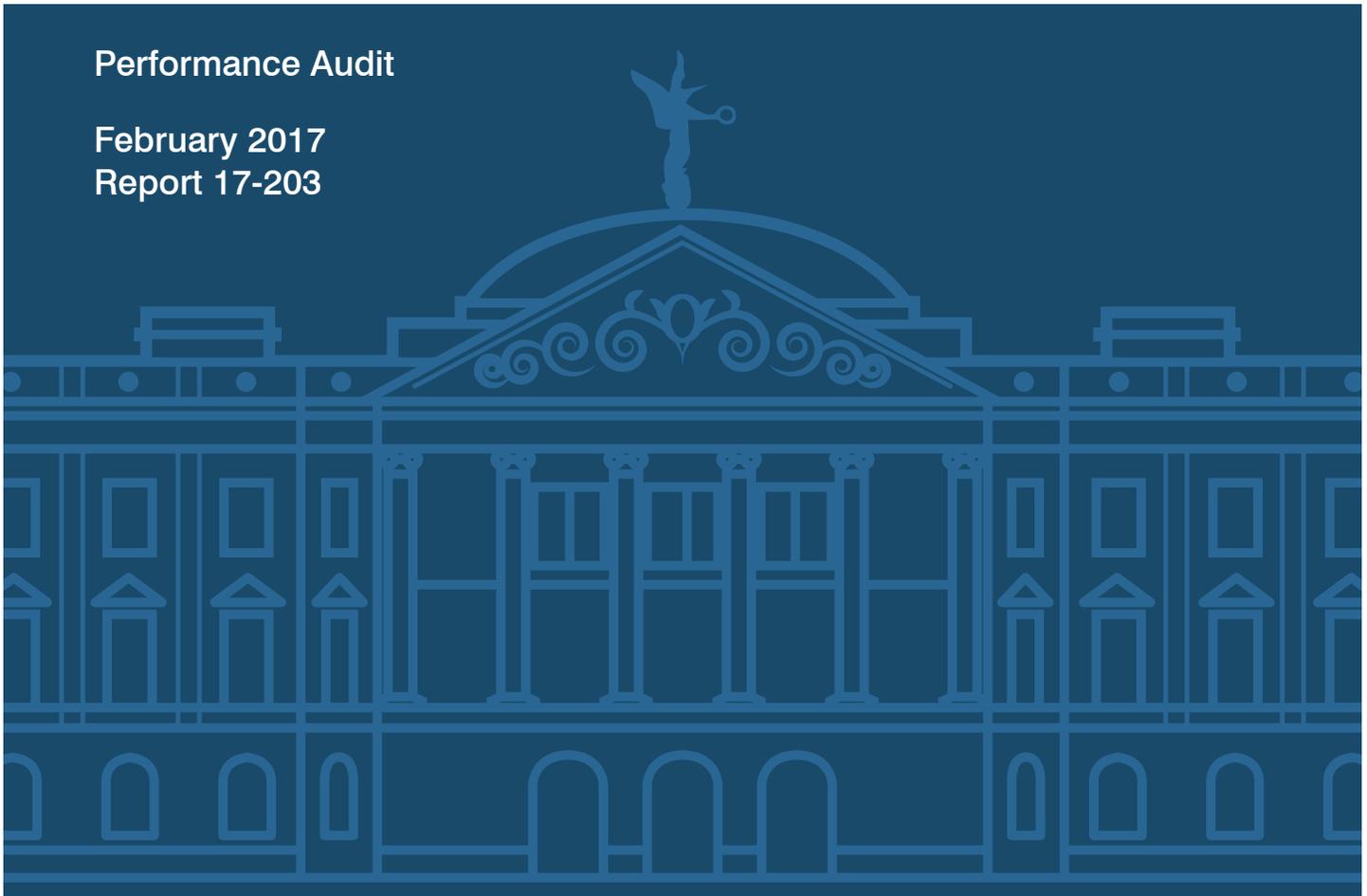


Congress Elementary School District

Performance Audit

February 2017

Report 17-203



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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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

February 23, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Congress Elementary School District

