table 1: Comparison of per pupil expenditures by operational area  
Fiscal year 2012  
(Unaudited)**

Spending	St. David USD	Peer group average	State average
Total per pupil	\$8,289	\$9,872	\$7,475
Classroom dollars	4,589	4,866	4,053
Nonclassroom dollars			
Administration	1,171	1,487	736
Plant operations	967	1,438	928
Food service	365	454	382
Transportation	346	510	362
Student support	699	636	578
Instruction support	152	481	436

Source: Auditor General staff analysis of fiscal year 2012 Arizona Department of Education student membership data and district-reported accounting data.

Much lower administrative costs, but controls need strengthening—St. David USD’s administrative costs were much lower per pupil than the peer districts averaged—\$1,171 compared to \$1,487, primarily because it employed fewer administrative staff. Despite its lower administrative costs, the District should strengthen controls over its payroll, cash handling, and computer systems and network (see Finding 1, page 3).

Mixed plant operations costs—Compared to peer district averages, St. David USD’s fiscal year 2012 plant operations costs were 30 percent higher per square foot but 33 percent lower per student. The District was able to spend less per student despite a higher cost per square foot because it maintained 48 percent less building space per student. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs per square foot, likely due to higher usage levels. For example, having more students per square foot likely increases the maintenance and janitorial needs of that

space and would potentially require more energy to heat and cool the space. Auditors observed the District’s facilities and plant operations activities and did not identify any overstaffing, unusually high salaries, or excessive or unneeded heating or cooling of buildings.

Inefficient food service program—St. David USD’s food service program operated inefficiently with a much higher cost per meal than peer districts, on average. The District’s \$4.22 cost per meal was 32 percent higher than the peer districts’ \$3.19 average. Despite its higher cost per meal, St. David USD spent 20 percent less per pupil on its food service program than peer districts, on average, but only because it served 40 percent fewer meals per pupil than peer districts, on average. The District’s higher cost per meal was caused, in part, by its higher staffing levels and inefficient purchasing practices. Largely because of these higher costs, the District had to subsidize the program with \$44,110 that otherwise potentially could have been spent in the classroom (see Finding 2, page 7).

Higher transportation costs per mile but program reasonably efficient—St. David USD’s \$3.34 cost per mile was 35 percent higher than the peer districts’ average of \$2.47. Costs were higher in part because the District drove fewer total miles than the peer districts’ average, and therefore certain costs, such as the program director’s salary, were spread over fewer miles when calculating a cost per mile. In addition, auditors reviewed and observed the District’s three bus routes and determined that routes operated in different areas of the District and could not be combined to reduce costs. Also, the transportation director, who oversaw program operations and was the District’s mechanic, was the only full-time transportation employee. Other performance measures, such as cost per rider and bus capacity utilization, could not be calculated because the District’s rider counts were inaccurate. Although the District’s inaccurate rider counts did not affect its transportation funding, the District should ensure it meets state reporting requirements by accurately reporting the actual number of students transported. In addition, the District lacked sufficient controls over its fuel inventory (see Finding 3, page 9).

# FINDING 1

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## District lacked adequate accounting and computer controls to protect it from errors and fraud

In fiscal year 2012, St. David USD lacked adequate controls over payroll, cash handling, and its computer systems and network. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors, fraud, and misuse of sensitive information. Additionally, the District did not accurately report its costs on its *Annual Financial Report*.

### Inadequate accounting controls increased risk of errors and fraud

St. David USD lacked adequate controls over payroll processing, which exposed the District to increased risk of errors and fraud, and resulted in some incorrect and unsupported payments in fiscal year 2012. Further, the District did not maintain sufficient documentation to support cash collections.

**Some employees paid without extra duty approvals**—Auditors reviewed detailed payroll and personnel records for 30 employees who received payments in fiscal year 2012 and found that 8 of the 24 employees who received extra duty pay received at least one payment that did not have any supporting documentation showing that the additional duties and pay were approved prior to services being rendered. For example, 4 employees earned a total of \$6,645 for providing services related to an intergovernmental agreement without documentation of prior approval for the additional duties or pay. To help ensure that all pay is properly authorized and employees are paid correctly, the District should document additional duties and related pay in the employees' contracts or personnel/payroll action forms and ensure that these documents are properly approved prior to payment as required by the *Uniform System of Financial Records for Arizona School Districts*. This documentation should be maintained in employees' personnel files.

