

# Cañon Elementary School District

Performance Audit

April 2017  
Report 17-205



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





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AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

April 4, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Cañon Elementary School District

Ms. Angela Jangula, Superintendent  
Cañon Elementary School District

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



## Cañon Elementary School District

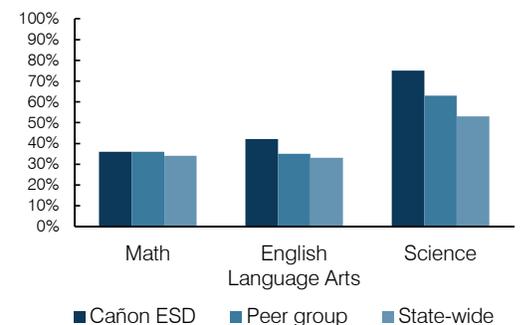
**CONCLUSION:** In fiscal year 2015, Cañon Elementary School District's student test scores were similar to or higher than the peer districts' averages, and the District operated efficiently overall. Specifically, the District's administrative costs per pupil were lower than peer districts', on average, because employees who were also teachers performed some administrative duties and because the District served 17 percent fewer students than the peer districts, on average. However, the District needs to strengthen its accounting and computer controls. The District's plant operations costs per pupil and per square foot were similar to the peer districts' averages, and the District's food service program operated efficiently with a lower cost per meal than peer districts', on average, partly because it served more meals than the peer districts' averages. In addition, the District staffed its food service program more efficiently than four recently audited similar districts. Lastly, the District's transportation program operated with a higher cost per mile because the District transported its riders fewer miles, on average, than peer districts. Despite the higher cost per mile, the District's transportation program was reasonably efficient, and the District employed some cost-saving practices, such as using less expensive "red-dyed" diesel fuel.<sup>1</sup>

### Student achievement and operational efficiency

**Student achievement**—For very small districts such as Cañon ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. In fiscal year 2015, Cañon ESD's student scores were similar to the peer districts' averages for math and higher for English language arts and science.

**Efficient operations overall**—In fiscal year 2015, Cañon ESD operated efficiently overall. Specifically, the District's administrative costs per pupil were lower than the peer districts', on average, partly because employees who were also teachers performed some administrative duties and partly because the District served 17 percent fewer students than the peer districts, on average. The District's plant operations cost per pupil and per square foot were similar to the peer districts' averages, and the District's food service program operated efficiently with a lower cost per meal than peer districts', on average, because it served more meals than the peer districts' averages and because it staffed its food service program more efficiently than four recently audited similar districts. Lastly, the District's transportation program operated with a higher cost per mile because the District transported its riders fewer miles, on average, than peer districts. Despite the higher cost per mile, the District employed some cost saving practices, such as using less expensive "red-dyed" diesel fuel.

### Percentage of students who met or exceeded state standards Fiscal year 2015



### Comparison of per pupil expenditures by operational area Fiscal year 2015

	Cañon ESD	Peer group average
Administration	\$2,466	\$3,103
Plant operations	2,446	2,390
Food service	915	967
Transportation	910	1,127

<sup>1</sup> Red-dyed diesel fuel is diesel fuel to which the supplier adds red dye to identify it from standard diesel. Only certain nonhighway-use vehicles, such as farm or roadway construction equipment, are permitted to use red-dyed diesel fuel. In addition, Arizona Revised Statutes §28-5649 allows school districts to use red-dyed diesel in school buses that transport students. Federal law exempts school districts from paying federal excise taxes on standard diesel, but using red-dyed diesel fuel provides additional cost savings by exempting districts that use it from paying state excise taxes as well.

## District needs to strengthen accounting and computer controls

Cañon ESD needs to strengthen its accounting and computer controls as auditors identified control issues in fiscal years 2015 and 2016. Although we did not detect any improper transactions in the items reviewed, these poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss. Additionally, the District did not accurately report its costs on its fiscal year 2015 *Annual Financial Report*. Specifically:

