



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Superior Unified School District

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December • 2011  
Report No. 11-13



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**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

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AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

December 14, 2011

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
Superior Unified School District

Mr. Pete Guzman, Superintendent  
Superior Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Superior 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.

This report will be released to the public on December 15, 2011.

Sincerely,

Debbie Davenport  
Auditor General

**REPORT  
 HIGHLIGHTS**  
 PERFORMANCE AUDIT

**Our Conclusion**

In fiscal year 2010, Superior Unified School District's student achievement results and operational efficiencies were mixed. Student AIMS scores were lower than peer districts' in math and writing but higher in reading. The District's per-pupil administrative costs and per-meal food service costs were lower than peer districts', but its transportation and plant operations costs were higher. Transportation costs were high primarily because of overstaffing and some inefficient routes, and plant operations costs were high because of overstaffing. Further, inadequate accounting and computer controls put the District at higher risk for errors or fraud, and some employees received performance pay despite the goal not being met.

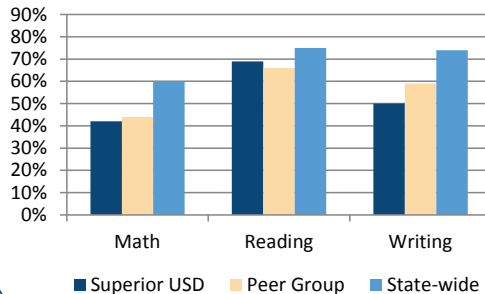


2011

**Student achievement and operational efficiencies mixed**

**Student achievement mixed**—In fiscal year 2010, Superior USD's student AIMS scores were below the peer districts' averages for two of the three areas tested and below state averages. However, the District's two schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act and its fiscal year 2009 high school graduation rate of 80 percent was higher than the state average.

**Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010**



**District's operational efficiency mixed**—Superior USD spent 22 percent less per pupil on administration than peer districts, and although its food service cost per pupil was higher than peers', its cost per meal was lower. However, the District's transportation costs per mile and per rider were much higher than peer districts' primarily because of overstaffing and some inefficient bus routes. Further, the District's plant operations costs per square foot were 17 percent higher than its peers, primarily because it had more staff.

**Expenditures by Function Fiscal Year 2010**

Per Pupil	Superior USD	Peer Group Average
Administration	\$1,125	\$1,446
Plant operations	1,433	1,473
Food service	505	428
Transportation	376	468

**Inadequate accounting and computer controls**

**Separation of duties lacking**—One district employee, with little or no supervisory review, is responsible for adding new employees to the payroll system, modifying employee information, entering/editing time sheets, recording payroll expenses, and distributing paychecks. Although no improper transactions were detected in the sample tested, this lack of separation of duties could permit false payments or the creation of nonexistent employees.

**Broad access to accounting system**—Three district employees have more access to the accounting system than is needed to perform their job duties. Two of these employees can perform all accounting system functions. Although no improper transactions were detected in the sample

tested, such broad access increases the risk of errors, fraud, or misuse of information, such as processing false invoices or adding nonexistent vendors.

**Weak password requirements**—The District does not require complex passwords with letters and numbers. Requiring that passwords contain a combination of alphabetic and numeric characters would decrease the risk of unauthorized persons gaining access to the District's systems.

**Recommendations**—The District should:

- Implement proper controls over payroll processing.
- Limit computer access to each employee's assigned functions.
- Increase complexity of passwords.

## Improvements needed to lower high transportation costs

**Higher staffing costs**—Superior USD's \$894 cost per rider was 12 percent higher than the peer districts' average, and its \$3.71 cost per mile was 47 percent higher. Although the District has a similar number of transportation employees, it transports students significantly fewer miles than the peer districts. Further, Superior USD is 1 of only 6 districts in a 17-district peer group that has a full-time mechanic, and the 5 other districts with a full-time mechanic had 30 percent more buses to maintain.