**Employee time sheets not reviewed**—The District's hourly employees prepared biweekly time sheets that supervisors were then supposed to review and approve before submitting them to payroll for processing. However, auditors reviewed one pay period's time sheets for ten employees who worked in fiscal year 2012 and found that all ten employees' time sheets lacked any evidence that supervisors reviewed and approved them.

**Employee payments not always accurate**—Auditors reviewed detailed payroll and personnel records for 30 employees and found that the District underpaid 1 employee. Specifically, the District miscalculated the total pay for an employee who had taken a leave of absence during the year, resulting in the employee's being underpaid by \$543.

**Controls over cash collections were insufficient**—In fiscal year 2012, the District collected cash for various purposes, including student activities, extracurricular activities, and student course fees. The majority of these monies were received at the high school principal's office. Auditors reviewed 22 fiscal year 2012 cash deposits totaling almost \$10,300 and found that the District did not have proper controls in place to ensure that it properly accounted for all monies received. Specifically, auditors found that 15 of the 22 deposits reviewed did not have documentation supporting the accuracy of the deposited amounts, such as cash receipt forms or cash collection reports to document cash collected and items sold. In addition, although cash should be deposited at least weekly, auditors found that 13 of the 22 deposits included monies that the District received more than 7 days prior to when they were actually deposited. Without proper controls, the District cannot ensure that all cash received was deposited or that cash was deposited in a timely manner. Because of the high risk for loss, theft, and misuse associated with cash transactions, the District should establish and maintain effective internal controls to safeguard cash.

## Inadequate computer controls increased the risk of errors, fraud, and loss of data

St. David USD lacked adequate controls over its computer systems and network. Although no improper transactions were detected, these poor controls exposed the District to an increased risk of errors, fraud, and loss of data.

**Broad access to accounting system**—Auditors reviewed the District's user access report for all four users with access to the accounting system and found that three district users had more access to the accounting system than they needed to perform their job duties. Two of these employees had full system access giving them the ability to perform all accounting system functions without an independent review and approval. Although auditors detected no improper transactions in the 30 employee payroll and personnel records and the 30 accounts payable transactions reviewed, granting employees system access beyond what is required to fulfill job responsibilities, especially full system access, exposes the District to increased risks of errors, fraud, and misuse, such as processing false invoices or adding nonexistent vendors or employees. The District should review and further restrict its employees' access to the computerized accounting system to ensure that no single employee has the ability to initiate and complete a transaction without independent review and approval.

**Weak password requirements**—The District's password requirements for access to its network and systems need strengthening. Passwords for the District's network, accounting system, and student information system lacked complexity requirements—that is, passwords can be short and need not contain numbers and symbols. Additionally, the District's network and student information system users were not prompted to periodically change passwords. Common practice requires passwords to be at least eight characters, contain a combination of alphabetic and numeric characters, and be changed every 90 days. These practices would decrease the risk of unauthorized persons' gaining access to the network and systems.

Physical access to IT server room was not limited—The District did not sufficiently protect its main server room. The District maintained its server in a small room that was used as the IT director’s office. The room was also accessible to custodial workers and other non-IT staff, which increased the risk of network interruption due to intentional or accidental equipment damage.

Lack of disaster recovery plan could result in interrupted operations or data loss—St. David USD did not have a written, up-to-date, and tested disaster recovery plan even though it maintained critical student and accounting information on its network and systems. A written and properly designed disaster recovery plan would help ensure continued operations in the case of a system or equipment failure or interruption. The plan should include detailed information on how systems could be restored in such an event. As part of a disaster recovery plan, the District should also perform documented tests of its ability to restore electronic data files from data backups, which are important to ensure continuous accessibility to sensitive and critical data.

## District did not accurately report its costs

St. David USD did not consistently classify its fiscal year 2012 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its *Annual Financial Report* did not accurately reflect its costs, including both classroom and nonclassroom expenditures. Auditors identified classification errors totaling \$801,000 of the District’s total \$3.5 million of operational spending.<sup>1</sup> The dollar amounts shown in the tables in this report reflect the necessary adjustments.

