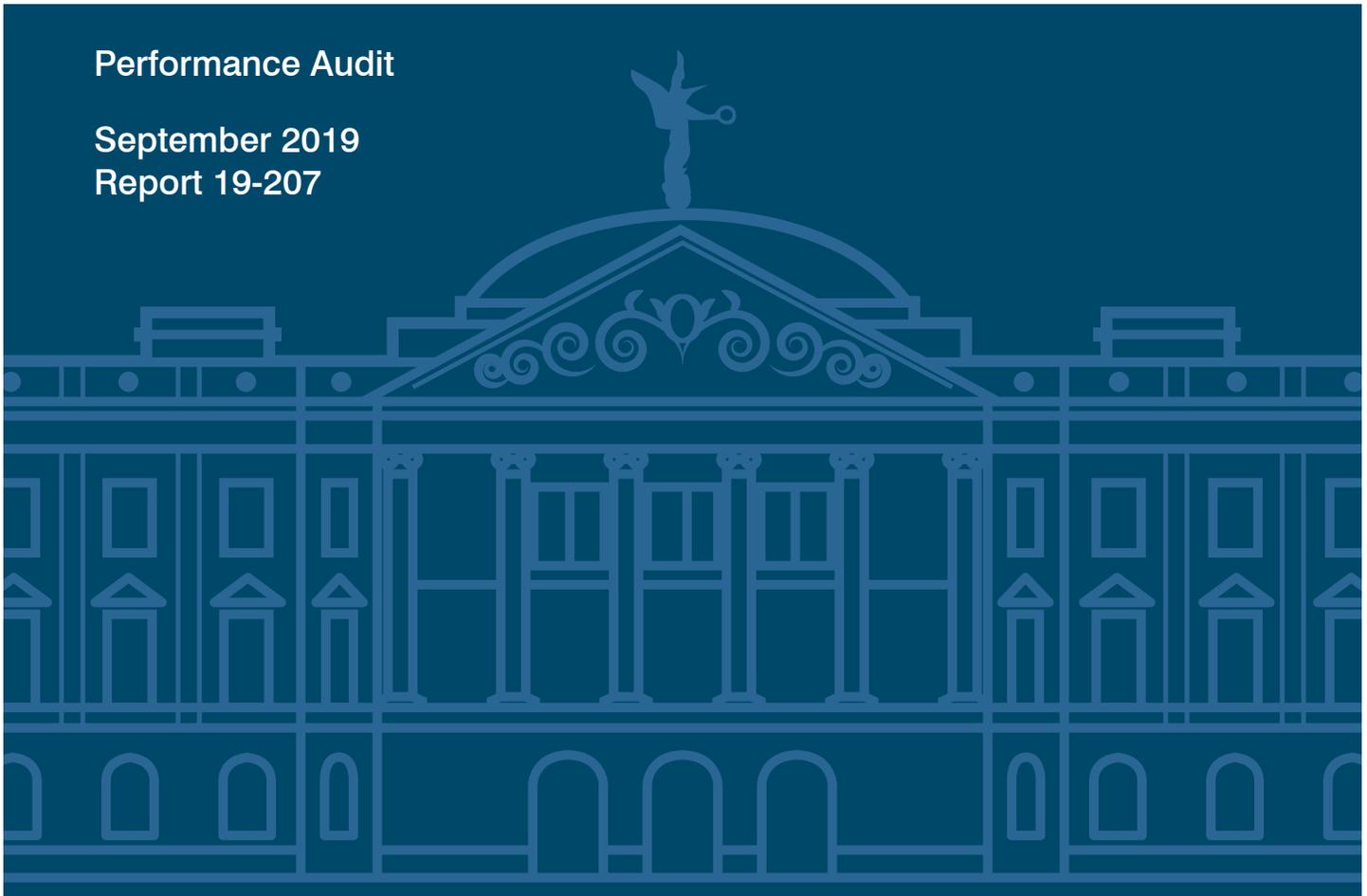


Camp Verde Unified School District

Performance Audit

September 2019
Report 19-207



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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September 5, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Camp Verde Unified School District

Mr. Danny Howe, Administrator-In-Charge
Camp Verde Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Camp Verde Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03.