**Some inefficient routes**—Although four of the District's six bus routes were fairly efficient, two routes, which accounted for 70 percent of total mileage, transported only eight riders. The District should consider other ways of handling these routes, such as using minivans or contracting with parents to pay them to transport their own students to school or to district bus stops closer to the schools.

**Not all state standards met**—State standards require districts to demonstrate that their school buses receive systematic preventative maintenance and inspections. Although the District's records indicate that regular maintenance was done, the District did not maintain documentation, such as a checklist, to show what was inspected and/or repaired. In addition, the District is required to conduct annual drug tests as well as random drug and alcohol tests of bus drivers, but the District conducted only annual drug tests.

**Recommendations**—The District should:

- Review staffing levels to see if savings are possible.
- Review bus routes for efficiency.
- Develop a checklist to document preventative maintenance.
- Ensure that random drug and alcohol tests are done.

## Plant operations overstaffed

The District's \$6.34 cost per square foot for plant operations was 79 cents, or 14 percent, higher than the peer districts' average. This higher cost can be attributed to more plant employees maintaining fewer square feet than the peer districts' average. Although Superior custodians each maintained about 20,000 square feet, the national average is about 32,100 square feet per custodian.

**Recommendation**—The District should review plant operations staffing levels to see if it can reduce costs.

## Some employees received performance pay despite goal not being met

Part of the District's goal for performance pay required that 75 percent of high school students show improvement in math test scores. However, only 54 percent of students showed improvement. Therefore, the oversight committee responsible for the performance pay plan changed the goal criteria, without board approval, so that performance pay could be awarded.

**Recommendation**—The District should pay employees for only those performance goals met, as allowed by the plan.

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# DISTRICT OVERVIEW

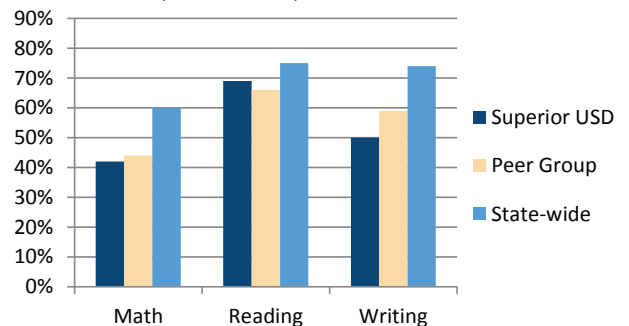
Superior Unified School District is a small, rural district located about 60 miles east of Phoenix, in Pinal County. In fiscal year 2010, the District served 376 students in kindergarten through 12th grade at its two schools located on the same campus.

Relative to its peers, Superior USD's performance was mixed both in its student achievement and in its operational efficiency in noninstructional areas.<sup>1</sup> The District operated its administration with costs that were significantly lower than the peer districts' average, and its food service program had lower costs per meal served. However, the District should take steps to improve the efficiency of its student transportation and plant operations, strengthen some of its accounting and computer controls, and ensure that it spends its Classroom Site Fund monies according to its governing board-approved plan.

## Student achievement is mixed compared to peer district and state averages

In fiscal year 2010, 42 percent of the District's students met or exceeded state standards in math, 69 percent in reading, and 50 percent in writing. As shown in Figure 1, all three of these scores were lower than the state averages, and two of the three were lower than the peer districts' averages. Although its AIMS scores were generally lower, the District's schools met all applicable "Adequate Yearly Progress" objectives for the federal No Child Left Behind Act in fiscal year 2010. Further, its fiscal year 2009 graduation rate of 80 percent was the same as the peer group average and higher than the 76 percent state average.

Figure 1: Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2010 test results on the Arizona Instrument to Measure Success (AIMS).

## District's operational efficiencies mixed with some costs higher and some costs lower than peer districts'

As shown in Table 1 on page 2, in fiscal year 2010, Superior USD operated its administration efficiently with per-pupil costs that were significantly lower than the peer districts' average. Further,

<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.



despite plant operations costs that were similar to peer districts' and transportation costs that were lower than peer districts', other performance measures demonstrate that changes are necessary to improve efficiencies in both areas. Although food service costs per pupil were higher than the peer districts' average, the program operated efficiently with lower per-meal costs.