## Recommendations

1. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.
2. The District should require supervisors to thoroughly review time sheets to help ensure that all employee pay amounts are accurate.
3. The District should establish and maintain effective internal controls to safeguard cash, including issuing receipts for all cash received and making deposits timely.
4. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.
5. The District should implement and enforce password requirements related to password length, complexity, and expiration.

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<sup>1</sup> Operational spending includes costs incurred for the District’s day-to-day operation. For further explanation, see Appendix page a-1.

6. The District should limit physical access to its IT server room so that only appropriate personnel have access.
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.
8. The District should classify all transactions in accordance with the *Uniform Chart of Accounts* for school districts.

# FINDING 2

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## Improvements needed and some taken to lower District's high food service costs

In fiscal year 2012, St. David USD's food service costs were much higher than peer districts', on average. Costs were high primarily because the District had higher staffing levels and inefficient purchasing practices. As a result, the District had to subsidize the program's costs with \$44,110 of Maintenance and Operation Fund monies that otherwise potentially could have been spent in the classroom. The District has begun taking steps to help lower its food service costs but costs remain high.

### Food service costs much higher than peer districts' average, resulting in need for program subsidy

In fiscal year 2012, St. David USD's cost per meal of \$4.22 was 32 percent higher than the peer districts' average of \$3.19 and 52 percent higher than the federal National School Lunch Program's (NSLP) \$2.77 reimbursement rate for students qualifying for free meals. NSLP reimbursements accounted for 55 percent of the District's food service program revenues in fiscal year 2012. The District's costs were high, in part, because it had higher staffing levels than the peer districts', on average. Further, the District's costs for food and other supplies were higher when compared to the peer districts' average because the District had some poor purchasing practices. These high costs led to the District's need to subsidize its food service program with \$44,110 in Maintenance and Operation Fund monies that otherwise potentially could have been spent in the classroom.

**Higher staffing levels**—The District's higher cost per meal was due, in part, to higher staffing levels. Specifically, St. David USD employed one food service full-time equivalent (FTE) position for every 13,377 meals produced, while, on average, the peer districts employed one FTE for every 17,956 meals produced.

**Poor purchasing practices resulted in higher food and supply costs**—The District's higher food costs were due, in part, to inefficient purchasing practices. In fiscal year 2012, in addition to purchasing food and supplies through a cooperative, the District also purchased these items from two vendors without going through a formal process to ensure that it was receiving the best price for the items purchased. Had it done so, the District may potentially have been able to obtain food and other supplies at prices that were more beneficial to the District. For example, auditors reviewed invoices from the two vendors and the purchasing cooperative, and determined that on average the District saved 7 percent when purchasing from the cooperative.

## District is taking steps to lower food service costs

During the audit, district officials stated they were aware of the high food service program costs and were beginning to make adjustments to the program to lower costs. Specifically, the District began purchasing food and supplies exclusively through the purchasing cooperative in fiscal year 2014, which they believe will result in lower costs. Further, district officials stated they were beginning to review their food choices and analyzing whether certain foods were less expensive to make from scratch or purchase ready-made. In addition, district officials stated that they were also beginning to calculate and monitor food costs per meal to help better ensure that costs were covered by revenues. Finally, the District's fiscal year 2014 meal prices were increased slightly to help cover costs. The District's efforts to lower its food service costs appear to be somewhat successful. In fiscal year 2014, the District spent a total of \$113,800 on its food service program, which is over \$41,000 less than it spent in fiscal year 2012. In addition, the District's fiscal year 2014 \$3.71 cost per meal was 51 cents lower than its fiscal year 2012 cost per meal but likely remains high considering peer districts' fiscal year 2012 \$3.19 average cost per meal.

## Recommendations

1. The District should review its food service staffing levels to determine if changes can be made to produce cost savings.
2. The District should continue to closely monitor its food service program to identify and implement any additional cost savings measures.

# FINDING 3

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## Improvements needed for transportation program recordkeeping and oversight

In fiscal year 2012, St. David USD did not accurately report all required information for state transportation funding purposes because it did not report the actual number of students transported. Further, the District lacked sufficient controls over its fuel inventory.

