

Fredonia-Moccasin Unified School District

Performance Audit

August 2016
Report 16-208



A Report to the Arizona Legislature

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 and special reviews of school districts, state agencies, and the programs they administer.

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DEPUTY AUDITOR GENERAL

August 30, 2016

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Fredonia-Moccasin Unified School District

Mr. Joe B. Wright, Superintendent
Fredonia-Moccasin Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Fredonia-Moccasin 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 recommendations.

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

Sincerely,

Debbie Davenport
Auditor General



Fredonia-Moccasin Unified School District

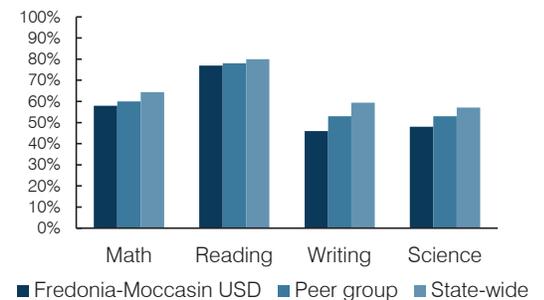
CONCLUSION: In fiscal year 2014, Fredonia-Moccasin USD's student achievement was similar to peer districts', and although it had higher costs in some noninstructional areas, the District's operations were reasonably efficient overall. The District's administrative costs per pupil were much higher than the peer districts' average, but only because it had fewer students than the peer districts, on average. However, the District needs to strengthen its accounting, computer, and building access controls. Fredonia-Moccasin USD's plant operations cost per pupil was slightly higher than the peer districts' average primarily because it operated much more square footage per pupil than the peer districts averaged. To its credit, the District has taken steps to reduce the amount of excess space it maintains, such as closing a school and closing off unused space at another school. The District's food service program was reasonably efficient, with a cost per meal that was similar to the peer districts' average. However, the District provided meals to a local preschool program but did not charge enough to cover its costs. Lastly, the District's transportation program had higher costs per mile and per rider, but the program was reasonably efficient. The District employed efficient practices, such as having its bus drivers perform other work for the District when not driving.

Similar student achievement and reasonably efficient operations

Student achievement similar to peer districts'—In fiscal year 2014, Fredonia-Moccasin USD's student AIMS scores in math, reading, and science were similar to the peer districts' averages, and its writing scores were slightly lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B. Twelve of the 17 peer districts also received Bs, 2 received As, and 3 received Ds. Additionally, the District's 88 percent graduation rate was slightly higher than the peer districts' 83 percent average and much higher than the State's 76 percent average.

Reasonably efficient operations overall—Although the District had higher per pupil costs in several nonclassroom areas, based on our review of various performance measures, Fredonia-Moccasin USD operated in a reasonably efficient manner overall in fiscal year 2014. The District's administrative costs per pupil were much higher than the peer districts' average, but only because it had fewer students. The District's plant operations were reasonably efficient overall with costs that were much lower per square foot than the peer districts' average but slightly higher per pupil because the District maintained 47 percent more square footage per student. The District's food service program operated with a cost per meal that was similar to the peer districts' average, but its food service cost per pupil was much higher than the peer districts' average primarily because it served 20 percent more meals per pupil than the peer districts, on average. Lastly, although the District's costs per mile and per rider were higher than peer districts' averages, the District operated its transportation program in a reasonably efficient manner, employing efficient practices such as having its bus drivers perform other work for the District when not driving.

Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2014



Comparison of per pupil expenditures by operational area Fiscal year 2014

| | Fredonia-Moccasin USD | Peer group average |
|------------------|-----------------------|--------------------|
| Administration | \$1,785 | \$1,534 |
| Plant operations | 1,610 | 1,518 |
| Food service | 586 | 448 |
| Transportation | 414 | 501 |

District lacked adequate controls to protect it from errors, fraud, and unauthorized access to sensitive information

Inadequate accounting controls—The District had an increased risk of errors and fraud because it did not sufficiently separate its payroll and personnel functions. One employee was responsible for performing all payroll-processing duties and also had the ability to change employee pay rates and add or delete employees within the District's payroll system, which are typically personnel functions. In addition, we reviewed 30 fiscal year 2014 accounts payable transactions and found that 3 transactions were for purchases made without prior approval. Further, the District did not have adequate separation of duties and controls over cash collections. More specifically, one district employee was responsible for all cash collection duties without adequate supervisory review.

Inadequate computer controls—In fiscal year 2014, the District lacked adequate controls over its computer network and systems. More specifically, the District allowed network and accounting and student information system passwords to be short, did not require passwords to contain numbers or symbols, and did not require passwords to be changed periodically. Additionally, we found that five of the six accounting system users had more access to the accounting system than they needed to perform their job duties. In addition, 17 network user accounts had administrator-level access, and five network user accounts and three student information system user accounts were linked to employees who no longer worked for the District. Further, we found that 19 network user accounts and one accounting system user account were generic accounts not assigned to specific individuals, making it difficult or impossible to hold anyone accountable if inappropriate activity occurred while using these accounts. In addition, the District's server room was located in an area accessible to all staff, which increased the risk of network interruption due to intentional or accidental equipment damage. Lastly, the District did not have a formal, up-to-date, and tested disaster recovery plan to help ensure continuous accessibility to sensitive and critical data in the event of a system or equipment failure or interruption.

Poor physical access controls to buildings—In fiscal year 2014, the District had poor controls over physical access to its buildings because it did not follow its own policy for the assignment of keys. Specifically, the District's policy allows only specific personnel, such as the superintendent and the custodial director, to have unlimited access to district buildings. However, personnel beyond those specified in the policy were assigned keys with unlimited access to district facilities.

Recommendations

The District should:

- Implement proper controls over payroll, purchasing, and cash handling.
- Implement proper controls over its computer network and systems.
- Create and implement a formal disaster recovery plan.
- Review and limit employees' access to its buildings based on district policy.

District incurred a loss on meals provided for a contracted preschool program

In fiscal year 2014, Fredonia-Moccasin USD provided breakfasts and lunches to a local, federally funded preschool program. The District charged the preschool program for these meals; however, it did not charge enough to cover its costs. More specifically, the District's costs for these meals exceeded its revenues by more than \$5,000.

Recommendation

The District should renegotiate prices with the preschool program to ensure that revenues generated from selling meals at least cover the related costs.



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DISTRICT OVERVIEW

Fredonia-Moccasin Unified School District is a geographically large, rural district covering 3,744 square miles in Coconino County. In fiscal year 2014, the District served 227 students in kindergarten through 12th grade at its two schools located on the same campus.

In fiscal year 2014, Fredonia-Moccasin USD's student achievement was similar to peer districts', and although it had higher costs in some noninstructional areas, the District was reasonably efficient overall.¹ However, auditors identified some areas for improvement, as discussed below.

Student achievement similar to peer districts'

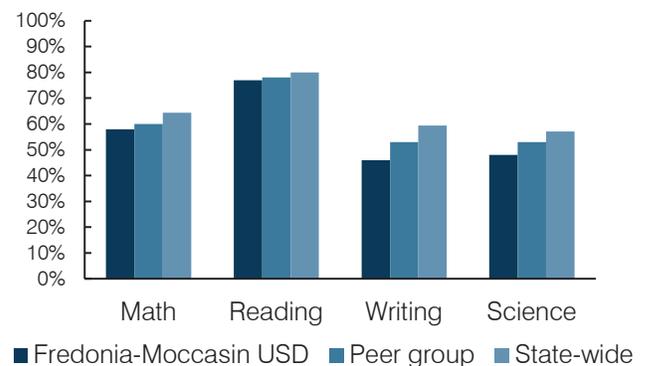
In fiscal year 2014, 58 percent of the District's students met or exceeded state standards in math, 77 percent in reading, 46 percent in writing, and 48 percent in science. As shown in Figure 1, the District's scores in math, reading, and science were similar to the peer districts' averages, and its scores in writing were slightly lower. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, Fredonia-Moccasin USD received an overall letter grade of B for fiscal year 2014. Twelve of the 17 peer districts also received Bs, 2 received As, and 3 received Ds. The District's 88 percent graduation rate in fiscal year 2014 was slightly higher than the peer districts' 83 percent average and much higher than the state average of 76 percent.