**Significantly lower administrative costs**—At \$1,125 per pupil, the District's administrative costs were 22 percent lower than the peer districts' average, primarily because it employed fewer administrative staff by having its superintendent also serve as the principal for the District's two schools. Only two other districts from the peer group also combined these positions. However, auditors identified some administrative practices that need strengthening (see Finding 1, page 3).

**Higher per-square-foot plant operations costs**—Superior USD's per-pupil plant operations costs were similar to the peer districts'. However, its per-square-foot plant costs were 14 percent higher primarily because it employed more plant staff (see Finding 3, page 9).

**Food service program efficient despite higher costs**—Although Superior USD's food service costs were higher per pupil, its \$2.69 cost per meal was lower than the peer districts' \$3.04 average cost per meal. Superior USD's cost per pupil was higher because the District served more meals per pupil than the peer districts', likely because it had a significantly higher percentage of students qualifying for free or reduced-price meals. The District's food service cost per meal was lower because it had lower salary and benefits costs.

**Transportation costs very high, with improvement needed**—Superior USD's per-pupil transportation costs were lower than its peer districts only because it drove fewer miles and, on average, transported fewer riders. The District's transportation costs per mile and per rider were both higher than peer districts' because the District employed more transportation staff and had some inefficient routes, indicating that changes could be made to improve the program's efficiency (see Finding 2, page 5).

**Table 1:** Comparison of Per-Pupil Expenditures by Function Fiscal Year 2010 (Unaudited)

Spending	Superior USD	Peer Group Average	State Average
Total per pupil	\$8,882	\$9,886	\$7,609
Classroom dollars	4,678	5,016	4,253
Nonclassroom dollars			
Administration	1,125	1,446	721
Plant operations	1,433	1,473	914
Food service	505	428	366
Transportation	376	468	342
Student support	355	625	581
Instructional support	410	430	432

Source: Auditor General staff analysis of fiscal year 2010 Arizona Department of Education student membership data and district-reported accounting data.

# FINDING 1

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## Inadequate accounting and computer controls increase risk of errors and fraud

Superior USD lacks adequate controls over its payroll processing and access to its accounting system and computer network. Although no improper transactions were detected in the samples auditors reviewed, these poor controls expose the District to an increased risk of errors and fraud.

### Payroll process lacks proper separation of duties

The District has an increased risk of errors and fraud, such as unauthorized changes to employee pay rates, paying nonexistent employees, or processing false time sheets or payments, because it does not separate payroll and personnel functions. One district employee, with little or no supervisory review, is responsible for entering new employees into the system, modifying employee information, entering and editing employees' time sheets, recording payroll expenses, and distributing paychecks. Although the District's administrative staff is small, there is opportunity to separate these duties and thereby ensure that proper controls are in place.

### Increased risk of unauthorized access to critical systems

Weak controls over user access to the District's accounting system and network increase the risk of unauthorized access to these critical systems.

**Broad access to accounting system increases risk of errors, fraud, and misuse of sensitive information**—Three district employees have more access to the accounting system than they need to perform their job duties, with two of these employees having the ability to perform all accounting system functions. Having employees with system access beyond what is required for their job duties, especially full system access, exposes the District to increased risk of errors, fraud, and misuse of information, 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 no one employee has the ability to initiate and process a transaction without independent review and approval.

**Weak password requirements**—The District needs stronger controls over its network passwords. Although network passwords are user-defined and must be changed periodically, the passwords have a low-complexity requirement—that is, passwords need not contain numbers or symbols. Common practice requires passwords to be at least eight characters and contain a combination of alphabetic and numeric characters. This practice would decrease the risk of unauthorized persons gaining access to the District’s systems.

