



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Willcox Unified School District

June • 2010
Report No. 10-03



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

June 29, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Willcox Unified School District

Dr. Richard Rundhaug, Superintendent
Willcox Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Willcox 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 most 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 June 30, 2010.

Sincerely,

Debbie Davenport
Auditor General

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

Willcox Unified School District's student achievement is higher than peer districts', and it generally operates efficiently with lower costs. However, the District needs to address four areas of concern: (1) the District cannot show that its buses are receiving required systematic, preventative maintenance such as brake inspections; (2) district errors resulted in \$44,000 of overfunding in state transportation aid; (3) the District does not have adequate controls over its accounting system or its payroll processing, greatly increasing its risk of errors and fraud; and (4) the District likely supplanted Classroom Site Fund monies.



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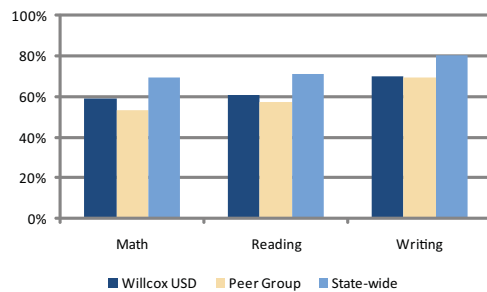
Higher student achievement and efficient operations

Student achievement higher than peer districts'—In fiscal year 2009, Willcox USD's student AIMS scores were lower than state averages but higher than the peer districts'. Further, all of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act and the District's graduation rate exceeded both the

state and peer districts' averages.

District operates efficiently with most costs lower than peer districts'—The District spent \$4,634 per pupil in the classroom, which was similar to the peer districts' and state averages. The District's administration and transportation costs were lower than peer districts', and its plant operation costs were significantly lower.

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



Expenditures by Function Fiscal Year 2009

Spending	Willcox USD	Peer Group Average
Administration per pupil	\$1,046	\$1,086
Transportation per mile	\$2.25	\$2.56
Plant operations per pupil	\$894	\$1,286

Transportation program operates efficiently, but safety and reporting improvements needed

Willcox USD's \$2.25 cost per mile was lower than the peer districts' average of \$2.56, and its routes operated efficiently with buses filled to an average of 78 percent capacity, exceeding the 75 percent benchmark.

Further, what maintenance records were available showed that maintenance was not systematic or uniform. For example, the District has an unwritten policy that buses have the oil changed every 5,000 miles. However, district buses frequently exceeded this schedule with one bus traveling over 16,000 miles and another over 10,500 miles before oil changes.

Inadequate maintenance—According to the State's *Minimum Standards for School Buses*, districts must maintain bus maintenance records. The purpose of such maintenance is to ensure the safety and welfare of student passengers and to extend the life of buses. However, the District's records were inadequate to show that safety-related maintenance, including brake inspections, had occurred.

The District also did not have a formal procedure for ensuring that bus repair work was completed in a timely manner.

\$44,000 in overfunding—In fiscal year 2009, the District overstated its mileage by 31,600 miles (16 percent) and its riders by

170 (almost 50 percent). These errors resulted in the District's receiving about \$44,000 more in state transportation aid than it should have received. Because state transportation aid is formula driven, the District will continue to receive this excess funding until it corrects the errors with the Department of Education.

Recommendations—The District should:

- Ensure that bus maintenance and repairs are performed and documented.
- Contact the Department of Education to correct its transportation funding.

Inadequate controls increase risk of errors and fraud

To avoid increased risk of errors and fraud, the District needs to separate payroll and personnel functions. Currently, one district employee has authority to add new employees to the accounting system, enter and edit time sheets, record payroll expenses, and distribute paychecks. Because there was no supervisory review, it would be possible for this employee to create nonexistent employees and process false payments without detection.

We also found that pay for additional duties was not properly authorized and reviewed. For example, a sample of employees' pay records showed pay amounts were changed on contracts without evidence of approval, and additional duties were paid without prior approval. In addition, one employee was overpaid for teaching summer school

and another was underpaid for coaching duties.

