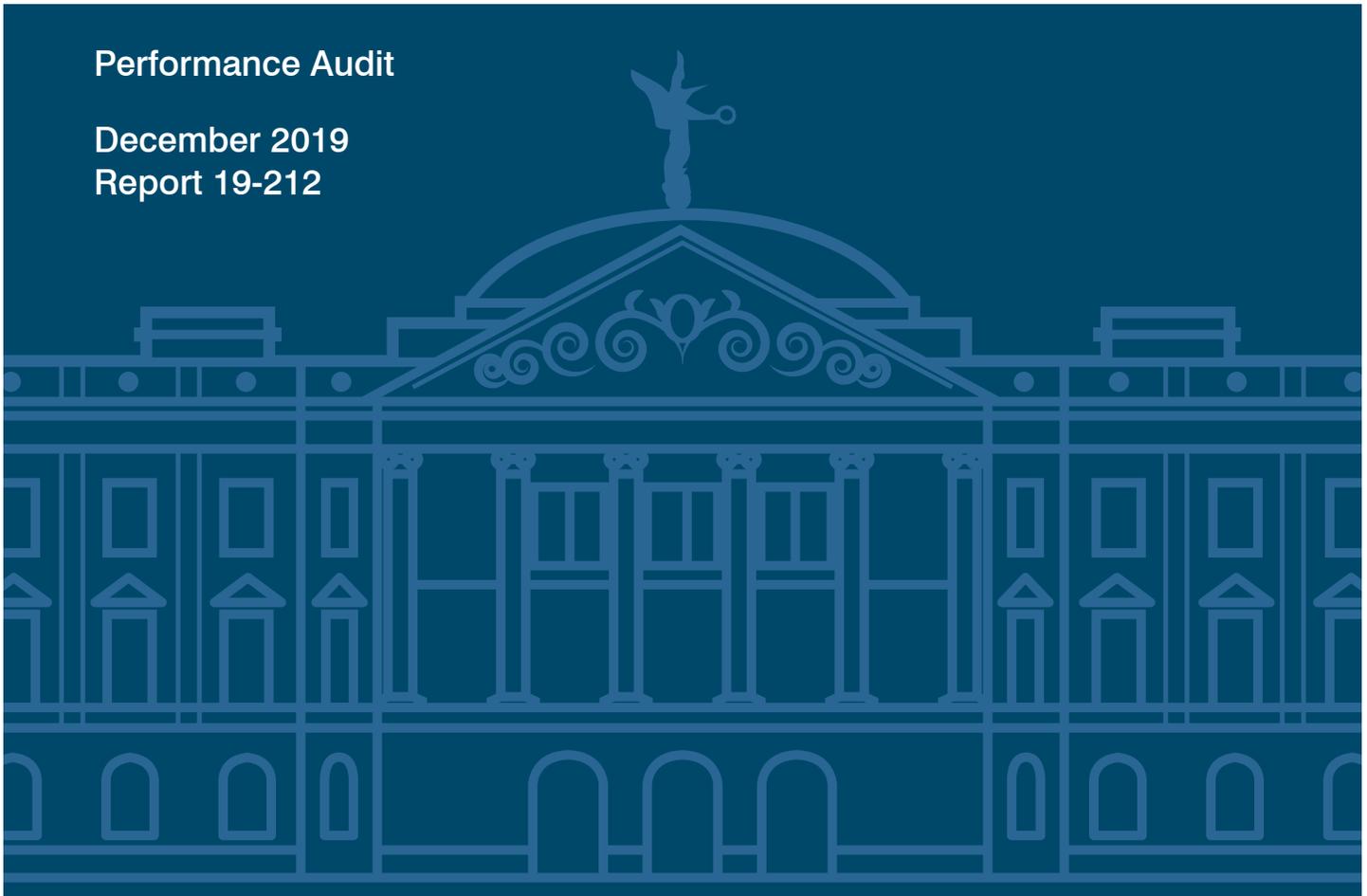


# Sunnyside Unified School District

Performance Audit

December 2019

Report 19-212



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office 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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December 27, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Sunnyside Unified School District