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

The District does not have a formal, up-to-date, and tested disaster recovery plan for critical student information on its systems and network. A written and properly designed disaster recovery plan would help ensure continued operations in the case of a system or equipment failure or interruption. Although the District creates backups of critical data and stores the backups in a secure location, the District does not regularly test its ability to restore electronic data files from the backups, which could result in the loss of sensitive and critical data. Disaster recovery plans should be tested periodically and modifications made to correct any problems and to ensure their effectiveness.

## Recommendations

1. The District should implement proper controls over its payroll processing to ensure adequate separation of duties.
2. 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.
3. The District should implement stronger password controls, requiring its employees to create more secure passwords that contain a combination of alphabetic and numeric characters.
4. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies.

# FINDING 2

## Improvements needed to lower District's significantly higher transportation costs

In fiscal year 2010, Superior USD's transportation costs were significantly higher than its peer districts', on average. The District's cost per mile was 47 percent higher than peer districts', and its cost per rider was 12 percent higher, indicating that program improvements could be made. Inefficiencies, such as high staffing costs, and low bus capacity on some of its routes contributed to the District's higher costs. Further, the District should develop a checklist for preventative maintenance inspections and ensure that required random drug and alcohol testing is conducted.

### District had higher transportation costs

As shown in Table 2, in fiscal year 2010, Superior USD's \$894 cost per rider was \$94, or 12 percent, higher than the peer districts' average, and its \$3.71 cost per mile was \$1.18, or 47 percent, higher than the peer districts' average. Several factors contributed to the higher costs. Specifically,

**Higher staffing costs**—In fiscal year 2010, Superior USD's transportation salary and benefit costs were 65 percent higher per mile and 30 percent higher per rider, on average, than the peer districts'. The following two factors resulted in the District's higher salary and benefit costs:

- **Similar number of employees despite driving fewer miles**—Superior USD employed 3.25 transportation full-time equivalent (FTE) positions, which is similar to the average for the peer districts. However, on a per-mile basis, the District employed one FTE for every 13,371 miles driven in fiscal year 2010 while the peer districts averaged one FTE for every 36,290 miles driven.
- **Full-time mechanic position increased costs**—Of the 17-district peer group, Superior USD is one of six districts that employed a full-time mechanic. However, the five other peer districts employing full-time mechanics transported students more miles and had to maintain more buses than Superior USD. On average, these five peer districts transported

Table 2: Comparison of Cost Per Rider and Cost Per Mile Fiscal Year 2010 (Unaudited)

District Name	Cost per Rider	Cost per Mile
Superior USD	\$894	\$3.71
Average of the peer group	800	2.53

Source: Auditor General staff analysis of fiscal year 2010 Arizona Department of Education district mileage reports and district-reported accounting data.

students over 169,000 miles in fiscal year 2010, while Superior USD transported students about 45,000 miles during that same period. Further, the peer districts employing full-time mechanics had 30 percent more buses to maintain than Superior USD. Although it is beneficial to the District to employ a mechanic due to its somewhat remote location, the District should consider whether the mechanic's duties could be combined with other duties, such as bus driving or plant maintenance, to reduce the overall number of transportation positions.

**Routing could be more efficient**—In fiscal year 2010, Superior USD had six established bus routes. Four of these routes operated fairly efficiently, with most buses being filled to an average of 77 percent of seat capacity. However, the remaining two routes went to remote areas and accounted for almost 70 percent of the miles reported by the District for state funding purposes, but transported only eight of the District's 186 eligible riders. According to district officials, in an effort to increase efficiency, the District used two of its smaller buses instead of an 84- or 77-passenger bus for these routes, but other alternatives could be considered to increase these routes' efficiency. For example, the next time the District needs to purchase buses or vans, it could consider purchasing minivans to use for the two remote routes because they would use significantly less fuel than school buses. The District could also consider contracting with parents to pay them to transport their own students to school or to district bus stops closer to the schools.