Finally, too many employees had access to the District's accounting system for functions not related to their duties. For example, 5 employees had the ability to perform any function within the accounting system without an independent review and approval. In addition, at least 5 ex-employees still had access to the system.

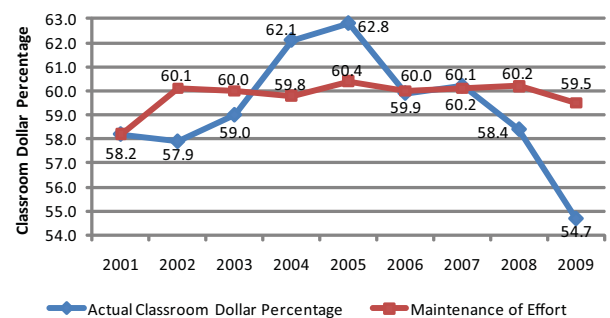
Recommendations—The District should:

- Ensure adequate separation of responsibilities.
- Pay employees according to previously agreed-upon written contracts.
- Limit employee access to the system for only those functions relating to duties.

District likely supplanted Classroom Site Fund (CSF) monies

Willcox USD has shifted its spending away from the classroom. Statute requires that districts use CSF monies to supplement, not supplant, other monies. Before it received CSF monies, the District spent 58.2 percent of its operating dollars in the classroom. In fiscal year 2009, despite receiving over \$430,000 of CSF monies primarily earmarked for the classroom, the District spent only 54.7 percent of its operating dollars in the classroom, 3.5 percentage points less than in 2001. Had the District continued to direct its other monies into the classroom at the same rate it did in 2001, the additional CSF monies would have increased the District's classroom dollar percentage 4.8 percentage points to 59.5 percent, resulting in an additional \$481,000 being spent in the classroom.

Maintenance of Effort and Actual Classroom Dollar Percentages
Fiscal Years 2001 through 2009



Recommendation—The District should ensure that CSF monies are used to supplement, and not supplant, other district monies.

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DISTRICT OVERVIEW

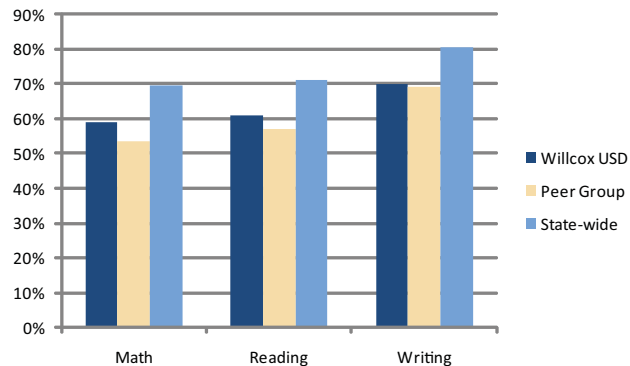
Willcox USD is a rural district located 80 miles east of Tucson in northern Cochise County. In fiscal year 2009, the District served 1,185 students at its three schools: a kindergarten-3rd grade elementary school, a 4th-8th grade middle school, and a 9th-12th grade high school.

The District compares favorably to its peer group in both student achievement and operational efficiencies.¹ Its student achievement was below state averages, but higher than peer districts'. Overall, the District operated its administration, plant operations, and student transportation programs efficiently with costs that were similar to or less than peer districts' averages. However, auditors noted several areas for improvement as discussed later in this report.

Student achievement higher than peer districts'

In fiscal year 2009, 59 percent of the District's students met or exceeded state standards in math, 61 percent in reading, and 70 percent in writing. As shown in Figure 1, these scores were below the state averages for each area, but higher than scores at its peer districts. Additionally, all three of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, and the District's 87-percent graduation rate in 2008 was higher than both the peer district average of 70 percent and the state average of 75 percent.

Figure 1: Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009



Source: Auditor General staff analysis of fiscal year 2009 test results on the Arizona Instrument to Measure Success (AIMS).