Dr. Stephanie Miller, Superintendent
Congress Elementary School District

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

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

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

Sincerely,

Debbie Davenport
Auditor General



Congress Elementary School District

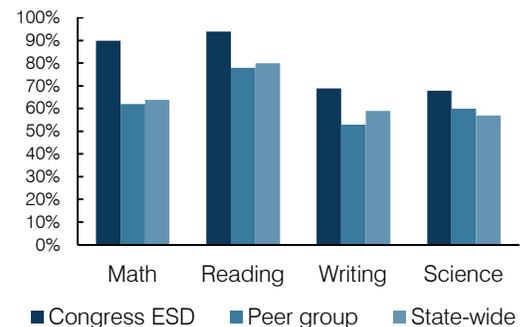
CONCLUSION: In fiscal year 2014, Congress Elementary School District's student AIMS scores were higher than the peer districts' averages, and the District operated efficiently overall. Specifically, the District's administrative costs per pupil were 38 percent lower than the peer districts', on average, because it operated with lower administrative staffing levels. However, the District needs to strengthen its accounting and computer controls. The District's plant operations cost per pupil was lower than peer districts' because it operated and maintained 39 percent fewer square feet per student than peer districts. In addition, the District's food service program operated efficiently with a lower cost per meal than peer districts', on average, primarily because it implemented some effective cost-controlling techniques. Lastly, the District's transportation program operated with a much lower cost per mile and per rider because the District transported its riders fewer miles than peer districts, on average, and operated its transportation program with fewer employees than the peer districts, on average.

Student achievement and operational efficiency

Student achievement—For very small districts such as Congress ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. In fiscal year 2014, Congress ESD's student test scores for math, reading, writing, and science were all higher than peer districts' averages. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of A for fiscal year 2014. Of the ten peer districts, two other districts also received As, four received Bs, three received Cs, and one received a D.

Efficient operations overall—In fiscal year 2014, Congress ESD's administrative costs were lower than the peer districts' average primarily because of lower staffing levels. The District's plant operations cost per pupil was lower than peer districts' because it operated and maintained less building space per pupil. The District's food service program operated efficiently with a lower cost per meal than peer districts', on average, primarily because it implemented some effective cost-controlling techniques, such as fully using commodities and having classroom teachers take morning counts of students intending to eat a district-served lunch that day to minimize food waste. Lastly, the District's transportation program operated with a much lower cost per mile and per rider because the District transported its riders fewer miles, on average, than peer districts, and operated its transportation program with only one part-time employee.

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



Comparison of per pupil expenditures by operational area
Fiscal year 2014

	Congress ESD	Peer group average
Administration	\$1,760	\$2,835
Plant operations	1,733	2,137
Food service	608	901
Transportation	514	1,072

District should strengthen accounting and computer controls

In fiscal years 2014 and 2015, Congress ESD lacked adequate accounting and computer controls. These poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss. Specifically:

- **Approval for additional pay not always documented**—The District did not always maintain adequate documentation showing that pay was approved prior to the work being performed. We found that the four employees

who received additional-duty payments in fiscal year 2014 had no documentation indicating that the additional duties and related pay were approved prior to the work being performed.

- **Purchasing procedures need strengthening**—In fiscal years 2014 and 2015, one district employee, with limited review, was responsible for adding new vendors, ordering goods and services, recording expenses, and distributing payments to vendors. The District could better ensure that vendor payments are accurate and appropriate by requiring that an authorized employee, such as the District’s superintendent, review the final payment vouchers and vendor checks before sending the payments.
- **Some purchases lacked proper approval**—The District did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2014 accounts payable transactions and found 7 that were for purchases made without prior approval. Although the District is very small, it has adequate staffing to ensure proper approval prior to purchases being made.
- **Insufficient documentation for credit card purchases**—The District did not maintain sufficient documentation for some credit card purchases. We reviewed credit card statements for three months in fiscal year 2014 and found over \$560 in credit card expenditures that were missing supporting documentation, such as receipts or invoices. Additionally, the District did not consistently reconcile supporting documentation to the credit card statements.
- **Inadequate password requirements**—In fiscal years 2014 and 2015, the District lacked adequate password requirements for access to its computer network. Specifically, passwords were not required to be changed periodically. We identified 11 user accounts, 45 shared accounts, and 6 service accounts with passwords that had not been changed in more than 120 days, and in some instances, user passwords had not been changed in several years.
- **Broad access to accounting system**—We found that in fiscal year 2015, the District granted its three accounting system users more access to the accounting system than they needed to perform their job duties.
- **Shared user accounts**—We found that in fiscal year 2015, the District had 12 network accounts and 1 student information system account that were not assigned to specific individuals, but rather were accounts shared by more than one person. Shared 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.
- **No written agreement for maintaining district accounting system**—The District’s accounting system resides at the Yavapai County School Superintendent’s Office, but there is no written agreement describing the responsibilities of the District and the Superintendent’s Office regarding software licensing; establishing and maintaining user access; ensuring data security, backup, storage, and recovery; and removing former employees’ access.
- **Lack of formal contingency plan**—In fiscal years 2014 and 2015, the District lacked a formal, up-to-date contingency plan for its network and critical systems. Having a written and properly designed contingency plan would help ensure continued operations in the event of a system or equipment failure or interruption.