## District lacks proper preventative maintenance documentation

According to the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*, districts must demonstrate that their school buses receive systematic preventative maintenance and inspections. Following the *Minimum Standards* helps to ensure the safety and welfare of students and can help extend buses' useful lives. Preventative maintenance and inspections include items such as periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. Although records indicate that the District conducted regular preventative maintenance inspections on its school buses, the District did not maintain documentation, such as a checklist, to show what was inspected and/or repaired. The lack of such documentation means the District cannot demonstrate that its school buses are being properly maintained according to the *Minimum Standards*.

## District did not conduct random drug and alcohol tests

According to the State's *Minimum Standards*, districts are required to ensure that drivers are tested annually for drug usage and randomly throughout the school year for drug and alcohol usage. For random tests, the *Minimum Standards* require testing 50 percent of all drivers for drug use and 10 percent of all drivers for alcohol use annually. Although district officials ensured that each driver received annual drug testing, they did not have a process in place to ensure the

required random testing of bus drivers. As a result, none of its drivers were randomly tested for drug and alcohol use in fiscal years 2010 and 2011.

## Recommendations

1. The District should review its transportation staffing levels and see if they can be modified to produce cost savings.
2. The District should review its bus routes for further cost savings and efficiency.
3. The District should develop a checklist to document that its buses receive required preventative maintenance as specified in the State's *Minimum Standards*.
4. The District should ensure that it conducts all required random drug and alcohol testing as specified in the *Minimum Standards*.



# FINDING 3

## District should review plant operations staffing levels for further cost savings

### District had higher plant operations costs per square foot

Although Superior USD's per-pupil plant operations costs were similar to peer districts', other efficiency measures are not as favorable. As shown in Table 3, the District's fiscal year 2010 per-square-foot plant cost of \$6.34 was 79 cents, or 14 percent, higher than the peer districts' average. The difference relates to plant staffing, including the total number of plant employees and the number of custodians. Specifically,

- **More plant employees, each maintaining fewer square feet**—The District employed 8 plant full-time equivalent (FTE) positions, or one plant position for every 12,499 square feet, while the peer districts averaged 6.7 plant FTEs, or one plant position for every 17,352 square feet.
- **District custodians maintained fewer square feet than national average**—Superior USD's custodial staffing levels were higher than industry standards. Five of the District's plant employees were custodians, and each maintained about 20,000 square feet, which is below the national average of approximately 32,100 square feet per custodial position.<sup>1</sup>

Table 3: Comparison of Plant Operations Cost Per Pupil and Per Square Foot and Square Feet Per Plant Staff  
Fiscal Year 2010  
(Unaudited)

District Name	Cost Per Pupil	Cost Per Square Foot	Square Feet Per Plant Staff
Superior USD	\$1,433	\$6.34	12,499
Average of the peer group	1,473	5.55	17,352

Source: Auditor General staff analysis of fiscal year 2010 Arizona School Facilities Board and district square footage reports and district-reported accounting data.

## Recommendation

The District should review its plant operations staffing levels and determine if they can be modified to produce cost savings.

<sup>1</sup> "38th Annual Maintenance & Operations Cost Study-SCHOOLS." The American School and University, April 2009. [<http://asumag.com/Maintenance/school-district-maintenance-operations-cost-study-200904/>]





# FINDING 4

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## Some employees received performance pay despite goal not being met

In fiscal year 2010, Superior USD spent its Classroom Site Fund (CSF) monies for purposes authorized by statute.<sup>1</sup> However, 19 of the 34 employees receiving CSF monies received performance pay for a goal that was not met. Eligible employees at the high school were paid performance pay monies for a school-wide student achievement goal requiring 75 percent of high school students to show improvement in district math test scores. However, only 54 percent of the high school students showed improvement. According to district officials, the committee that developed and oversees the performance pay plan, which consisted of four high school teachers, decided to modify the criteria for this goal to include math class grades and AIMS test scores rather than the stated district math test scores. The committee did this once it became apparent that high school students' test scores were not sufficient to meet the goal. However, the committee did not notify the governing board of this change in goal criteria. Therefore, the governing board did not have the opportunity to review and approve or reject the revised goal criteria.