District operates efficiently with most costs lower than peer districts'

As shown in Table 1 on page 2, Willcox USD spent \$8,515 per pupil, which was \$547 less than its peer districts, primarily because it (1) received less funding for student transportation and excess utilities and (2) chose to budget its capital monies for capital instead of for operational

¹ As discussed in this report's Appendix, auditors developed two peer groups for comparative purposes. An operational peer group was selected based on district size, type, and location; and a student achievement peer group was selected based on district size, location, and the additional consideration of poverty rate which has been shown to be strongly related to student achievement.

purposes. However, the District still managed to spend \$4,634 per pupil in the classroom, which is similar to the peer districts' average, because it operated efficiently in other areas. Based on auditor reviews of various performance measures, Willcox USD operated its administration, plant operations, and student transportation programs at costs that were lower than the peer districts' averages. However, as discussed in this report, the District can make certain improvements in a few of these areas.

Significantly lower plant operation costs—The District spent 30 percent less per pupil than its peer districts for plant operations, in part because it operated less square footage per pupil, but also because it operated efficiently with 18 percent lower costs per square foot. The District spent less for electricity, in part by operating evaporative coolers instead of having centralized cooling units like most of the peer districts. Evaporative coolers require less electricity to operate and are easier to repair and maintain. Lower repair and maintenance costs for these coolers also reduced the District's purchased service costs, which were less than peer districts' costs. The District also spent less on salaries and benefits despite having a similar number of employees as its peer districts. Additionally, the District participates in the Department of Corrections' inmate work program in which inmates work for the District at 50 cents an hour.

Transportation program operates efficiently, but safety and reporting improvements needed—Willcox USD spent significantly less per pupil on transportation than its peer districts primarily because it transported fewer of its students, but also because it operated its program efficiently. On a per-mile basis, Willcox USD's \$2.25 cost per mile was lower than the peer districts' average of \$2.56, and its routes operated efficiently, filling buses to 78 percent of capacity, on average. However, the District needs to make safety and reporting improvements (see Finding 1).

Administrative costs slightly lower, but procedural improvements needed—The District's administrative costs were slightly lower than its peer districts' costs, but it needs to improve controls over payroll processing and access to its computer network to reduce the risk of errors and fraud (see Finding 2).

Higher food service costs—Willcox USD spent 21 percent more per pupil and 23 percent more per meal on its food service program than its peer districts. The District outsources its food service program and auditors found that the District did not adequately review vendor billings which could help control costs (see Other Findings section).

**Table 1: Comparison of Per-Pupil Expenditures by Function
Fiscal Year 2009
(Unaudited)**

Spending	Willcox USD	Peer Group Average	State Average
Total per pupil	\$8,515	\$9,062	\$7,908
Classroom dollars	4,634	4,794	4,497
Nonclassroom dollars			
Administration	1,046	1,086	729
Plant operations	894	1,286	920
Food service	520	430	382
Transportation	377	486	343
Student support	625	634	594
Instructional support	419	338	431
Other	0	8	12

Source: Auditor General staff analysis of fiscal year 2009 school district Annual Financial Reports and summary accounting data.

FINDING 1

Transportation program needs safety and reporting improvements

Willcox USD's transportation program operated efficiently with per-mile costs that were about 12 percent less than peer districts' and routes averaging 78 percent of capacity. However, the District needs to improve its oversight of the program to help ensure that it continues to operate efficiently and operates safely by meeting the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards).

Preventative maintenance not systematic—According to Minimum Standards, districts must demonstrate that their school buses receive periodic preventative maintenance services. These standards are designed to help ensure the safety and welfare of school bus passengers and address such things as bus maintenance and driver qualifications. Following the standards can also help extend the useful life of a district's buses. However, the District's records were not adequate to show whether safety-related maintenance, such as brake inspections, were performed as required. Further, while Willcox USD's bus records show that some preventative maintenance, such as oil changes, occurred, the records also demonstrated that these activities were not systematic or uniform, as required by the Minimum Standards. For example, district officials said the District's unwritten policy is to require bus oil changes every 5,000 miles. However, in fiscal year 2009, according to the District's records, district buses often exceeded 5,000 miles between oil changes, with one bus traveling over 16,000 miles and another traveling 10,500 miles between oil changes.