Recommendations

The District should:

- Ensure that all additional employee pay is approved prior to the work being performed.
- Implement proper controls over its purchasing process and ensure purchases are approved before they are made.
- Maintain supporting documentation for credit card purchases and reconcile the documentation to credit card statements.
- Implement and enforce stronger password requirements related to password expiration.
- Limit employees’ access to only those accounting system functions needed to perform their job responsibilities.
- Eliminate unnecessary shared network and student information system accounts and properly control any remaining shared accounts.
- Establish a written agreement with the Yavapai County School Superintendent’s Office that outlines each party’s responsibilities for the District’s accounting system.
- Create and test a formal contingency plan.



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DISTRICT OVERVIEW

Congress Elementary School District is a rural district located about 70 miles northwest of Phoenix in Yavapai County. In fiscal year 2014, the District served 111 students in kindergarten through 8th grade at its one school.

In fiscal year 2014, Congress ESD's student test scores on Arizona's Instrument to Measure Standards (AIMS) were higher than the peer districts' averages, and the District operated efficiently overall with lower costs in most noninstructional areas.¹ However, the District should strengthen its accounting and computer controls.

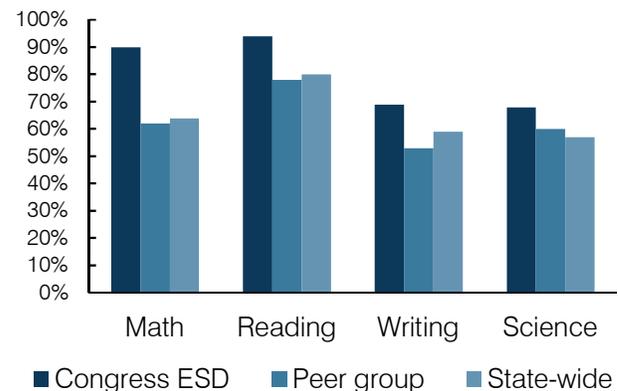
Student achievement

In fiscal year 2014, 90 percent of the District's students met or exceeded state standards in math, 94 percent in reading, 69 percent in writing, and 68 percent in science. As shown in Figure 1, these scores were all higher than the peer districts' averages. However, for very small districts such as Congress ESD, year-to-year changes in student populations can greatly impact year-to-year student test scores. Under the Arizona Department of Education's A-F Letter Grade Accountability System, Congress ESD received an overall letter grade of A for fiscal year 2014. Of the ten peer districts, two also received As, four received Bs, three received Cs, and one received a D.

District operated efficiently overall but needs to strengthen some controls

As shown in Table 1 on page 2, in fiscal year 2014, Congress ESD spent almost \$3,000 less per pupil than its peer districts, on average, partly because the District served more students—111 students in fiscal year 2014 compared to the peer districts' average of 90 students—and partly because it received less Maintenance and Operations monies than the peer districts. This occurred because the District transported its students fewer miles and because it budgeted and received less in small school adjustment monies per pupil.² However, because it operated efficiently overall based on auditors' review of various performance measures, the District spent only about \$1,000 less per pupil in the classroom than the peer districts, on average. Despite efficient operations, auditors identified a few opportunities for improved controls.

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

² Arizona Revised Statutes §15-949 allows school districts with 125 or fewer students in kindergarten through eighth grade to increase their expenditure budget limits based on need as determined by school districts' governing boards, without voter approval. Statute does not limit the amount of the small school adjustment.

Much lower administrative costs but District should improve controls—

Congress ESD’s \$1,760 administrative costs per pupil were 38 percent lower than the peer districts’ average, primarily because the District’s administrative employees served 75 percent more students than the peer districts, on average. Congress ESD was able to operate with lower administrative staffing levels partly because its superintendent also served as the District’s principal and business manager, unlike some of its peer districts. Additionally, the District spent much less on outsourced services, such as information technology and noninstructional staff training than the peer districts, on average. Despite low costs, the District should strengthen its accounting and computer controls (see Finding 1, page 3).