The District's performance pay plan lacked sufficient detail to allow a determination of how much performance pay was inappropriately awarded to high school teachers. The District's performance pay plan established six goals for receiving performance pay, but it did not specify how much each goal was worth, nor did it clarify whether partial payment would be provided if all goals were not met. Instead, the plan provided only an approximate total amount that employees could earn if all goals were met.

## Recommendations

1. The District should ensure that it pays eligible employees only for goals met in accordance with its governing board-approved performance pay plan.
2. The District should ensure that its performance pay plan clearly specifies the amount of performance pay each goal is worth and whether partial payment should be awarded for goals not achieved or not fully achieved.

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<sup>1</sup> In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund monies, may be spent only for specific purposes, primarily increasing teacher pay.



# OTHER FINDINGS

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In addition to the four main findings presented in this report, auditors identified one other, less significant area of concern that requires district action.

## District did not accurately report its costs

Superior USD did not consistently classify its fiscal year 2010 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 errors totaling approximately \$474,000 of the District's total \$4 million in current spending.<sup>1</sup> When corrected, these changes decreased the District's reported instructional expenditures by over \$140,000, or 2.3 percentage points. The dollar amounts shown in the tables in this report reflect the necessary adjustments.

## Recommendation

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

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<sup>1</sup> Current expenditures are those incurred for the District's day-to-day operation. For further explanation, see Appendix page a-1.



# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Superior Unified School District pursuant to A.R.S. §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 current expenditures, primarily for fiscal year 2010, were 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 2010 summary accounting data for all districts and Superior USD's fiscal year 2010 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 analyze Superior USD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Superior USD and the 17 other high school and unified school districts that also served between 200 and 599 students and were located in town/rural areas.<sup>2</sup> To compare districts' academic indicators, auditors developed a separate student achievement peer group using poverty as the primary factor because poverty has been shown to be strongly related to student achievement. Auditors also used secondary factors such as district type, size, and location to further refine these groups. Superior USD's student achievement peer group includes Superior USD and the 17 other unified districts that also served student populations with poverty rates between 23 and 32 percent. Additionally:

- To assess the District's computer information systems and network, auditors evaluated 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.

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<sup>1</sup> Current expenditures are those incurred for the District's day-to-day operation. They exclude 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 operational peer group excludes two districts that each received such high levels of additional funding that they skewed the peer-spending averages.

- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus capacity usage. Auditors also reviewed fiscal year 2010 transportation costs and compared them to peer districts'.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2010 plant operation 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 2010 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and reviewed transactions for proper account classification and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.
- To assess the District's student achievement, auditors reviewed the Arizona's Instrument to Measure Standards (AIMS) passing rates, "Adequate Yearly Progress" for the federal No Child Left Behind Act, and high school graduation rates. AIMS passing rates were compared to the state-wide average and the average of the student achievement peer districts.
- 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 2010 administration costs and compared these to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2010 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts', reviewed the Arizona Department of Education's food service monitoring reports, and observed food service operations.

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 Superior Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

DISTRICT RESPONSE



*Superior Unified School District No. 15*

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November 30, 2011

Debbie Davenport  
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2910 North 44th Street, Suite 410  
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RE: Superior Unified School District Response Report – Performance Audit for 2010

Dear Ms. Davenport:

The Superior Unified School District #15 respectfully submits its response to the performance audit conducted by the Auditor General for the fiscal year 2010. The report includes a number of findings and recommendations for those findings. These recommendations, to each finding, have already, and will continue to, improve our district's process and procedures. The following pages address the District's response to the findings, and the recommendations, as well as the current status of implementation of each recommendation.

Superior Unified School District #15 would like to thank the Auditor General staff that was assigned to our District with regard to their professionalism while interacting with our various staff members. The individuals were sensitive to the District's need for additional time for completion of this audit and were diligent in answering all of the district's questions.