Mr. Steve Holmes, Superintendent  
Sunnyside Unified School District

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



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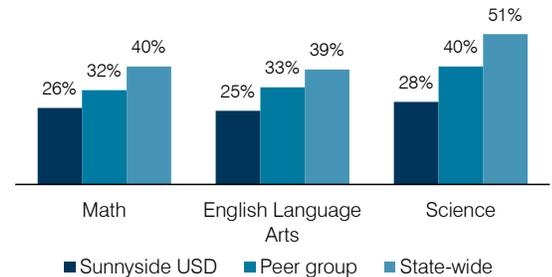
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Urban district in Pima County  
Grades: Kindergarten through 12th  
Students attending: 15,537  
Number of schools: 21  
School letter grades: 5 Bs, 10 Cs, 3 Ds<sup>1</sup>  
Graduation rate: 78%

<sup>1</sup> One school was not rated due to insufficient data. The other 2 schools did not receive letter grades because 1 served kindergarten through 2nd grade students and the other was an alternative school. The Arizona Department of Education did not publish grades for these types of schools in fiscal year 2018.

**Students who passed State assessments**



**Total operational spending—\$114 million (\$7,343 per pupil)**

**Instructional—49.5% (\$3,635 per pupil)**

**Noninstructional—50.5% (\$3,708 per pupil)**

Operational overview	Measure	Sunnyside USD	Peer average
<p><b>Administration—similar spending but improvements needed</b></p> <p>The District spent a similar amount per pupil on administration as its peers, on average. However, the District needs to improve some accounting and computer controls to reduce its risk of errors and fraud (see Finding 1, page 2).</p>	Spending per pupil	\$827	\$804
<p><b>Plant operations—efficient practices reduced spending</b></p> <p>Although districts that operate substantially fewer square feet per pupil tend to spend more per square foot because of higher usage, the District's spending was similar to its peers' because it implemented efficient practices. Some of the District's efforts include upgrading to energy-efficient LED lighting, installing water-efficient bathroom fixtures, and controlling energy usage using its energy management system.</p>	Spending per square foot	\$6.50	\$6.44
	Square footage per pupil	126	148
<p><b>Food service—similar spending but provided food and beverages without express statutory authority</b></p> <p>The District spent a similar amount per meal despite spending more per pupil because it served 52 percent more meals per pupil. However, the District should stop providing food and beverages for internal events and at its public café unless it has express statutory authority (see Finding 2, page 7).</p>	Spending per meal	\$3.05	\$3.08
	Spending per pupil	\$522	\$342
<p><b>Transportation—efficient but more oversight needed</b></p> <p>The District employed efficient practices that kept spending low, such as eliminating nonessential positions and utilizing transportation employees in other operational areas when not driving buses. However, the District did not maintain records supporting that its bus drivers met the certification requirements and that it performed bus preventative maintenance (see Finding 3, page 8).</p>	Spending per mile	\$4.39	\$5.91
	Spending per rider	\$953	\$1,232

# District’s inadequate accounting and computer controls increased risk of errors and fraud and led to incorrect payments

## Issue 1: District lacked adequate accounting controls

**District paid some unsupported Board member travel expenses charged to District credit cards**—The District provides its governing board (Board) members with District credit cards to pay for allowable expenses, such as lodging and food, while traveling for school purposes. According to the *Uniform System of Financial Records for Arizona School Districts* (USFR) and the District’s own travel policy, after traveling, Board members are required to submit a travel claim summarizing all trip expenses, and District policy requires that they provide all related receipts.<sup>1</sup> Additionally, per the USFR and District travel policies, the cost of meals may not exceed the maximum allowable meal reimbursement rate, established by the Arizona Department of Administration (ADOA). District staff review the credit card statements and the submitted documentation, and the District seeks repayment for any travel expenses that are unsupported or not in accordance with its policy.