Reasonably efficient plant operations—

Congress ESD’s \$7.39 cost per square foot was 13 percent higher than the peer districts’ average, and its \$1,733

cost per pupil was 19 percent lower. The District was able to spend less per pupil despite a higher cost per square foot because it operated and maintained 39 percent fewer square feet per student than peer districts, on average. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs per square foot, likely due to higher usage. For example, having more students per square foot likely increases the maintenance and janitorial needs of that space and would potentially require more energy to heat and cool the space. Auditors observed the District’s facilities and plant operations activities and did not identify any overstaffing, unusually high salaries, or excessive or unneeded heating or cooling of buildings.

Efficient food service program—Congress ESD’s \$3.36 cost per meal and its \$608 cost per pupil were both 33 percent lower than the peer districts’ averages. The District spent less on food service primarily because it implemented some effective cost-controlling techniques that resulted in food and supply costs that were 45 percent lower than the peer districts’, on average. More specifically, when planning its menus, the District extensively used United States Department of Agriculture food commodities, which are available to school districts participating in the National School Lunch Program and require districts to pay only a small shipping charge to receive the commodities. The District also took steps to minimize food waste, such as having classroom teachers take morning counts of students intending to eat a district-served lunch that day.

Much lower transportation costs—Congress ESD’s \$0.91 cost per mile was 44 percent lower than the peer districts’ average, and its \$606 cost per rider was 58 percent lower. The District’s costs were lower primarily because it operated a smaller transportation program than the peer districts, traveling 37 percent fewer miles per rider than the peer districts averaged. In addition, the District operated only one bus route and therefore employed only one part-time transportation employee. The peer districts each employed an average of 1.4 full-time equivalent transportation positions.

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

Spending	Congress ESD	Peer group average	State average
Total per pupil	\$13,180	\$16,101	\$7,578
Classroom dollars	7,239	8,231	4,073
Nonclassroom dollars			
Administration	1,760	2,835	757
Plant operations	1,733	2,137	923
Food service	608	901	405
Transportation	514	1,072	373
Student support	474	536	600
Instruction support	852	389	447

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



District should strengthen accounting and computer controls

In fiscal years 2014 and 2015, Congress ESD lacked adequate accounting and computer 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, and misuse of sensitive information.

District lacked adequate accounting controls

Congress ESD needs to strengthen its accounting controls as auditors identified control issues in fiscal years 2014 and 2015. Specifically, approval for additional employee pay was not always documented, purchasing procedures need strengthening, and some purchases lacked proper approval prior to the purchases being made. Additionally, the District did not maintain sufficient documentation for some credit card purchases.

Approval for additional pay not always documented—The District did not always maintain adequate documentation showing that pay was approved prior to the work being performed. Auditors reviewed payroll and personnel documentation for 24 employees who received payments in fiscal year 2014 and found that 4 employees received additional-duty payments, but there was no documentation indicating that the additional duties and related pay were approved prior to the work being performed. In addition, the District did not have a written agreement showing an agreed-upon pay rate, number of days of work, or work assignment for one part-time employee. Therefore, auditors were unable to determine whether these individuals were paid correctly. To help ensure that all pay is properly authorized and employees are paid correctly, the District should document duties and related pay in the employees' contracts or on personnel/payroll action forms and ensure that these documents are properly approved prior to payment and the work being performed as required by the *Uniform System of Financial Records for Arizona School Districts (USFR)*. This documentation should be maintained in employees' personnel files.

Purchasing procedures need strengthening—The District should strengthen its purchasing procedures by better separating responsibilities to reduce its risk of errors and fraud. In fiscal years 2014 and 2015, one district employee, with limited review, was responsible for adding new vendors, ordering goods and services, recording expenses, and distributing payments to vendors. Allowing an individual the ability to initiate and complete a transaction without an independent review could allow the processing of false payments. Although the District is very small, it has adequate staffing to ensure proper separation of responsibilities or to put proper compensating controls in place. More specifically, the District could better ensure that vendor payments are accurate and appropriate by requiring that an authorized employee, such as the District's superintendent, review the final payment vouchers and vendor checks before sending the payments. Additionally, each of these two employees could review the other's work at key steps in the process.

Some purchases lacked proper approval—The District did not always require proper approval prior to purchases being made. Auditors examined 30 fiscal year 2014 accounts payable transactions and found that 7 transactions were for purchases made without prior approval. Although no inappropriate transactions were detected in the items reviewed, the District should ensure that all purchases are properly approved prior to being made, as required by the *USFR*. As stated earlier, despite the District's very small size, it has adequate staffing to ensure proper approval. For example, the District's office manager could prepare purchase orders and

have them approved by an authorized employee, such as the District's superintendent, prior to ordering goods or services. This would help ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported.