If you have any additional questions, please feel free to call me at 928-812-2970.

Sincerely,

Pete Guzman  
Superintendent

## **SUPERIOR UNIFIED SCHOOL DISTRICT #15 RESPONSES TO AUDITOR GENERAL PERFORMANCE AUDIT**

**FINDING 1:** Inadequate accounting and computer controls increases risk of errors and fraud  
District agrees with finding and will implement recommendations.

**Payroll process lacks proper separation of duties:**

New employee paperwork and payroll distribution is now being handled by the District Office Clerk, and time slips will be edited for coding and pay rates by the Superintendent.

**Increased risk of unauthorized access to critical systems:**

Upon obtaining a report listing employees with access to General Ledger, Payroll, etc. from the County School Data Processing Office, we asked Jeff Miller, to remove and/or modify a total of six (6) employees that had access to different parts of the system that were not needed in their work. We have also asked for an updated report after this process is complete.

**Weak password requirements:**

The District has revised the network password policy requirements. The new policy for password policy requires eight (8) characters and the combination of alpha and numeric characters. In addition, the requirement to change the password is every 180 days. See attached: Superior School District IT Policies and Procedures

**Lack of disaster recovery plan could result in interrupted operations or loss of data:**

The District has created and adopted a disaster recovery plan. The plan addresses the needs of a recovery plan in case of a disaster. In addition, it addresses the need to periodically test the backups to ensure the integrity of the backups. See attached: Superior School District IT Policies and Procedures

**FINDING 2:** Improvements needed to lower Districts significantly higher transportation costs  
District agrees with finding and will implement recommendations.

**District had high transportation costs:**

District Mechanic will be utilized in other areas such as bus driver, maintenance and landscaping duties. Next school year 2011-2012, some bus pickups will be eliminated and the district will run two (2) school buses instead of three (3).

**District lacks proper preventative maintenance documentation:**

The district has ordered a "Driver Daily Report" (see attached form) that will demonstrate that our buses will receive systematic preventive maintenance and inspections as required by the state's minimum standards for school buses and school bus drivers.

**District did not conduct random drug and alcohol tests:**

The District Office will schedule random drug testing to ensure that 50% of all drivers are tested for drug use and 10% of all drivers for alcohol use annually beginning 2011-2012.

**FINDING 3:** District should review plant operations staffing levels for further cost savings  
District agrees with finding and will implement recommendation.

The following changes have been made to the Plant Operations for the District in order to decrease the spending cost in the department for 2010-2011.

1. Cut three (3) full time employee departmental positions
2. Transfer one (1) full time position to a part time position
3. Cut four (4) part time positions
4. Maintain two (2) schools instead of three (3) per last year

**FINDING 4:** Some employees received performance pay despite not meeting goal  
District agrees with finding and will implement recommendations.

The Superior Unified School District 301 Committee and the District Superintendent has put in place several safe guards to ensure the part two (2)(40%): Student Improvement and student/parent satisfaction performance pay goals will be according to the plan. Schools who do not meet their goals for Writing and Math will not receive 301 money.

Clarification of the issue is as follows:

The High School Teachers were paid although they did not meet their specified goal of 75% of the students showing improvement. Only 54% of the high school students showed improvement in Math. However, the high school resource students were not removed from the data pool. Consequently, this would have altered their percentages. Since this finding, the resource students are placed on a separate list to prevent this error in the future.

The 301 allocations vary year to year due to the fluctuation in taxes. Therefore, to protect Superior Unified School District, the 301 committee has only stated percentages for each portion of the plan:

Part I (20%) Employee Compensation

Part 2 (40%) Student Improvement and Parent/Student Satisfaction

Part 3 (40%) Discretionary

The plan does state approximate estimates for each of those parts. The teachers are advised throughout the year as information is available of what they should expect.

**OTHER FINDINGS:** District did not accurately reports its costs  
District agrees with finding and will implement recommendation.

The district is aware of the findings and is using the Uniform Chart of Accounts to assist in the coding procedure.