We reviewed travel expenses from the District’s June and July 2018 credit card statements and found that a former Board member did not provide a receipt for a meal at a restaurant while on travel status. Further, this 1 meal exceeded the daily, maximum allowable meal reimbursement rate. According to District officials, some Board members regularly charge expenses while traveling and do not provide adequate supporting documentation. The District had already identified the unsupported meal purchase before we brought it to District officials’ attention, and the District provided us with documentation showing additional unsupported travel expenses from other months, with cumulative expenses for the former Board member totaling \$221. Additionally, the District identified \$267 in unsupported expenses as of August 2019 for a current Board member. Since July 2018, the District made 4 requests to obtain reimbursement from the former Board member and 3 requests of the current Board member. However, as of November 2019, neither the former nor the current Board member had repaid the District. Additionally, we found that the same former Board member who charged the meal without providing a receipt also charged the District’s credit card for valet parking, which was unallowable because a less expensive parking option was available. Although the District’s travel policy did not include guidelines related to parking expenses, according to travel guidelines established by the ADOA, travel arrangements should be planned “using the most reasonable and economic means.” The District should revise its travel policy to include guidelines related to using

**Two governing board members charged unsupported travel expenses to District credit cards and owed the District money as of November 2019**

One former Board member owed **\$221**.      One current Board member owed **\$267**.

<sup>1</sup> The *Uniform System of Financial Records for Arizona School Districts*, which all school districts are required to follow, outlines travel policies and procedures based on the Arizona Department of Administration’s travel policies that all State agencies are required to follow.

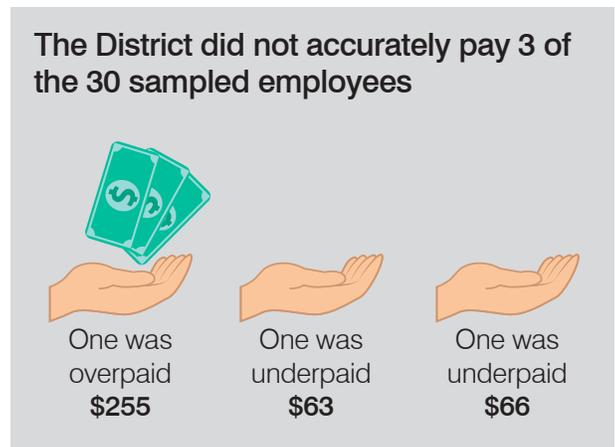
the most reasonable economic means possible for travel arrangements and look for ways to ensure prompt repayment of all amounts owed, such as removing credit card privileges until unsupported amounts are repaid.

Further, the District has a credit card user agreement that outlines the District's policies and consequences for not following them, including loss of credit card privileges if a purchase violates the District's policy, and requires individuals using a District credit card to sign the agreement. However, although the Board members used a credit card when traveling, the District did not require them to sign the credit card user agreement. The District should ensure that its Board members are informed of the District's credit card and travel policies and procedures and consequences for not following them and should require its Board members to sign a credit card user agreement prior to use of the credit card.

**District lacked adequate cash collection controls to ensure monies were accounted for**—In fiscal year 2018, the District collected cash at its District office and school sites for various purposes, including student activities and fundraisers.<sup>2</sup> Monies received at high school sites were processed through the high school bookstores and entered into their point-of-sale systems. We interviewed District staff and reviewed a sample of 45 fiscal year 2018 high school cash deposits totaling approximately \$76,500 and determined that the District did not have adequate controls to ensure that all monies received were properly deposited and accounted for. Specifically, the District does not have a process for reviewing voided sales in the bookstore's point-of-sale systems, and for 19 of the 45 cash deposits reviewed, supporting documentation did not include sufficient detail to ensure that all cash received was deposited. For example, supporting documentation was often missing the number of items sold and the item's selling price. Even when that information was available, District staff never reviewed the supporting documentation when reconciling bank statements to cash collections to ensure all monies were received and deposited.

**District lacked adequate purchasing controls to ensure purchases are appropriate and monies are available to pay for them**—The District did not ensure that all purchases were properly approved before being made. We reviewed a sample of 30 fiscal year 2018 purchases and found that 4 purchases were made without prior approval. To the District's credit, if the business office identifies a purchase made without the proper approvals, it requires the employee who made the purchase to complete a form identifying what the purchase was for and what steps will be taken to ensure that the situation does not happen again. The employee must sign the form acknowledging that he/she understands the District's policies and procedures for purchasing items. However, the District identified only 2 of the 4 instances that we identified, and therefore, employees completed forms for purchases made without prior approval for only 2 of the 4 purchases. Although we did not detect any inappropriate purchases in the items we reviewed, the District should ensure that an authorized employee approves all purchases before goods or services are ordered, as required by the USFR. This helps ensure purchases are appropriate and that the District has monies available in the budget to pay for them.

