

Middle Schools

Akimel A-al
Altadeña
Aprende
Centennial
Kyrene
Pueblo

Elementary Schools

Brisas
Cerritos
Cielo
Colina
Esperanza
Estrella
Lagos
Lomas
Manitas
Mariposa
Milenio
Mirada
Monte Vista
Niños
Norte
Paloma
Sierra
KTA - Sureño
C.I. Waggoner

Administration

David K. Schauer, Ed.D.
Superintendent

Mark Knight, Ph.D.
Assistant Superintendent

Lorah J. Neville, M.A. Ed
Executive Director

Jeremy Calles
Chief Financial Officer

Governing Board

Bernadette Coggins
Michelle Hirsch
John King
Kristin Middleton
Ross Robb

June 21, 2016

State of Arizona
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Attn: Ms. Debbie Davenport, Auditor General
Mr. John Ward, Audit Manager

Dear Ms. Davenport and Mr. Ward,

Kyrene Elementary School District #28 has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2013. Kyrene would like to commend and extend appreciation to Mr. Ward for his professionalism and patience throughout this process.

The information shared throughout the process has provided Kyrene an opportunity to make improvements toward continued efficiency, compliance and transparency. The District will continue to strive toward compliance in all areas and will comply with recommendations as noted in the District's response.

Please find attached the District's response to each finding and recommendation.

Sincerely,

Bernadette Coggins
Kyrene Governing Board President

Finding 1: District lacked adequate accounting and computer controls to protect it from errors and fraud

District Response: In reference to Purchasing Controls, the Auditor General's Office cites that they found 5 occurrences out of 30 transactions reviewed that were purchases without prior approval. The District has an independent auditor who reviews this specific issue every year and they have reported different results as stated below.

FY	2009-10	–	0	findings	out	of	40	transactions	reviewed
FY	2010-11	–	0	findings	out	of	40	transactions	reviewed
FY	2011-12	–	0	findings	out	of	40	transactions	reviewed
FY	2012-13	–	1	finding	out	of	40	transactions	reviewed
FY	2013-14	–	0	findings	out	of	40	transactions	reviewed
FY	2014-15	–	0	findings	out	of	40	transactions	reviewed
FY	2015-16	–	0	findings	out	of	40	transactions	reviewed

That being said, we acknowledge that there should be zero occurrences even if every transaction was reviewed. The District continues to remind principals, directors and others in a position to make a purchasing decision about the importance of seeking prior approval. We will look to require additional training for those who violate this policy. In reference to controls over cash collections, the District acknowledges that it is inappropriate to have the food service reconciliation responsibility rest with the food service management company. The District will be hiring additional administrative staff so the District can reconcile the cash balances. The Auditor General's Office also pointed out concerns over the collection of extracurricular tax credit donations. The District acknowledges that the change in the creation of receipts that the Auditor General's Office suggested may help reduce the risk of embezzlement, but it doesn't fully address the issue. A more effective solution would be to require the Department of Revenue to reconcile every tax credit donation made to School Districts, Charter Schools and Student Tuition Organizations. This would not only prevent theft, but would also reduce the number of people who cheat on their taxes by claiming credits for donations that they didn't make. The next item was based on an envelope of money that was found in the safe without being properly logged in. After further investigation it was discovered that the "unexplained money" was related to a school event. The school had an event at night just before the weekend and an employee put the funds into the drop box without properly filling out the log. We have educated our staff about the importance of following procedures and this was an isolated incident. The Auditor General's Office brings up an event that occurred in 2010, in which the District investigated a potential misuse of funds and collaborated with the Auditor General's Office to validate the suspicion. The District cooperated with the Auditor General's Office to fully resolve the issue in a manner that was in the best fiduciary interest of the public. This single occurrence had no indication of fraud or misuse and was simply a rushed employee who didn't fill out the log when putting the envelope into the drop box. The policies and practices in place in Kyrene are just as strong as any District in this State. Even the most articulate policy and in-depth training cannot prevent what appears to be a random instance of human behavior.

Recommendation 1: The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made and document that all goods and services have been received prior to payment.

District Response: The District agrees with this statement and continually makes every effort to properly train employees on the importance of seeking prior approval and verifying the receipt of goods and services. The random sample from Heinfeld & Meech performed every year has never shown any indication of an issue but the more targeted random sample performed by the Auditor General's Office shows that there is still more work to do. The District will be making more efforts to track and follow up with any employees who complete an after the fact purchase.