District's operations were reasonably efficient overall, but some improvements needed

Although the District had higher per pupil costs in several nonclassroom areas as shown in Table 1 on page 2, based on auditors' review of various performance measures, Fredonia-Moccasin USD operated in a reasonably efficient manner overall in fiscal year 2014. The District spent slightly more per pupil overall than its peer districts, on average, but most of the additional spending was for instructional purposes.

Administration reasonably efficient, but some improvements needed—At \$1,785 per pupil, Fredonia-Moccasin USD's administrative costs were 16 percent higher than the peer districts' average of \$1,534, but only because it had fewer students—227 students in fiscal year 2014 compared to the peer group average of 402 students. The District's total administrative costs in fiscal year 2014 were much lower than the peer districts' average. In addition, auditors observed the District's administrative operations and did not identify

Figure 1
Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2014
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2014 test results on Arizona's Instrument to Measure Standards (AIMS).

¹ Auditors developed three peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

any overstaffing or unusually high salaries. However, the District should strengthen some of its accounting, computer, and building access controls (see Finding 1, page 3).

Plant operations reasonably efficient—Fredonia-Moccasin USD’s \$3.57 plant operations cost per square foot was 24 percent lower than the peer districts’ average, but its cost per pupil was 6 percent higher primarily because it operated 47 percent more square footage per pupil than the peer districts averaged. To its credit, the District recognized that it had declining student enrollment and closed one of its elementary schools in fiscal year 2010. Then, in fiscal year 2012, the District blocked off a section of classrooms at its remaining elementary school that was no longer needed on a regular basis, and as of May 2016, it continued to provide minimal heating, cooling, and maintenance services to this section. In addition, auditors observed the District’s plant operations and did not identify any overstaffing, high salaries, or wastes of resources, such as excessive or unneeded heating or cooling of buildings, or additional buildings the District could close.

Reasonably efficient food service program—Fredonia-Moccasin USD’s food service program was reasonably efficient with a \$3.38 cost per meal that was similar to the peer districts’ average of \$3.36 per meal. The District’s cost per pupil was 31 percent higher than the peer districts’ average primarily because it served 20 percent more meals per pupil than the peer districts, on average. Although the District’s food service program was reasonably efficient, the program’s costs exceeded its revenues by over \$21,000. One contributor to the program’s financial loss was the cost for meals the District provided to a preschool program, which exceeded the revenues they generated (see Other Findings, page 7).

Transportation program reasonably efficient despite higher costs—Although Fredonia-Moccasin USD’s \$2.56 cost per mile was 10 percent higher than the peer districts’ average and its \$1,148 cost per rider was 17 percent higher, auditors found the program to be reasonably efficient. The District operated three bus routes that ran in different areas of the District and a route exclusively for transporting kindergarten students that could not be combined with other routes to lower costs. Further, the District employed efficient practices, such as employing part-time drivers who performed other work, including custodial and maintenance duties, for the District when not driving.