Safety-related maintenance, such as brake inspections, were not documented.

No formal procedure for work orders—Similar to the District's inadequate reporting procedures for preventative maintenance, the District does not have a formal procedure for ensuring that all bus repair work orders are tracked through to completion. Instead, notes are entered into the work order system after repairs are completed. Because work orders are not entered into the system when problems are initially noted, repairs may not be completed in a timely manner or at all.

Inaccurate reporting of mileage and riders resulted in \$44,000 overfunding—Willcox USD's records did not support the number of miles or riders it reported for fiscal year 2009. Districts receive state monies for student transportation based on a formula that uses

primarily the number of route miles traveled and secondarily the number of eligible students transported. Willcox USD mistakenly included its activity miles with its regular route miles, resulting in its being funded twice for these miles. This resulted in the District's overstating its mileage by approximately 31,600 miles, or 16 percent. Additionally, the District mistakenly reported all of the students living along its bus routes as riders instead of just those students who actually rode the buses. This resulted in the District's over-reporting its number of riders by about 170 riders, or almost 50 percent. Because of these errors, auditors determined that the District was likely overfunded by 8 percent, or about \$44,000, in fiscal year 2010. Additionally, because of how the state transportation funding formula works, the District will continue to receive this higher funding in subsequent years unless it contacts the Arizona Department of Education and corrects its fiscal year 2009 report.

Performance measures were not established and monitored—Although the District has an efficient program and is taking a number of steps to monitor routes and reduce costs, establishing and monitoring specific performance measures would be another useful tool to help ensure the program remains efficient going forward. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. By establishing performance measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Recommendations

- 1.1 The District should ensure that bus preventative maintenance is conducted and documented as specified in the State's *Minimum Standards for School Buses and School Bus Drivers*.
- 1.2 The District should implement a process to ensure that repair and maintenance orders are tracked through to completion and supporting documentation is retained.
- 1.3 The District should accurately calculate and report the data needed for state funding.
- 1.4 The District should contact the Arizona Department of Education regarding needed corrections to its transportation funding report.
- 1.5 To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile and cost per rider.

FINDING 2

Inadequate controls increased risk of errors and fraud

In fiscal year 2009, Willcox USD was exposed to increased risk of errors and fraud because it failed to maintain adequate controls over its payroll processing, and did not properly limit access to its accounting system and network. Specifically, auditors observed the following:

Inadequate controls over payroll processing—The District's procedures for processing payroll and authorizing extra pay for additional duties need improvement.

- **Payroll process lacked independent review**—The District had an increased risk of errors and fraud—such as processing false time sheets and modifying employee pay rates—because it did not sufficiently review or separate the payroll and personnel functions. One district employee, with little or no supervisory review, was responsible for entering new employees into the system, modifying employee information, entering and editing employees' time sheets, recording payroll expenses, and distributing paychecks. Allowing an individual the ability to initiate and complete a transaction without an independent supervisory review could allow the person to process false payments or create nonexistent employees.
- **Authorization and pay for additional duties inadequately documented**—The District's process for approving pay for extracurricular duties created a risk for errors and improper payments. After reviewing payroll records and supporting documentation for a sample of employees, auditors found pay amounts changed on contracts without evidence of approval, additional duties paid without prior approval, and inadequate support for payments made to some employees. Additionally, one employee was overpaid \$1,500 for teaching summer school while another was underpaid \$301 for athletic coaching duties. To ensure that extra work is properly authorized and employees are paid correctly, the District should include additional pay in the employees' contracts or use payroll or personnel action forms as recommended by the *Uniform System of Financial Records for Arizona School Districts* (USFR). This documentation should be prepared before the duties are performed, and the documentation should be maintained in employee personnel files. Additionally, the District should ensure that it pays employees in accordance with agreed-upon terms.

One employee was overpaid \$1,500 and another was underpaid \$301 for the year.