### District did not report actual riders as required for transportation funding

In fiscal year 2012, St. David USD incorrectly reported its ridership to the Arizona Department of Education (ADE) by reporting the number of students eligible for transportation rather than the number of students actually transported as Arizona Revised Statutes §15-922 requires. Transportation funding is primarily based on miles driven, but the number of riders is also a factor in determining the per mile rate that districts receive. Although the District's inaccurate reporting in fiscal year 2012 did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. Further, not monitoring rider counts hinders the District's ability to calculate and use rider-based performance measures, such as cost per rider and bus capacity utilization, to evaluate its routes and program efficiency and make informed program decisions.

### Poor controls over fuel inventory increased risk of theft

St. David USD did not implement proper controls over its fuel inventory. The District has a 1,000-gallon diesel fuel tank that is located at the District's bus yard. The bus yard is surrounded by a chain link fence secured with a padlock. Additionally, the District's pump is secured with a padlock, and only two district employees have keys to the pump lock. However, the integrity of these security measures is diminished because the District issued keys for the yard and pump padlocks to its fuel vendor. The vendor retained the keys at all times and filled the District's fuel tank based on its own schedule instead of waiting until a district employee was available to unlock the bus yard and fuel tank and determine fuel inventory levels before and after the vendor filled the tank. Although the vendor writes the before-and-after fuel inventory levels on its invoices when it fuels the District's tank, the District does not monitor the tank to ensure these levels are accurate. Further, when fueling vehicles, district employees did not complete logs to show the number of gallons each user pumped and for which vehicles. By not performing fuel level readings before and after the tanks were filled and not



maintaining and monitoring fuel logs, the District could not verify whether fuel billings were accurate. This lack of control over the District's fuel inventory placed the District at risk for theft and fraud.

## Recommendations

1. As statute requires for state funding purposes and also to help it evaluate its transportation program's efficiency, the District should determine and report to the Arizona Department of Education the actual number of students transported.
2. The District should evaluate and implement additional controls over its fuel inventory to help ensure proper accounting of all fuel deliveries and usage.

# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the St. David Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona School District Spending (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2012, was considered.<sup>1</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2012 summary accounting data for all districts and St. David USD's fiscal year 2012 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. St. David USD's student achievement peer group includes St. David USD and 15 other unified school districts that also served student populations with poverty rates from 27 percent to 36 percent in towns and rural areas. Auditors compared St. David USD's student AIMS scores to those of its peer group averages. Generally, auditors considered St. David USD's student AIMS scores to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between St. David USD and its peers, as well as the District's graduation rate and Arizona Department of Education-assigned letter grade.<sup>2</sup>

To analyze St. David USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes St. David USD and 18 other unified and high school districts that also served between 200 and 599 students and were located in town and rural areas. To analyze St. David USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group

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<sup>1</sup> Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade-12 education.

<sup>2</sup> The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades based primarily on academic growth and the number of students passing AIMS.

includes St. David and six other districts that also traveled between 281 and 336 miles per rider and were located in towns and rural areas. Because St. David USD misreported its number of riders by reporting the number of riders eligible for transportation rather than the actual number of riders transported, auditors used the actual number of riders transported, as observed during on-site visits, to determine the District's proper transportation peer group. Auditors compared St. David USD's costs to its peer group averages. Generally, auditors considered St. David USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of St. David USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2012 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 107 individuals who received payments in fiscal year 2012 through the District's payroll system and reviewed supporting documentation for 30 of the 3,360 fiscal year 2012 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that were considered significant to the audit objectives and reviewed fiscal year 2012 spending and prior years' spending trends across operational areas.
- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2012 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service monitoring reports; reviewed point-of-sale system reports; evaluated staffing levels using district reported data; and observed food service operations.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated required transportation reports, bus driver files, bus maintenance and safety records, bus routing, and the District's procedures for fueling vehicles. Auditors also reviewed fiscal year 2012 transportation costs and compared them to peer districts' and observed and counted students riding district buses.
- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed

and evaluated fiscal year 2012 administration costs and compared these to peer districts' average costs and further evaluated staffing levels using district reported data.

- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2012 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2012 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and her staff express their appreciation to the St. David Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

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DISTRICT RESPONSE



**St. David Unified School District**  
*Where Students Are Our Primary Focus*

December 8, 2014

Ms. Debra Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The St. David Unified School district respectfully submits its response to the Performance Audit conducted by the Office of the Auditor General for the 2012 Fiscal Year as is required per A.R.S. 41-1279.03.