Table 1
Comparison of per pupil expenditures by operational area
Fiscal year 2014
 (Unaudited)

| Spending | Fredonia-Moccasin USD | Peer group average | State average |
|----------------------|-----------------------|--------------------|---------------|
| Total per pupil | \$10,414 | \$10,014 | \$ 7,578 |
| Classroom dollars | 5,386 | 5,015 | 4,073 |
| Nonclassroom dollars | | | |
| Administration | 1,785 | 1,534 | 757 |
| Plant operations | 1,610 | 1,518 | 923 |
| Food service | 586 | 448 | 405 |
| Transportation | 414 | 501 | 373 |
| Student support | 340 | 626 | 600 |
| Instruction support | 293 | 372 | 447 |

Source: Auditor General staff analysis of fiscal year 2014 Arizona Department of Education student membership data and district-reported accounting data.



District lacked adequate controls to protect it from errors, fraud, and unauthorized access to sensitive information

In fiscal year 2014, Fredonia-Moccasin USD lacked adequate accounting, computer, and building access controls. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss of data.

Inadequate accounting controls

In fiscal year 2014, Fredonia-Moccasin USD lacked adequate controls over payroll processing, purchasing, and cash handling. The District did not adequately separate its payroll and personnel functions, did not always require proper approval and appropriate documentation before making purchases, and did not have proper controls over its cash collections.

Payroll lacked proper separation of responsibilities—The District had an increased risk of errors and fraud because the District did not sufficiently separate its payroll and personnel functions. One district employee was responsible for changing employee pay rates and updating other employee information, which is a personnel function, in addition to performing all payroll-processing duties. Additionally, this employee had the ability to add and delete employees within the District's payroll system, which is also a personnel function. Although no improper transactions were detected for the 30 employees' fiscal year 2014 payroll transactions auditors reviewed, allowing an individual the ability to initiate and complete the payroll process, including performing some personnel functions, could allow the processing of false payments.

Some purchases lacked adequate approval—The District did not always require proper approval prior to purchases being made. Auditors reviewed 30 fiscal year 2014 accounts payable transactions and found that 3 transactions were for purchases made without prior approval. Although no inappropriate transactions were detected in the items reviewed, the District should ensure that an authorized employee approves all purchases prior to the ordering of goods or services, as required by the *Uniform System of Financial Records for Arizona School Districts*. This helps ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported.

Cash collections lacked proper controls—In fiscal year 2014, the District collected cash for various purposes, including student course fees and other miscellaneous cash collections, such as fees collected for the District's preschool program and joint technology education program. These monies were received at the District's main office and the elementary school. Auditors reviewed two months of fiscal year 2014 cash collections totaling almost \$30,000 and determined that the District did not have adequate separation of duties and controls over cash collections. More specifically, one district office employee was responsible for collecting, recording, depositing, and reconciling cash receipts without adequate supervisory review. Without proper controls, the District cannot ensure that all cash received was deposited or that cash was deposited in a timely manner. Because of the high risk for loss, theft, and misuse associated with cash transactions, the District should establish and maintain effective internal controls to safeguard cash.

Inadequate computer controls

In fiscal year 2014, Fredonia-Moccasin USD lacked adequate controls over its network and accounting and student information systems. These poor controls exposed the District to an increased risk of unauthorized access to these critical systems. Additionally, the lack of a thorough and tested disaster recovery plan could result in interrupted operations or loss of data.

Weak password requirements—The District lacked adequate password requirements for access to its computer network and accounting and student information systems. Although users developed their own passwords, the passwords lacked a complexity requirement—that is, passwords could be short and did not need to contain numbers or symbols. Additionally, the passwords were not required to be changed periodically. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters, numbers, and symbols if permitted by the system; and be changed periodically. Strengthening password requirements would decrease the risk of unauthorized persons gaining access to the network and systems.

Broad access to accounting system—Auditors reviewed the user access report for the District's six accounting system users and found that five of the six users had more access to the accounting system than they needed to perform their job responsibilities. Three of these users had system-administrator-level access, meaning that they had access to all settings within the accounting system, including the ability to add new user accounts and modify the level of access users have in the system. Allowing too many users to have this level of access also increased the District's risk of security breaches because administrator accounts are typically targeted by hackers because of their high-level privileges. Although no improper transactions were detected in the payroll and accounts payable transactions auditors reviewed, such broad access, especially system-administrator-level access, exposed the District to a greater risk of errors and fraud, such as processing false invoices or adding and paying nonexistent vendors or employees.