Overly broad access to computerized accounting system—Willcox USD did not establish proper user access control to protect the integrity of its accounting system. For example, five employees had the ability to perform any function within the accounting system and, therefore, had the ability to add new vendors, create and approve purchase orders, and pay vendors. They also had the ability to add new employees, change employee pay rates, and process payroll. Allowing an individual the ability to initiate and complete a transaction without an independent review and approval exposes the District to increased risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding nonexistent vendors or employees.

No process to remove access to network—In addition to granting broad access to its accounting system, Willcox USD does not have procedures in place to ensure only current employees have access to its computer network. For example, auditors reviewed network access for seven terminated employees and found that five of them still had access to the District's system. Further, the District had ten temporary user accounts that were used at one time, but were not closed when they were no longer needed. These accounts included an account created for a testing service and a few accounts created for substitute teachers. To reduce the risk of unauthorized access to the network, the District should establish policies outlining steps to take to remove access when an employee is no longer employed and to ensure that temporary accounts are disabled when no longer needed.

Recommendations

- 2.1 The District should implement proper controls over its payroll processing to ensure adequate separation of responsibilities, and proper documentation and approval of extra-duty pay.
- 2.2 The District should ensure it pays employees in accordance with agreed-upon contracts.
- 2.3 The District should limit employees' access to only those accounting system functions needed to perform their work.
- 2.4 The District should implement formal written procedures to ensure that access is promptly removed when employees leave the District's employment and that any temporary accounts are disabled when no longer needed.

FINDING 3

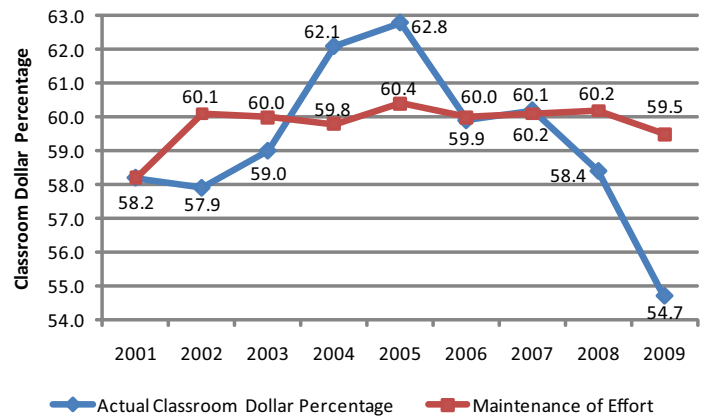
District spent Classroom Site Fund monies inappropriately

Willcox USD spent its Classroom Site Fund¹ (CSF) monies in fiscal year 2009 for purposes authorized by statute. However, the District has shifted its spending away from the classroom, a strong indication that CSF monies are supplanting (replacing) rather than supplementing district monies in the classroom. Additionally, the District paid performance pay to employees without having any documentation that performance pay goals were met or even what the goals were in some circumstances.

Shift in spending indicates supplanting violations

—Since receiving CSF monies in fiscal year 2002, Willcox USD has shifted its spending of other monies away from the classroom, a strong indication of supplanting. A.R.S. §15-977 requires that CSF monies be used to supplement, not supplant, monies from other sources. In fiscal year 2001, prior to CSF monies being available, the District spent 58.2 percent of its available operating dollars in the classroom.² In fiscal year 2009, despite receiving over \$430,000 of CSF monies primarily earmarked for the classroom, the District's overall classroom dollar percentage of 54.7 percent was actually 3.5 percentage points lower than in 2001. If CSF dollars are excluded, the District was spending only 53.1 percent of its other monies in the classroom. As shown in Figure 2, if the District had continued to direct its other monies into the classroom at the same rate it did in 2001, the year prior to receiving CSF monies (i.e., maintained the same level of effort), the addition of CSF monies would have increased the District's 2009 classroom dollars percentage 4.8 percentage points to 59.5 percent. This means an additional \$481,000 would have been spent in the classroom in fiscal year 2009 alone.

Figure 2: Maintenance of Effort and Actual Classroom Dollar Percentages Fiscal Years 2001 through 2009



Source: Auditor General staff analysis of school district summary accounting data for fiscal years 2001 through 2009.