Insufficient documentation for credit card purchases—The District did not maintain sufficient documentation for some credit card purchases. Auditors reviewed credit card statements for three months in fiscal year 2014 and found over \$560 in credit card expenditures that were missing supporting documentation, such as receipts or invoices. Additionally, the District did not consistently reconcile supporting documentation to the credit card statements. The District should retain documentation and reconcile the supporting documentation to the credit card statements to demonstrate that purchases were properly approved and that charges are accurate and appropriate.

District lacked adequate computer controls

In fiscal years 2014 and 2015, Congress ESD lacked adequate controls over its computer systems and network. Although no improper transactions were detected, these poor controls exposed the District to an increased risk of errors, fraud, misuse of sensitive information, and loss of data.

Inadequate password requirements—In fiscal years 2014 and 2015, the District lacked adequate password requirements for access to its computer network. Specifically, passwords were not required to be changed periodically. Auditors identified 11 user accounts, 45 shared accounts, and 6 service accounts with passwords that had not been changed in more than 120 days, and in some instances, user passwords had not been changed in several years. Common guidelines for strong passwords recommend that passwords 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 District's fiscal year 2015 user access report for the District's three accounting system users and found that all three users had more access to the accounting system than they needed to perform their job duties. All three employees had full access to the accounts payable portion of the District's accounting system, giving them the ability to perform all accounts payable functions without an independent review and approval. Granting employees system access beyond what is required for their job duties, especially this type of access, exposes the District to a greater risk of errors, misuse of sensitive information, and fraud, such as processing false invoices or adding and paying nonexistent vendors. The District should review and restrict employees' access to the accounting system to ensure no single user has the ability to initiate and complete transactions without an independent review and approval.

Shared user accounts—Auditors reviewed the District's fiscal year 2015 user access reports for its network and student information system and found that 12 network accounts and 1 student information system account were not assigned to specific individuals, but rather were accounts shared by more than one person. Shared 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. Therefore, the District should examine these shared accounts and determine if they are necessary. Further, the District should eliminate any unnecessary shared accounts and minimize the number of remaining shared accounts and establish proper controls over them, such as disabling them, if appropriate, when not being used.

No written agreement for maintaining district accounting system—Like other small districts in Yavapai County, Congress ESD's accounting system resides at the Yavapai County School Superintendent's Office, and the District accesses the system remotely from its offices. However, in fiscal years 2014 and 2015, the District did not have a written agreement that stipulated each party's responsibilities. An agreement should specify responsibilities such as software licensing; establishing and maintaining user access; ensuring the security of data; data backup, storage, and recovery; and removal of terminated employees' access. Lack of clearly defined responsibilities increases the potential for such essential tasks and controls to be ineffectively performed or missing altogether.

Lack of formal contingency plan—In fiscal years 2014 and 2015, the District did not have a formal, up-to-date, and tested contingency plan even though it maintained critical information, such as student data, on its network and systems. The District had documented portions of a plan in separate policies and procedures but had not created a plan with all critical elements. A written and properly designed contingency plan would help ensure continued operations in the event of a system or equipment failure or interruption. Additionally, contingency plans should be tested periodically and modifications made to correct any problems and to ensure their effectiveness.

Recommendations

1. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.
2. The District should implement proper controls over its purchasing process to ensure proper separation of responsibilities or alternatively establish an appropriate review process as a compensating control.
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
4. The District should maintain supporting documentation for all credit card purchases and reconcile the supporting documentation to the credit card statements.
5. The District should implement and enforce stronger password requirements related to password expiration.
6. The District should limit employees' accounting system access to only the functions necessary to meet their job responsibilities to help ensure that no single employee can initiate and complete a transaction without an independent review.
7. The District should eliminate unnecessary shared user accounts in its network and systems and properly control any remaining shared accounts, such as disabling them when not being used.
8. The District should establish a written agreement with the Yavapai County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.
9. The District should create a formal contingency plan and test it periodically to identify and remedy deficiencies.



Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Congress Elementary 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.³ 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.

For very small districts, such as Congress ESD, increasing or decreasing student enrollment by just five or ten students or employing even one additional part-time position can dramatically impact the district's costs per pupil in any given year. As a result and as noted in the fiscal year 2014 *Classroom Dollars* report, very small districts' spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of Congress ESD's operations, less weight was given to various cost measures and more weight was given to auditor observations made at Congress ESD.