- **Approval for additional pay not always documented**—We reviewed payroll and personnel documentation for 30 employees who received payments in fiscal year 2015 and found that 6 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.
- **Some purchases lacked proper approval**—The District did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2015 accounts payable transactions and 21 fiscal year 2015 credit card purchases and found 17 purchases that were made without prior approval.
- **Cash collections lacked proper controls**—We reviewed four months of fiscal year 2015 cash collections totaling approximately \$24,000 and found that the District did not have adequate controls in place to ensure that all monies received were properly accounted for. For example, the District did not issue receipts for all cash collected, and one employee was responsible for performing bank account reconciliations for an account from which the employee was also authorized to make disbursements.
- **Weak password requirements**—The District lacked adequate password requirements for access to its computer network and accounting and student information systems. Specifically, passwords could be short and were not required to contain numbers or symbols, and passwords were not required to be changed periodically.
- **Broad access to accounting system**—We found that in fiscal year 2016, the District granted one of its two accounting system users full access to the accounting system, giving this employee the ability to perform all accounting system functions.
- **Too many employees with administrator-level access**—We reviewed the District's fiscal year 2016 network access levels and found that 13 user accounts had administrator-level access, which allowed the users full control over network settings. 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**—We reviewed fiscal year 2016 user access reports and found two network user accounts and one accounting system user account that were linked to employees who no longer worked for the District, including two employees who had not worked for the District for more than 2 years.
- **Lack of vendor management**—The District pays vendors for several important functions related to its network and accounting and student information systems, including logging and monitoring activities, performing and testing backups, and maintaining district servers. However, these functions are not documented in the District's vendor agreements, allowing for the possibility that these essential tasks and controls may not be performed.
- **Costs not accurately reported**—In fiscal year 2015, the District did not consistently classify its 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. We found classification errors totaling approximately \$317,000 of the District's total \$1.39 million in operational spending.

### Recommendations

The District should:

- Ensure that it documents all additional employee pay prior to the work being performed.
- Ensure purchases are approved before they are made.
- Implement proper controls over cash collections.
- Implement and enforce stronger password requirements.
- Limit employees' access to only those accounting system functions needed to perform their work.
- Review and reduce the number of users with administrator-level access to its network.
- Ensure that terminated employees have their computer network and system access promptly removed.
- Review and update IT vendor service agreements.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.



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# DISTRICT OVERVIEW

Cañon Elementary School District is a rural district located in Black Canyon City, approximately 45 miles north of Phoenix in Yavapai County. In fiscal year 2015, the District served 102 students in kindergarten through 8th grade at its one school.

In fiscal year 2015, Cañon ESD's student test scores were similar to or higher than the peer districts' averages, and the District operated efficiently overall with similar or lower costs in most noninstructional areas.<sup>1</sup> However, the District should strengthen its accounting and computer controls.

## Student achievement

In fiscal year 2015, 36 percent of the District's students met or exceeded state standards in math, 42 percent in English language arts, and 75 percent in science. As shown in Figure 1, these scores were similar to peer districts' averages in math and higher in English language arts and science. However, for very small districts such as Cañon ESD, year-to-year changes in student populations can greatly impact year-to-year student test scores.

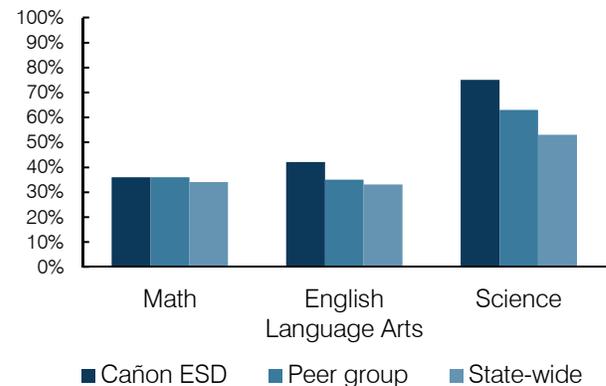
## District operated efficiently overall but needs to improve its accounting and computer controls

As shown in Table 1 on page 2 and based on auditors' review of various performance measures, in fiscal year 2015, Cañon ESD operated efficiently, with similar or lower costs in most operational areas when compared to peer districts' averages. The District spent \$3,323 less per pupil in total than its peer districts averaged, primarily because it did not receive small school adjustment monies unlike most of its peer districts.<sup>2</sup> Despite efficient operations, auditors identified a few opportunities for improved controls.