¹ 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 (CSF) monies, may be spent only for specific purposes, primarily increasing teacher pay.

² Available operating dollars are those used for the District's day-to-day operations. They exclude costs associated with repaying debt, capital outlay, and non-K-12 programs. Classroom spending includes salaries and benefits of teachers and instructional aides, textbooks, and other classroom supplies.

Performance pay given without any documentation that goals were met—
Each district school was responsible for defining a school goal related to student achievement and a school goal related to teacher or student attendance, drop-out rate, student discipline, staff/student/parent satisfaction, positive parent contacts, or teamwork/team building. The District paid employees approximately \$133,000 related to these school-based goals in fiscal year 2009. However, the District was not able to provide auditors with any documentation showing that these goals were met. Furthermore, the District did not have written documentation of what the goals were.

Recommendations

- 3.1 The District should ensure that CSF monies are used to supplement rather than supplant other monies.
- 3.2 The District should ensure that site-based goals are clearly defined and promote improved performance.
- 3.3 The District should ensure that it retains adequate documentation to demonstrate that performance pay goals were met.

OTHER FINDINGS

In addition to the three main findings presented in this report, auditors identified two other, less significant areas of concern that require district action. These additional findings and their related recommendations are as follows:

1. District did not accurately report its costs

Willcox USD did not consistently classify its fiscal year 2009 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. For example:

- Approximately \$191,000 in salaries and benefits for several positions, including directors, a dean of students, and a teacher, were misclassified as student support services. Instead, these positions should have been classified as instructional support services, administration, or instruction based on the nature of their responsibilities.
- Approximately \$137,000 in salaries and benefits for several positions, including teacher trainers, department chairpersons, ticket sellers, an athletic director, and a vocational education director, were misclassified as instruction. Instead, these positions should have been classified as instructional support services, administration, or other noninstructional services based on the nature of their responsibilities.

These and other errors totaled approximately \$545,000 and decreased the District's reported instructional expenditures by about \$110,000, or slightly more than 1 percentage point.

Recommendation

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

2. District did not adequately review food service vendor billings

Willcox USD did not review the monthly billings from its food service management company to ensure billings were proper. In fiscal year 2009, the District paid the vendor about \$496,000. The vendor did not provide details of the monthly billings, such as the number of meals served or amounts spent for salaries or food. As a result, neither the District nor the auditors could determine whether the District was billed in accordance with the contract. Additionally, the District is reimbursed through the National School Lunch Program based on the number of meals it serves. Because the District did not require detailed invoices or other reports, the District was also unable to determine whether it was reimbursed appropriately. The District should develop a process to ensure that it is being charged in accordance with its contract and that it receives the appropriate funding.

Recommendation

The District should require detailed invoices from its vendor and review the invoices to help ensure charges are in accordance with the contract and that funding is appropriate.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General's performance audit of the Willcox Unified School District was conducted 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 Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, student transportation, food service, and plant operation and maintenance. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2009, were considered.¹ 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 accurately 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 2009 summary accounting data for all districts and the Willcox Unified School District's fiscal year 2009 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 Willcox 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 Willcox USD and the other 25 unified or union high school districts that also served between 600 and 1,999 students and were located in town/rural areas.² To compare districts' academic indicators, auditors developed a separate student achievement peer group using the same size and location categories as in the operational peer group, but with the additional consideration of each district's poverty rate because poverty rate has been shown to be strongly related to student achievement. Willcox USD's student achievement peer group includes Willcox USD and the 21 other districts that also served between 600 and 1,999 students, were located in town/rural areas, and had poverty rates above the state average of 19 percent. Additionally:

- 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 2009 administration costs and compared these to similar districts'.

¹ 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.

² Excludes three districts that received high levels of additional funding and 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 2009 transportation costs and compared them to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2009 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2009 plant operation and maintenance costs and district building space, and compared these costs to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2009 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 accuracy of 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.