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

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

Sincerely,

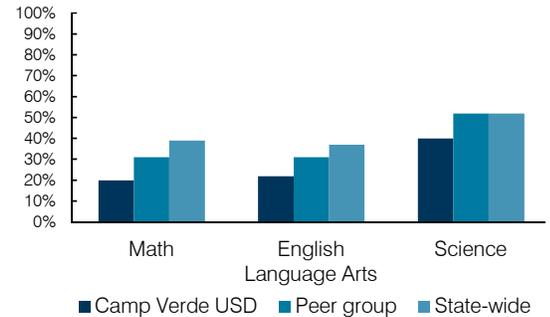
Lindsey Perry, CPA, CFE
Auditor General





Yavapai County
Rural district
Kindergarten through 12th grade
Students attending: 1,528
Number of schools: 4
School letter grades: 3 Cs, 1 F
Graduation rate: 89%

Students who passed State assessments



Total operational spending—\$12 million (\$7,841 per pupil)

Instructional—56.6% (\$4,441 per pupil)

Noninstructional—43.4% (\$3,400 per pupil)

Operational overview	Measure	Camp Verde USD	Peer average
<p>Administration—lower costs but improvements needed</p> <p>The District's per pupil administrative costs were 32 percent lower than the peer districts' average primarily because of lower administrative staffing levels. However, the District needs to strengthen controls over its computer network and systems (see Finding 1, page 2).</p>	Cost per pupil	\$747	\$1,102
<p>Plant operations—mixed costs but reasonably efficient</p> <p>Although the District's cost per square foot was higher than the peer districts' average, its cost per pupil was lower because it operated and maintained 42 percent fewer square feet per student than the peer districts, on average. Districts that operate substantially lower amounts of square footage per student tend to have higher costs per square foot because of higher usage, which can increase heating and cooling costs and result in the need for more custodial services to keep the space clean.</p>	Cost per square foot	\$6.20	\$5.20
	Cost per pupil	\$948	\$1,289
<p>Food service—efficient program</p> <p>The District's cost per meal was 15 percent lower than the peer districts', on average, and its food service program was self-supporting, with revenues exceeding expenditures by more than \$18,700. The District kept its food service costs low by using efficient food ordering and meal-planning practices, which resulted in a low amount of food waste.</p>	Cost per meal	\$3.02	3.54
<p>Transportation—reasonably efficient program</p> <p>The District operated a reasonably efficient transportation program with costs that were similar to or lower than the peer districts' averages and efficient bus routes that filled buses to an average of 85 percent of seat capacity. However, the District sometimes used an unallowable bus to transport students to and from school (see Finding 2, page 3).</p>	Cost per mile	\$2.80	\$2.95
	Cost per rider	\$912	\$1,037

Finding 1: District lacked adequate computer controls, which increased risk of unauthorized access to sensitive data, errors, fraud, and data loss

The District lacked adequate controls over its computer network and accounting and student information systems. Although we did not detect any improper transactions in the items we reviewed, these control deficiencies exposed the District to an increased risk of unauthorized access to sensitive information, errors, fraud, and data loss.

Password requirements were insufficient—We reviewed the District’s password requirements as of August 2018 and determined that the District’s network password policies were not aligned with credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST).

District assigned some employees too much access to its accounting system—We reviewed the District’s August 2018 user access report for the District’s 27 users with access to the accounting system and found that 19 users had more access to the accounting system than appropriate, which could allow the users to perform all payroll and/or purchasing functions without an independent review and approval.

Procedures for removing access to critical systems were inadequate—We reviewed the District’s August 2018 user access reports and found user accounts that were linked to employees who no longer worked for the District. More specifically, we reviewed 26 network user accounts that appeared to be linked to terminated employees and confirmed that 24 of these accounts were linked to terminated employees. We also reviewed 11 accounting system user accounts and determined that 4 of these accounts were linked to terminated employees.

Too many employees had administrator-level access—Administrator-level access grants users full control over computer network and system settings, such as the ability to add new users and modify the level of access users have in the network and systems, including granting themselves full access to view and edit all data on the network and systems. We reviewed the District’s August 2018 user access reports and found that 10 network user accounts, 10 accounting system user accounts, and 46 student information system user accounts had this type of access. Further, we found that many of these user accounts may not require this level of access.