### Administrative costs lower, but improvements needed

Cañon ESD's \$2,466 administrative costs per pupil were 18 percent lower than the peer districts', on average, primarily because of lower salary and benefit costs. The District spent less on administrative salaries and benefits partly because employees who were also teachers handled some of the District's administrative duties, such as information-technology-related duties, and partly because the District served 17 percent more

**Figure 1**  
Percentage of students who met or exceeded state standards  
Fiscal year 2015  
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2015 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

<sup>1</sup> Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

<sup>2</sup> Arizona Revised Statutes (A.R.S.) §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. In fiscal year 2014, the District had 132 students and was therefore not eligible to receive small school adjustment monies in fiscal year 2015.

students than the peer districts, on average. Despite the lower costs, the District should strengthen some of its accounting and computer controls (see Finding 1, page 3).

**Similar plant operations costs**—In fiscal year 2015, Cañon ESD’s \$6.52 cost per square foot and \$2,446 cost per pupil were both similar to the peer districts’ averages. To help control its plant costs, the District monitored its energy usage and implemented energy conservation measures such as using energy-efficient lighting.

**Efficient food service program**—Cañon ESD’s food service program operated efficiently with a \$3.77 cost per meal that was 33 percent lower than the peer districts’ \$5.66 average, and its \$915 cost per pupil was similar to the peer districts’ average. The District’s cost per meal was much lower than the peer districts’ average partly because it served 39 percent more meals in total and 23 percent more meals per student than the peer districts, on average. In addition, when compared to four recently audited peer districts in Yavapai County, Cañon ESD’s food service employees each served 26 percent more meals than the peer districts’ food service employees averaged.

**Mixed transportation costs, but program reasonably efficient**—In fiscal year 2015, Cañon ESD’s \$2.97 cost per mile was 92 percent higher than the peer districts’ average, but its \$1,226 cost per rider was 24 percent lower. Further, the program operated in a reasonably efficient manner. The District’s transportation costs were mixed primarily because it transported its riders 58 percent fewer miles than the peer districts, on average. Therefore, the District’s more fixed-type transportation costs, such as its transportation director’s salary, increased the District’s transportation costs per mile because they were spread over fewer miles when calculating this measure. Despite the higher cost per mile, the District employed some cost-saving practices, such as using less expensive “red-dyed” diesel fuel.<sup>3</sup>

**Table 1**  
**Comparison of per pupil expenditures by operational area**  
**Fiscal year 2015**  
 (Unaudited)

Spending	Cañon ESD	Peer group average	State average
Total per pupil	\$13,668	\$16,991	\$7,658
Classroom dollars	6,569	8,258	4,105
Nonclassroom dollars			
Administration	2,466	3,103	780
Plant operations	2,446	2,390	930
Food service	915	967	417
Transportation	910	1,127	371
Student support	77	664	613
Instruction support	285	572	442

Source: Auditor General staff analysis of fiscal year 2015 Arizona Department of Education student membership data and district-reported accounting data.

<sup>3</sup> Red-dyed diesel fuel is diesel fuel to which the supplier adds red dye to identify it from standard diesel. Only certain nonhighway-use vehicles, such as farm or roadway construction equipment, are permitted to use red-dyed diesel fuel. In addition, A.R.S. §28-5649 allows school districts to use red-dyed diesel in school buses that transport students. Federal law exempts school districts from paying federal excise taxes on standard diesel, but using red-dyed diesel fuel provides additional cost savings by exempting districts that use it from paying state excise taxes as well.



## District needs to strengthen its accounting and computer controls

Cañon ESD needs to strengthen its accounting and computer controls as auditors identified control issues in fiscal years 2015 and 2016. Although auditors did not detect any improper transactions in the items reviewed, these poor controls exposed the District to an increased risk of errors, fraud, unauthorized access to sensitive information, and loss. Additionally, the District did not accurately report its fiscal year 2015 costs on its *Annual Financial Report*.

### District lacked adequate accounting controls

In fiscal year 2015, Cañon ESD lacked adequate controls over its payroll, purchasing, and cash collections processes. Specifically, approval for additional employee pay was not always adequately documented, some purchases lacked proper approval prior to being made, and the District lacked proper controls to safeguard cash collections.

**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 30 employees who received payments in fiscal year 2015 and found that 6 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. 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)*.