As an administration and Governing Board we appreciate the efforts and professionalism of the Auditor General's office. We value the recommendations and anticipate that they will assist our district in becoming more efficient and improve our operational practices.

The district agrees with the findings provided and has already implemented some of the recommendations to correct the findings and have begun to develop plans to address the remainder. The subsequent pages contain our responses to the findings and recommendations.

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

Sincerely,

Mark Goodman  
Superintendent  
St. David Unified School District

## Finding 1-

**District lacked adequate accounting and computer controls to protect it from errors and fraud.**

### **Recommendations**

- The District should ensure that additional duties and related payments are addressed in employment contracts or personnel payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files

**District Response:** The District agrees with the finding and recommendation. District personnel will begin using the Personnel Action Request (PAR) worksheet to approve additional duties and payment in advance of work being performed.

- The District should require supervisors to thoroughly review time sheets to help ensure that all employee pay amounts are accurate.

**District Response:** The District agrees with the finding and recommendation. Though this has been a requirement, a safeguard was not in place to ensure that it occurred prior to processing. District Payroll staff will not process time cards until they have been approved by the appropriate supervisor.

- The District should establish and maintain effective internal controls to safeguard cash, including issuing receipts for all cash received and making deposits timely.

**District Response:** The district agrees with the finding and recommendation. The district has taken action to improve its timeliness of deposits. Receipts will be issued for cash received and proper fundraising documentation will be required to be turned in with all deposits accounting for items sold and cash received. The District athletic department will utilize numbered tickets when they collect entrance fees for home games.

- The District should review employee access to accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.

**District Response:** The District agrees with the finding and recommendation. The Superintendent and IT Director will review the access that is granted in the accounting system and limit access to each user based upon their assigned duties.

- The District should implement and enforce password requirements related to password length, complexity, and expiration.

**District Response:** The District agrees with the finding and recommendation. The District has taken steps to comply with this recommendation. Currently, password length, and complexity is required for login criteria. However, there are several programs that do not have an expiration requirement for employees to change passwords. The IT director will evaluate all login criteria and make the necessary adjustments to comply with the recommendation by requiring passwords to be changed every 90 days.

- District should limit physical access to its IT server room so that only appropriate personnel have access.

**District Response:** The District agrees with the finding and recommendation. The district IT Server room remains locked when the IT Director is not present. It requires a “Master” Key to enter the room thus limiting access to only the IT director and administration. The room is also currently alarmed and monitored by video surveillance.

- The District should create a formal Disaster recovery plan and test it periodically to identify and remedy deficiencies.

**District Response:** The District agrees with the finding and recommendation. Following the audit, most, if not all, financial and student related data is kept offsite. A disaster recovery plan has been put into place.

- The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

**District Response:** The District agrees with the finding and recommendation. Following the initial audit the district working with the Auditor General’s office complied with this recommendation by identifying and correcting the accounts coded incorrectly.

## **FINDING 2**

### **Improvements needed and some taken to lower District’s high food service costs**

#### **Recommendations:**

- The District should review its food service staffing levels to determine if changes can be made to produce cost savings.

**District Response:** The District agrees with finding and recommendation. The District was operating with 2.8 FTE for FY 2012. Since that time staffing has been reduced to 2.25 FTE. The district will continue monitor staffing to determine if additional reductions are required.

- The District should continue to closely monitor its food service program to identify and implement any additional cost saving measures

**District Response:** The District agrees with this finding and recommendation. The District will implement the recommendation by ensuring that we receive the best price for items purchased and monitoring the average cost per meal in determining efficiency and methods to achieve additional cost savings.



### FINDING 3

#### Improvements needed for transportation program recordkeeping and Oversight

##### Recommendations:

- As the statute requires for state funding purposes and also to help it evaluate its transportation programs efficiency, the District should determine and report to the Arizona Department of Education the actual number of students transported.

**District Response:** The District agrees with the finding and recommendation. The director of transportation will maintain accurate records of accurate counts of students transported daily.

- The District should evaluate and implement additional controls over its fuel inventory to help ensure proper accounting of all fuel deliveries and usage.

**District Response:** The District agrees with the finding and recommendations. The district currently requires the transportation director to track fuel usage in district vehicles. This process will be evaluated, and the district will include additional controls to ensure the fuel amount in the tank corresponds with the amount used and to check the accuracy of the vendor.