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

DISTRICT RESPONSE

DISTRICT RESPONSE



Richard R. Rundhaug, Ph.D.
Superintendent

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June 23, 2010

Debra K. Davenport
Auditor General
State of Arizona
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

Willcox Unified School District #13 respectfully submits its response to the recently concluded performance audit for fiscal year 2009. The audit indicated four areas of concern: (1) lack of bus maintenance documentation, (2) reporting errors resulting in State transportation aid over funding, (3) lack of adequate controls over the accounting/payroll systems and (4) likely Classroom Site Fund supplanting.

Attached is the District's response to each of the recommendations contained in the audit report. The response indicates whether the District agrees or does not agree with the finding and if the District will implement, will implement with modification or will not implement the recommendation.

I would like to thank the audit team for their work on this performance audit. Ms. Vicki Hanson and Mr. David Winans have been especially helpful and extremely professional throughout the audit. I believe the team did an excellent job and we will do our best to continually improve our District and will pay particular attention to those areas of concern indicated in the audit report.

Sincerely yours,

Richard R. Rundhaug, Ph.D.
Superintendent

**Auditor General Performance Audit, Report No. 10-03
Willcox Unified School District #13
District Response to Audit Findings**

FINDING NO. 1 - Transportation program needs safety and reporting improvements

DISTRICT RESPONSE:

A. Preventative maintenance not systematic

The District agrees with this recommendation and will implement procedures to ensure bus preventative maintenance is conducted and documented in accordance with “State Minimum Standards for School Buses and School Bus Drivers” specifications:

1.1 Willcox USD will purchase a maintenance software program that will provide reminders to the bus mechanic concerning critical bus maintenance needed. The software will help the department track oil changes, oil filters, air filters, lubrication, tire inspection, brake inspection and other data to ensure the safety of all District buses and vehicles. The software will be purchased in the FY 2010-2011 school year. This software will also provide needed documentation that all maintenance is being performed on District vehicles on a timely basis.

B. No formal procedure for work orders

The District agrees with this recommendation and will implement a process to ensure that repairs and maintenance orders are tracked through to completion and supporting documentation is retained:

1.2 The software package will be maintained by the Transportation clerk who in-turn will provide the department mechanic with daily work orders that reflect necessary maintenance and repairs for specific vehicles and buses. Once the work order is complete the mechanic will notify the clerk to close the work order. Document of work order completion will be kept electronically.

C. Inaccurate reporting of mileage and riders resulted in \$44,000 over funding

The District agrees with this recommendation and will implement the recommendation by having the Transportation Supervisor and the Business Manager review for accuracy all transportation reports being submitted to ADE for state funding. The Business Manager will also contact ADE for necessary action to correct the potential over funding in transportation aid:

1.3 The Transportation Department Clerk currently compiles information for ADE transportation reports (Trans55-1). Prior to submission of the report the Transportation Dept. Supervisor and the Business Manager will review the report for accuracy and timeliness.

1.4 The District Business Manager will contact ADE Student Transportation and review the potential over funding for necessary action.

The Transportation Supervisor and Business Manager will collaborate more closely on ADE reports.

D. Performance measures were not established and monitored

The District agrees with this recommendation and will implement the recommendation by having the Transportation Department develop and maintain performance data to aid in the evaluation of the efficiency of the department:

1.5 The District Business Manager and the Transportation Dept. Supervisor will develop and maintain performance data comparable to cost per mile and cost per rider as well as other performance information.

**FINDING NO. 2 - Inadequate controls increased risk of errors and fraud
DISTRICT RESPONSE:**

A. Inadequate controls over payroll processing

The District agrees with this recommendation and will implement the recommendation by having the Business Manager and the Accounting Supervisor review each payroll and sign-off on the accuracy of the payrolls. Additionally, payroll duties will be separated to ensure that no single employee will have complete access to all payroll functions:

Payroll process lacked independent review

2.1 The Accounting Supervisor and the Business Manager will review each payroll and sign-off on each payroll. Additionally, both the Accounting Supervisor and the Business Manager will review and sign-off on all new hires for the District and all changes in pay whether extra-duty or merit increases. All position postings and subsequent approvals are now going through the Superintendent's office, then the Business Office and finally to the Payroll Office for approval.