**Some purchases lacked proper approval**—The District did not always require proper approval prior to purchases being made. Auditors reviewed 30 fiscal year 2015 accounts payable transactions and found that 13 transactions were for purchases made without prior approval. Additionally, auditors reviewed 21 fiscal year 2015 credit card purchases and found that 4 purchases did not have prior approval. Although auditors detected no inappropriate transactions in the items reviewed, the District should ensure that an authorized employee approves all purchases prior to ordering goods or services, as required by the *USFR*. This helps ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported. Although the District is very small, it has adequate staffing to ensure proper approval prior to purchases being made.

**Cash collections lacked proper controls**—In fiscal year 2015, Cañon ESD collected cash for various purposes, including student activities, tax credits, and fundraisers. Auditors reviewed four months of fiscal year 2015 cash collections totaling approximately \$24,000 and determined that the District did not have adequate controls in place to ensure that all monies received were properly accounted for. Specifically, the District did not issue receipts for all cash collected, the number of fundraiser items sold was not always listed on cash collection sheets, and one employee was responsible for performing bank account reconciliations for an account from which the employee was also authorized to make disbursements. 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 associated with cash transactions, the District should establish and maintain effective internal controls to safeguard cash.

## District lacked adequate computer controls

In fiscal years 2015 and 2016, Cañon ESD 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. In addition, the lack of a thorough and tested contingency 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 length and complexity requirements—that is, passwords could be short and did not need to contain numbers and 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 District's network and systems.

**Broad access to accounting system**—Auditors reviewed the District's fiscal year 2016 user access report for the two district employees with access to the accounting system and determined that one district employee had full access to the system, giving this employee the ability to perform all accounting system functions. Granting employees system access beyond what is required for their job duties, especially full system access, exposes 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 to network**—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. Auditors reviewed the District's fiscal year 2016 network access levels and found that 13 user accounts had this type of 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 lacked a timely process for ensuring that only current employees had access to its network and critical systems. Auditors reviewed the District's fiscal year 2016 user access reports and found two network user accounts and one accounting system user account that were linked to employees who no longer worked for the District, including two employees who had not worked for the District for more than 2 years. 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.

**Lack of vendor management**—The District pays vendors for several important functions related to its network and accounting and student information systems, including logging and monitoring activities, performing and testing backups, and maintaining district servers. However, these functions are not documented in the District's vendor agreements, allowing for the possibility that these essential tasks and controls may not be performed.

**Contingency plan incomplete**—The District had a contingency plan in fiscal years 2015 and 2016, but it was missing some key components. Although the District's plan contained contact information for major systems and basic disaster recovery procedures, it did not include step-by-step procedures to recover the network and systems after a disruption. A comprehensive contingency plan would help ensure continued operations in the case 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.

## District did not accurately report its costs

Cañon ESD did not consistently classify its fiscal year 2015 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its *Annual Financial Report* did not accurately reflect its costs, including both classroom and nonclassroom expenditures. Auditors identified errors totaling approximately \$317,000 of the District's \$1.39 million in operational spending.<sup>4</sup> When corrected, these changes decreased the District's reported instructional expenditures by more than \$67,000, or approximately 4 percentage points. The dollar amounts shown in the tables and used for analysis in this report reflect the necessary adjustments.

### 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 ensure that it requires an independent review and approval of all of its purchases prior to the purchases being made.
3. The District should implement proper controls over its cash receipts by preparing and issuing prenumbered receipts for all monies collected, recording the number of items sold on the cash collection sheets, and having an employee who is not authorized to make disbursements perform the bank reconciliations.
4. The District should implement and enforce stronger password requirements related to password length, complexity, and expiration.
5. The District should limit employees' access in the 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.
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 review and update its IT vendors' service agreements to ensure that all services provided are stipulated in the agreements.
9. The District should review its contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.
10. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

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<sup>4</sup> Operational spending includes costs incurred for the District's day-to-day operations. For further explanation, see Appendix, page a-1.





## Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Cañon 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 2015, was considered.<sup>5</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

For very small districts, such as Cañon 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 2015 *Classroom Dollars* report, very small districts' spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of Cañon ESD's operations, less weight was given to various cost measures and more weight was given to auditor observations made at Cañon ESD.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2015 summary accounting data for all districts and Cañon ESD's fiscal year 2015 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. Cañon ESD's student achievement peer group includes Cañon ESD and the 16 other elementary school districts that also served student populations with poverty rates between 23 and 28 percent in towns and rural areas. Auditors compared the percentage of Cañon ESD's students who met state standards to its peer group averages.<sup>6</sup> Generally, auditors considered Cañon ESD's percentages 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.