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 Congress ESD'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. Congress ESD's student achievement peer group includes Congress ESD and the ten other elementary school districts that also served student populations with poverty rates between 23 and 26 percent in towns and rural areas. Auditors compared Congress ESD's student scores on Arizona's Instrument to Measure Standards (AIMS) to those of its peer group averages. The same grade levels were included to make the AIMS score comparisons between Congress ESD and its peer group. AIMS scores were calculated using test results of the grade levels primarily tested, including grade levels 3 through 8. Generally, auditors considered Congress ESD's student AIMS scores to be similar if they were within 5 percentage points of peer averages and higher/lower if they were more than 5 percentage points higher/lower than peer averages. Auditors also reported the District's Arizona Department of Education-assigned letter grade.⁴

To analyze Congress ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size and location. This operational peer group includes Congress ESD and 39 other school districts that also served fewer than 200 students and were located in towns and rural areas. Auditors compared Congress ESD's costs to its peer group averages. Generally, auditors considered Congress ESD's costs to be

³ 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.

⁴ 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.

similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 15 percent of peer averages, higher/lower if they were within 16 to 30 percent of peer averages, and much higher/lower if they were more than 30 percent higher/lower than peer averages. However, in determining the overall efficiency of Congress ESD'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 24 of the 33 individuals who received payments in fiscal year 2014 through the District's payroll system and reviewed supporting documentation for 30 of the 2,544 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'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 them to peer districts'.
- 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'.
- 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 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 Congress Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

Congress Elementary School District No. 17

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Congress, AZ 85332
Phone (928) 427-9850/ Fax (928) 427-9840

February 14, 2017

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

Regarding: Congress Elementary School District Performance Audit

Dear Auditors,

Congress Elementary School District has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2014. Our district would like to extend our appreciation to your organization for its willingness to take the time necessary to clarify the items that required discussion.

Our district will implement the recommendations as outlined in this preliminary report dated February 2017. Our goal is to be in compliance with all legal requirements for school districts as well as implement best practices for organizations. Your audit, like other audits, will help us improve our effectiveness.

Included with this letter is the District's response to each finding and recommendation.

Sincerely,
Dr. Stephanie Miller
Superintendent

Finding 1: District should strengthen accounting and computer controls

District Response: District agrees with the finding that it needs to strengthen accounting and computer controls. The District will implement the Auditor General recommendations.

Recommendation 1: The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

District Response: District agrees with Recommendation 1 and has implemented practices that ensure additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

Recommendation 2: The District should implement proper controls over its purchasing process to ensure proper separation of responsibilities or alternatively establish an appropriate review process as a compensating control.

District Response: District agrees with Recommendation 2 and will implement proper controls over its purchasing process to ensure proper separation of responsibilities and also will establish an appropriate review process as a compensating control.

Recommendation 3: The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.

District Response: District agrees with Recommendation 3 and has implemented practices that require an independent review and approval of all of its purchases prior to the purchases being made.

Recommendation 4: The District should maintain supporting documentation for all credit card purchases and reconcile the supporting documentation to the credit card statements.

District Response: District agrees with Recommendation 4 and has implemented practices that ensure maintenance of supporting documentation for all credit card purchases and reconciliation of supporting documents to the credit card statements.

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

District Response: District agrees with Recommendation 5 and will implement and enforce stronger password requirements related to password expiration.

Recommendation 6: The District should limit employees' accounting system access to only the functions necessary to meet their job responsibilities to help ensure that no single employee can initiate and complete a transaction without an independent review.

District Response: District agrees with Recommendation 6 and will implement practices that limit employees' accounting system access to only the functions necessary to meet

their job responsibilities to help ensure that no single employee can initiate and complete a transaction without an independent review.

Recommendation 7: The District should eliminate unnecessary shared user accounts in its network and systems and properly control any remaining shared accounts, such as disabling them when not being used.

District Response: District agrees with Recommendation 7 and has eliminated unnecessary shared user accounts in its network and systems and is now properly controlling remaining shared accounts; which includes disabling nonused accounts.

Recommendation 8: The District should establish a written agreement with the Yavapai County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.

District Response: District agrees with Recommendation 8 and will establish a written agreement with the Yavapai County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.

Recommendation 9: The District should create a formal contingency plan and test it periodically to identify and remedy deficiencies.

District Response: District agrees with Recommendation 9 and will create a formal contingency plan and test it periodically to identify and remedy deficiencies.