District lacked information technology (IT) contingency plan—In fiscal years 2017 and 2018, the District did not have a written, up-to-date IT contingency plan even though it maintained critical student and accounting information on its network and systems.

Recommendations

The District should:

1. Implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information.
2. Limit users’ access in the accounting system to only those functions needed to perform their job duties.
3. Implement procedures to ensure that terminated employees have their computer network and systems access promptly removed to reduce the risk of unauthorized access.
4. Review and reduce the number of users with administrator-level access to its computer network and systems to reduce the risk of unauthorized access, errors, and fraud.
5. Create and implement a customized written IT contingency plan detailing how to restore systems in the event of system or equipment failure or interruption and the individuals responsible for each step. Additionally, the District should review the plan, at least annually, to ensure all individuals understand their responsibilities and that the plan accurately reflects the environment it is written to protect.

Finding 2: District sometimes used unallowable bus to transport students to and from school, posing an increased risk to student safety

In fiscal years 2017 and 2018, the District sometimes used a white 15-passenger bus similar to a typical school bus to transport students to and from school. However, to help ensure student safety, the *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) require school buses used to transport students to and from school to be painted “National School Bus Yellow.” Once a bus is painted white, it no longer meets the definition of a school bus and is no longer subject to the Minimum Standards. Even though these buses are similar to typical school buses, the differences pose an increased risk to student safety.

District’s white bus sometimes used to transport students to and from school



Source: Camp Verde USD.

Using white buses instead of typical school buses poses an increased risk to student safety

- They are not painted “National School Bus Yellow”—a color that helps ensure student safety by increasing bus visibility.
- They are not required to have certain safety features, such as emergency exits and traffic control signals, school buses are required to have.
- They do not receive annual inspections from the Department of Public Safety.
- Drivers operating white buses do not have to meet any certification requirements, such as drug and alcohol testing or physical examinations.

District officials indicated that the white bus was used whenever a regular bus driver was absent because the substitute drivers were not certified school bus drivers.

Recommendation

6. The District should discontinue using its bus that does not meet the State’s Minimum Standards to transport students to and from school and explore other appropriate options for transporting its students when a certified bus driver is not available, such as requiring its substitute drivers to become certified school bus drivers so that they can operate the District’s regular school buses.



Objectives, scope, and methodology

We have conducted a performance audit of Camp Verde Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2017 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following:

Operational spending

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

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other costs related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other costs related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and costs for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other costs related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other costs related to maintaining buses and transporting students to and from school and school activities.

Financial accounting data and internal controls—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2017 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 30 of the 295 individuals who received payments in fiscal year 2017 through the District's payroll system and reviewed supporting documentation for 30 of the 7,277 fiscal year 2017 accounts payable transactions. We did not identify any improper transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2017 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various information used for this audit. We reported our conclusions on any significant deficiencies in applicable internal controls and the District's needed efforts to improve them in Finding 1 on page 2.

Peer groups—We developed 3 peer groups for comparative purposes. To compare the District's student achievement, we developed a peer group using district poverty rates as the primary factor because poverty rate has been shown to be associated with student achievement. District type and location were secondary factors used to refine these groups. We

used this peer group to compare the District’s fiscal year 2017 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s ADE-assigned school letter grades and graduation rate. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, we developed a peer group using district size, type, and location. To compare the District’s transportation efficiency, we developed a peer group using a 5-year historical average of miles per rider and location. We used these factors because they are associated with districts’ cost measures in these areas.

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	Less than 21% Unified school districts Towns and rural areas	15
Administration, plant operations and maintenance, and food service	District size District type Location	Between 600 and 1,999 students Unified and union high school districts Towns and rural areas	22
Transportation	Miles per rider Location	Between 300 to 399 miles per rider Towns and rural areas	12

Source: Auditor General staff analysis of district poverty rates from the U.S. Census Bureau; location data from the National Center for Education Statistics; and district type, number of students, miles, and riders from the Arizona Department of Education.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the scoped operational areas about their duties. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the scoped areas. This included facility tours, food service operations, and transportation services.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, District-wide building reports provided by the School Facilities Board, transportation route reports provided by ADE, transportation safety reports provided by the Department of Public Safety, and reports required for the federal school lunch program. Additionally, we reviewed food service-monitoring reports from ADE and District-submitted compliance questionnaire results that its contracted external audit firm completed.
- **Analysis**—We reviewed and evaluated fiscal year 2017 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts’. We also compared the District’s administrative staffing levels, square footage per student, and meals served per student to peer districts’. Additionally, we reviewed the District’s revenues and expenditures associated with its food service program to determine whether the District was covering all its costs.