Too many employees with administrator-level access are able to make changes to computer network settings—Administrator-level access allows the user full control over network settings, including the ability to add new users and modify the level of access users have in the network. At Fredonia-Moccasin USD, 17 user accounts had this type of access, including 1 IT employee, 12 non-IT employees, and 4 accounts not assigned to specific individuals. Additionally, as mentioned above, 3 accounting system user accounts had system-administrator-level access. By allowing too many users to have this access level, the District increased its risk of security breaches because a compromised administrator account could result in unauthorized access to and loss of sensitive data or disruption of district operations.

Inadequate procedures for removing access to the network and critical systems—The District did not have sufficient procedures in place to ensure that only current employees had access to its network and student information system. Auditors found five network user accounts and three student information system user accounts that were linked to employees who no longer worked for the District. At least one of these individuals had not worked for the District for more than 6 months. To reduce the risk of unauthorized access, the District should implement procedures to ensure the prompt removal of access when a user is no longer employed by the District.

Generic user accounts—Auditors reviewed the District's user access reports for its network and accounting system and found that 19 network accounts and one accounting system account were not assigned to specific individuals. Generic accounts create additional risk because it is difficult or impossible for the District to hold anyone accountable if inappropriate activity were conducted using these accounts. The District should examine these generic accounts and determine if they are necessary. Further, the District should eliminate any unnecessary generic accounts and minimize the number of remaining generic accounts and establish proper controls over them, such as disabling them, if appropriate, when not being used.

Inappropriate server room access—The District did not sufficiently protect its server room. The District's servers were stored in an unlocked room, which was accessible to all staff. Additionally, the area lacked any fire suppression equipment. Allowing broad access to the computer server room and failing to properly protect

computer equipment from fire increases the risk of network interruption, equipment loss, and possible loss of sensitive data.

Lack of disaster recovery plan could result in interrupted operations or loss of data—In fiscal year 2014, the District did not have a formal, up-to-date, and tested disaster recovery plan even though it maintained critical student and accounting information on its network and systems. A written and properly designed disaster recovery plan would help ensure continued operations in the event of a system or equipment failure or interruption. The plan should include detailed information on how to restore systems in such an event. As part of a disaster recovery plan, the District should also perform documented tests of its ability to restore electronic data files from backups, which are important to ensure continuous accessibility to sensitive and critical data.

Poor controls over physical access to buildings

The District needs to review and strengthen its process for distributing keys for district buildings. The District's policy regarding the assignment of keys allows only specific employees, such as the superintendent and the custodial director, to have unlimited access to district buildings. However, auditors reviewed the District's fiscal year 2014 records of assigned keys and found that the District did not follow its own policy and had assigned keys with unlimited access to employees beyond those specified in the policy. Specifically, the District allowed employees, such as school secretaries and general maintenance and custodial staff, to have unrestricted access to district facilities, increasing the risk of theft and misuse of supplies and equipment.

Recommendations

1. The District should implement proper controls over its payroll process to ensure proper separation of responsibilities.
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
3. The District should establish and maintain effective internal controls to safeguard cash, including properly separating cash-handling responsibilities.
4. The District should implement and enforce password requirements related to password length, complexity, and expiration.
5. The District should limit employees' access to its computerized accounting system to only those accounting system functions needed to perform their work.
6. The District should review and reduce the number of users with administrator-level access to its network and systems.
7. The District should develop and implement a formal process to ensure that terminated employees have their computer network and systems access promptly removed.
8. The District should eliminate unnecessary generic user accounts in its network and systems and properly control any remaining generic accounts.
9. The District should limit physical access to its IT server room so that only appropriate personnel have access. In addition, the District should ensure that a fire extinguisher is available nearby.
10. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.
11. The District should review and limit employees' access to its buildings based on district policy.