To analyze Cañon 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 Cañon ESD and 35 other school districts that also served fewer than 200 students and were located in towns and rural areas. Auditors compared Cañon ESD's costs to its peer group averages. Generally, auditors considered Cañon ESD's costs to be 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 Cañon

<sup>5</sup> 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.

<sup>6</sup> The percentage of students who met state standards is based on the number of students who scored proficient or highly proficient on the Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) math and English language arts tests and those who met or exceeded the state standards on the Arizona's Instrument to Measure Standards (AIMS) science test. Test results were aggregated across grade levels and courses, as applicable.

ESD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student and meal participation rates, 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 2015 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 33 individuals who received payments in fiscal year 2015 through the District's payroll system and reviewed supporting documentation for 30 of the 1,689 fiscal year 2015 accounts payable transactions. No improper transactions were identified. After adjusting transactions for proper account classification, auditors reviewed fiscal year 2015 spending and prior years' spending trends across operational areas. Auditors also evaluated other internal controls that they considered significant to the audit objectives.
- 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 2015 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 2015 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 2015 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, and bus maintenance and safety records. Auditors also reviewed fiscal year 2015 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 2015 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 Cañon Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

# Cañon Elementary School District # 50



*Home of the Cougars*

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Angela E. Jangula, Superintendent  
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March 28<sup>th</sup>, 2017

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

Attn: Debbie Davenport, Auditor General  
Ms. Ann Orrico, Audit Manager

Regarding: Canon ESD #50 Performance Audit

Dear Auditors,

Canon ESD #50 has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2015. 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 March 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.

Angela E. Jangula, Superintendent  
Canon Elementary School #50  
34630 School Loop Rd. PO Box 89  
Black Canyon City, AZ 85324  
(623) 374-5588 X 502 (Office)

**Finding 1:** District needs to strengthen its accounting and computer controls

District Response: District Agrees. Canon Elementary has instituted a payroll/admin office position to help with controls. Canon's computer controls have been upgraded and password protected. Canon has also approved an IT disaster plan.

**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. The district has added an administrative office position to help with the organization of personnel/payroll action forms. All contracts will be approved in advance and maintained in employee files.

**Recommendation 2:** The District should ensure that it requires an independent review and approval of all of its purchases prior to the purchases being made.

District Response: District Agrees. Canon District now has an office assistant that reviews the purchases and provides a proper separation of duties.

**Recommendation 3:** The District should implement proper controls over its cash receipts by preparing and issuing prenumbered receipts for all monies collected, recording the number of items sold on the cash collection sheets, and having an employee who is not authorized to make disbursements perform the bank reconciliations.

District Response: District Agrees. Canon will use prenumbered receipts for all monies collected; record the number of items sold on the cash collection sheets and has an employee who is not authorized to make disbursements perform the bank reconciliations. Canon has a new district admin secretary that can help this. It will also be a part of the yearly training of staff at Canon School.

**Recommendation 4:** The District should implement and enforce stronger password requirements related to password length, complexity, and expiration.

District Response: District Agrees. This has been done and all passwords have been updated with the requirements.

**Recommendation 5:** The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their work.

District Response: District Agrees. The district has employed a new district office assistant to have better separation of duties.

**Recommendation 6:** The District should review and reduce the number of users with administrator-level access to its network.

District Response: District Agrees. Canon has reduced its number of users with administrator-level access.

**Recommendation 7:** The District should develop and implement a formal process to ensure that terminated employees have their computer network and systems access promptly removed.

District Response: District Agrees. Canon now has a process that terminated employees will have their systems access promptly removed. Canon's IT technician will report terminated employees to system management and they will remove access promptly.

**Recommendation 8:** The District should review and update its IT vendors' service agreements to ensure that all services provided are stipulated in the agreements.

District Response: District Agrees. Canon has reviewed its IT vendor's service agreements to ensure that all services provided are stipulated in the agreement. New contracts will have all the agreements.

**Recommendation 9:** The District should review its contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.

District Response: District agrees. Canon now has a board approved IT disaster recovery procedure plan and team.

**Recommendation 10:** The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

District Response: District agrees. Canon will classify all transactions in accordance with the Uniform Chart of Accounts for the school district. Additional training has been done for USFR coding.