Authorization and pay for additional duties inadequately documented

2.2 The Accounting Supervisor is currently being cross-trained in all payroll functions and as a back-up measure will be able to process payroll and enter personnel into the payroll system. Both the Accounting Supervisor and the Business Manager will review changes and new hire salaries to ensure each employee is being paid correctly and accordance with their agreed-upon contracts.

B. Overly broad access to computerized accounting system

The District agrees with this recommendation and will implement the recommendation by reducing the number of personnel with access to the system by limiting access to job functions only:

2.3 During the FY 2009-2010 the District converted its accounting system from Visions Version 2x to Visions Enterprise. This conversion required many changes and since the implementation the District has reduced the number of personnel that have access to the system and has more closely delineated those personnel functions to align with only necessary access to the system. Access to the entire system is restricted to two personnel: the

Accounting Supervisor and the Business Manager with the Superintendent having “read only” access and the IT Department having limited access on an “as needed” basis. All other access is restricted to job function.

C. No process to remove access to network

The District agrees with this recommendation and will implement the recommendation by having the payroll specialist notify the IT Department each time an employee is terminated. The IT Department will ensure access to the network is immediately stopped and via return e-mail notify the Payroll Department that access to the network has been ended.

2.4 The Payroll Department will notify the Information Technology Department of all new hires and all terminating employees via e-mail and request network access be terminated for those people no longer working for the District. The IT Department will cancel terminated employee network accounts and via e-mail confirm the termination of network access for those people.

**FINDING NO. 3 - District spent Classroom Site Fund monies inappropriately
DISTRICT RESPONSE:**

A. Shift in spending indicates likely supplanting violations

The District does not entirely agree with this finding but will implement the recommendation to ensure the potential for supplanting does not occur. The District will diligently monitor its CSF monies to ensure funds are being used to supplement and not supplant other funds. The District will also monitor its non-instructional spending and to the extent possible redirect dollars into the classroom.

3.1 All CSF funds are paid to District teachers and approved instructional aides. We believe some of the issue concerning the appearance of supplanting is due to inaccurate account coding. The District is continuing to training personnel on the appropriate account coding. Also, District Office personnel are being sent to account coding professional development to ensure compliance with the USFR and chart of accounts. Finally, the District will modify its 301 Plan as current law requires.

B. Performance pay given without any documentation that goals were met

The District agrees with this recommendation and will implement the recommendation by reviewing the 301 Performance Pay Plan and ensuring the requirements around meeting goals are clear and concise. Also, the District will require principals to document that each employee meets their required goals prior to payment being made. All documentation surrounding the payment of CSF funds will be retained in the Payroll Department:

3.2 The District will define its 301 Pay for Performance Plan to ensure goals are clear and provide and retain documentation from each site that the goals have been met prior to the release of funds to teachers.

3.3 The District will maintain documentation from each site principal that indicates each CSF recipient has met their District and individual performance goals.

OTHER FINDINGS

DISTRICT RESPONSE:

District did not accurately report its costs

The District agrees with this recommendation and will implement the recommendation by classifying all transactions in accordance with the Uniform Chart of Accounts.

Additionally, personnel will have more training on coding and the Chart of Accounts.

4.1 Account coding has been a problem for District staff primarily due to personnel turn-over in the last couple of years. The District is focusing on procurement and account coding issues. We will be continuously training staff on coding in accordance with the USFR. On a weekly basis we are reviewing coding with the District Office personnel. Additionally, the District is looking into outside resources for the training of staff such as the Heinfeld, Meech & Co. University and other in-house training.

District did not adequately review food service vendor billings

The District agrees with this recommendation and has implemented the recommendation by having the FSMC improve their invoicing to the District with additional data to support their charges. The District is reviewing all charges from the FSMC for accuracy and validity.

4.2 The Business Office has requested and received more detailed billing reports from its Food Service Management Company (Sodexo). We are reviewing those reports and billings for accuracy. Also, the District is providing training for our cafeteria personnel regarding increased ordering and use of commodities.