Recommendation 2: To ensure that it receives the proper amount of cash from food service sales, the District should improve oversight and procedures pertaining to cash collections from food service sales.

District Response: As of August, 2015, the District has increased oversight and strengthened reconciliation procedures in regards to food service cash. Cash is reconciled by a District employee against the daily cashier's log, cashier's summary reconciliation report from the point-of-sale software and bank statements and deposits are processed by a District employee. The District is hiring an additional 0.5 FTE of administrative support to continue this additional oversight and remain compliant in this area due to the increased workload.

Recommendation 3: The District should implement proper controls over tax-credit eligible extracurricular donations received at district schools by preparing and issuing numerically controlled receipts.

District Response: The District agrees with the recommendation and will ensure that all schools are using numerically controlled receipts.

Recommendation 4: The District should adhere to its policies and procedures for documenting cash deposits in school safes and ensure that all employees handling cash have the proper training.

District Response: The District agrees with the recommendation and will reinforce the importance of always following policy. Additionally, the District will ensure that Principals and Assistant Principals also attend the annual training.

Recommendation 5: The District should implement and enforce stronger password requirements.

District Response: New passwords policies have been in place since August of 2015. The District now enforces industry standard best-practice password complexity and requires users to change passwords a minimum of every 90 days. If the Auditor General's Office will communicate to School Districts their expectations for password complexity and other internal controls then the District will ensure that our practice continues to meet or exceed that expectation.

Recommendation 6: The District should ensure that it eliminates unnecessary generic accounts on its network and disables, when not in use, those generic accounts determined to be necessary.

District Response: The District has eliminated virtually all generic accounts networkwide. For the few mission critical accounts that remain a new policy has been implemented wherein they are deactivated while not in use for testing.

Recommendation 7: The District should create a formal IT disaster recovery plan and test it periodically to identify and remedy deficiencies.

District Response: While not in written form, the District has always had formalized disaster recovery plans and procedures. Everything from daily backups and data replication to alternate location recovery abilities and intrusion detection/reporting. The District does realize the necessity for having these plans standardized in written form and has begun documenting disaster recovery plans for IT and expects final completion in 2016.

Finding 2: District spent more on plant operations primarily for excess building space

District Response: The District has reduced energy consumption by 30% within a 5-year period and does not believe that this is an issue. Based on the 2015 Auditor General's Classroom Spending Report the District spends \$4.58 per square foot compared to a Peer Average of \$5.82 and a State Average of \$6.09. Total Plant Operations per student is at \$707 compared to a Peer Average of \$738 and a State Average of \$930. The District does provide more space per student which is not an efficient use of energy and space but as demonstrated by academic achievement that is at the highest rank of their peer group and nearly the highest in the state, is an effective education model. The District believes in lower class sizes and utilizing classrooms for increased focus such as the Science Discovery Room which translates to more square feet per student. So, in theory, the District could get a more efficient use of energy if they increased class sizes and eliminated the specialty rooms. However, the District is extremely energy efficient and has received numerous awards from SRP, EPA, the U.S. Green Building Council, BOMA and others. The District is so energy efficient that they can provide small class sizes and extra space for their students all while spending less per student on Plant Operations. In cases where the enrollment does get too low for a school, the District has successfully launched innovative programs to increase enrollment. One of the identified schools in the Auditor General's report has become so successful that the District had to purchase two portable buildings to help make space for all of the increased enrollment.

Recommendation 1: The District should analyze its excess building space and determine how to reduce it.

District Response: The District recognizes that legally we could fit another 6 – 10 students in every classroom but has adopted class size guidelines that are below this target. The District recognizes that this may cause a less efficient use of building space but it helps maximize achievement. In cases where there are buildings that don't utilize every classroom for K-8 instruction, the District has implemented other programs or opportunities for all students. The additional programs include tuition based Preschool and Early Learning Centers. The additional opportunities include a Science Discovery Room and other STEM related classrooms. One of the twenty-five schools in the District is small and the District will implement an innovative program to build that school's enrollment. This strategy has proven effective time and time again which is why Kyrene

is one of the few land-locked large Districts who didn't need to close a school during the recession.

Other Findings: Bus preventative maintenance not performed according to District's schedule

District Response: The District has just transitioned, almost entirely, to a fleet of propane buses. The District is working with the manufacture to ensure that the preventative maintenance schedule is up to date to reflect the needs of the current fleet. The District has also increased the overall fleet size to make it easier to pull a bus off of its route when maintenance is needed.

Recommendation 1: The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with district policy and the State's *Minimum Standards*.

District Response: The District will comply with this recommendation.