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.

We express our appreciation to the District’s board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



Camp Verde Unified School District, No. 28

410 Camp Lincoln Road
Camp Verde, Arizona, 86322

August 29, 2019

Ms. Lindsey Perry
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

The Camp Verde Unified School District respectfully submits its response to the performance audit report conducted for fiscal year 2017. We would like to take this opportunity to extend our thanks to the Auditor General's staff for their professionalism, consideration, and their concern for the good of our district.

The Camp Verde Unified School District agrees with the findings and recommendations resulting from the audit. We appreciate all constructive input and believe this process will aid us to further our goals of accountability, transparency, academic excellence, and fiscal responsibility. We will work to implement the recommendations presented in this report.

We believe the process and procedures realized during this audit to be fair and beneficial for Camp Verde Unified School District. We look forward to continuing to improve our stewardship of the public's resources for the good of our community and kids.

Sincerely,

Danny Howe, M.Ed.
Administrator-in-Charge

Governing Board

Tim Roth, President
Helen Freeman, Clerk
Carol German, Member
C. Eric Lawton, Member
Bob Simbric, Member

District Administration

Danny Howe, M.Ed.
Administrator-In-Charge
Middle School Principal

Finding 1: District lacked adequate computer controls, which increased risk of unauthorized access to sensitive data, errors, fraud, and data loss

District Response: The District agrees with the finding.

The district has already or will implement the following changes in order to reduce the risk to our systems.

Recommendation 1: The District should implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information.

District Response: The District agrees with the recommendation and will implement the recommendation.

Updated password standards have already been implemented.

Recommendation 2: The District should limit users' access in the accounting system to only those functions needed to perform their job duties.

District Response: The District agrees with the recommendation and will implement the recommendation.

All accounts in this program are being reviewed in order to set them to their appropriate levels. This review will be completed by the 13th of September 2019. Future entries will be closely monitored to ensure the user only has access appropriate to their job.

Recommendation 3: The District should implement procedures to ensure that terminated employees have their computer network and systems access promptly removed to reduce the risk of unauthorized access.

District Response: The District agrees with the recommendation and will implement the recommendation.

A procedure has already been implemented. All staff changes will be sent to the technology director from the personnel department. All accounts will be removed the day the personnel change notice is received.

Recommendation 4: The District should review and reduce the number of users with administrator-level access to its computer network and systems to reduce the risk of unauthorized access, errors, and fraud.

District Response: The District agrees with the recommendation and will implement the recommendation.

A policy has already been implemented. Standard users will no longer have administrative access to their local systems. All access will be restricted by the active directory through the use of groups. All users will be assigned the minimum level of rights necessary to do their jobs.

Recommendation 5: The District should create and implement a customized written IT contingency plan detailing how to restore systems in the event of system or equipment failure or interruption and the individuals responsible for each step. Additionally, the District should review the plan, at least annually, to ensure all individuals understand their responsibilities and that the plan accurately reflects the environment it is written to protect.

District Response: The District agrees with the recommendation and will implement the recommendation.

An update of our current policy manual is in progress. We anticipate a completed policy manual by 1 October 2019.

Finding 2: District sometimes used unallowable bus to transport students to and from school, posing an increased risk to student safety

District Response: The District agrees with the finding.

We have not been able to keep a full staff of bus drivers so using the white extracurricular buses seemed a solution. We understand now it was not an appropriate resolution to the problem. We have discontinued this practice along with increasing salaries and other benefits to bus drivers with the expectation of employing a full bus driver staff.

Recommendation 6: The District should discontinue using its bus that does not meet the State's Minimum Standards to transport students to and from school and explore other appropriate options for transporting its students when a certified bus driver is not available, such as requiring its substitute drivers to become certified school bus drivers so that they can operate the District's regular school buses.

District Response: The District agrees with the recommendation and will implement the recommendation.

Besides the above listed steps to boost meeting our staffing needs, the district is investigating other incentives to encourage employees to train as substitute drivers.