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

District incurred a loss on meals provided for a contracted preschool program

In fiscal year 2014, Fredonia-Moccasin USD provided breakfasts and lunches to a local, federally funded preschool program. The District charged the preschool program for these meals; however, it did not charge enough to cover its costs. More specifically, the District's costs for these meals exceeded its revenues by more than \$5,000. To ensure that revenues generated from selling meals at least cover the related costs, the District should renegotiate prices with the preschool program. Further, before agreeing to provide services to other organizations, the District should carefully analyze all costs and expected revenues to ensure agreements are at least self-supporting.

Recommendation

The District should renegotiate prices with the preschool program to ensure that revenues generated from selling meals at least cover the related costs.



Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Fredonia-Moccasin Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on classroom dollars, as previously reported in the Office of the Auditor General's annual report, *Arizona School District Spending (Classroom Dollars report)*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2014, was considered.² 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 2014 summary accounting data for all districts and Fredonia-Moccasin USD's fiscal year 2014 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Fredonia-Moccasin USD's student achievement peer group includes Fredonia-Moccasin USD and the 17 other unified school districts that also served student populations with poverty rates between 20 and 27 percent in towns and rural areas. Auditors compared Fredonia-Moccasin USD's graduation rate and its student AIMS scores to those of its peer group averages. The same grade levels were included to make the AIMS score comparisons between Fredonia-Moccasin USD and its peer group. AIMS scores were calculated using test results of the grade levels primarily tested, including grade levels 3 through 8 and 10 for math, reading, and writing, and grade levels 3 through 12 for science. Generally, auditors considered Fredonia-Moccasin USD's student AIMS scores and graduation rate to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between Fredonia-Moccasin USD and its peers, as well as the District's graduation rate and Arizona Department of Education-assigned letter grade.³

To analyze Fredonia-Moccasin USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Fredonia-Moccasin USD and 18 other unified and union high school districts that also served between 200 and 599 students and were located in towns and rural areas. To analyze Fredonia-Moccasin USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group includes Fredonia-Moccasin USD and 14 other school districts that also traveled between 370 and 469 miles per rider and were located in towns and

² Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

³ The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades primarily based on academic growth and the number of students passing AIMS.

rural areas. Auditors compared Fredonia-Moccasin USD's costs to its peer group averages. Generally, auditors considered Fredonia-Moccasin USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Fredonia-Moccasin USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2014 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 76 individuals who received payments in fiscal year 2014 through the District's payroll system and reviewed supporting documentation for 30 of the 1,499 fiscal year 2014 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that they considered significant to the audit objectives and reviewed fiscal year 2014 spending and prior years' spending trends across operational areas.
- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2014 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'. Auditors also reviewed the District's controls over district keys and building access.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2014 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- 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 2014 administration costs and compared these to peer districts'.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2014 transportation costs and compared them to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2014 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.

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

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

DISTRICT RESPONSE



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August 24, 2016

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

Re: Preliminary Draft Performance Audit for FY 2014

Dear Ms Davenport,

Fredonia-Moccasin Unified School District has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2014. FMUSD extends appreciation to the Auditor General's staff for their professionalism and courtesy during their site visit and follow up communications.

The information shared throughout the process and found within the Preliminary Draft Performance Audit has given us the opportunity to look with a critical eye at each of our departments and their operations. We appreciate this opportunity for continued improvement and efficiency. Our district will continue to strive for 100% compliance in all areas and will implement the recommendations of the Auditor General's report.

Respectfully,

Joe B. Wright
Superintendent

Joe B. Wright, Superintendent/Elementary Principal
Brett Waite, Middle/High School Principal
Dorene Mudrow, Business Manager