**District lacked adequate payroll controls to ensure employee pay was accurate**—We reviewed records for 30 of the 2,422 employees who received payments in fiscal year 2018 and found that the District did not accurately pay 3 of the employees. Specifically, the District gave an incorrect salary increase to 1 sampled employee because it confused 2 employees with similar names and switched their raise amounts, resulting in a \$255 overpayment. Another employee was docked twice for the same day of unpaid leave, resulting in a \$63 underpayment. Further, the daily rate for 1 employee was miscalculated when making leave payouts, resulting in a \$66 underpayment. Once we informed the District of these incorrect payments, it corrected the payments by docking the overpaid employee's paycheck, restoring unpaid leave for the employee who was docked twice for the same day, and paying the employee whose leave payout was miscalculated. Additionally, the District reviewed similar payments to ensure there were no other errors.



<sup>2</sup> The term "cash" used throughout this report includes cash (coins and dollars), checks, and money orders.

## Recommendations

The District should:

1. Look for ways to ensure prompt repayment of all amounts owed for unsupported travel expenses charged on District credit cards, such as removing credit card privileges until unsupported amounts are repaid.
2. Revise its travel policy to include guidelines related to using the most reasonable economic means possible for travel arrangements.
3. Ensure Board members are familiar with the District's credit card and travel policies and procedures and consequences for not following them and require them to sign a credit card user agreement.
4. Improve its cash collection procedures, including reviewing voided sales; recording information that can be used to verify that the appropriate amount of cash was collected, such as the number of items sold and each item's selling price; and reviewing supporting documentation when reconciling bank statements.
5. Ensure that it requires an independent review and approval for all its purchases prior to the purchases being made.
6. Establish and implement procedures to review employee pay to help ensure that employees are paid correctly.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## Issue 2: District failed to ensure all employees and governing board members completed a conflict-of-interest disclosure form

Arizona law requires public officers and employees to avoid conflicts of interest that might influence or affect their official conduct. If a public officer/employee or a relative has a substantial interest (interest) in either (1) any contract, sale, purchase, or service to the school district or (2) any decision of the school district, the public officer/employee is required to fully disclose the interest and refrain from voting upon or otherwise participating in the matter in any way as a public officer/employee.<sup>3</sup> Further, according to the USFR, districts should develop a conflict-of-interest policy and require governing board members and employees to complete or update conflict-of-interest statements annually.

According to District policy, all employees must file a Conflict of Interest Disclosure Form (Disclosure Form) at least annually, which is consistent with USFR guidance for employees. However, District policy did not require that District governing board members complete the Disclosure Form as well. At the beginning of fiscal year 2019, the District requested that all employees fill out the Disclosure Form. However, some employees did not complete the Disclosure Form, which the District did not identify right away because it did not have a process to ensure that all employees completed and submitted the required Disclosure Form. Several months into the fiscal year, District officials realized that some employees had not submitted the required Disclosure Form and followed up with these individuals to complete and submit the Disclosure Forms. As a result, the District discovered that a potential conflict of interest had occurred earlier in the year, and District officials brought the issue forward to our Office. As of this report's release, our Office is conducting a financial investigation of this issue to determine whether there may have been conflict-of-interest violations.

## Recommendations

The District should:

7. Revise its policy to require that its governing board members complete the District's annual Conflict of Interest Disclosure Form.

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<sup>3</sup> See Arizona Revised Statutes §§38-502 and 38-503(A)(B).

8. Conduct annual training to ensure District conflict-of-interest policies are communicated to employees and governing board members and acknowledged as received and understood.
9. Implement a process to ensure that all employees and governing board members complete the District's annual Disclosure Form, according to District policy, and maintain completed Disclosure Forms in a file.
10. Review Disclosure Forms completed by employees and governing board members in a timely manner and flag higher-risk transactions for situations of identified conflicts of interest to ensure appropriate safeguards are taken and District policies are appropriately followed.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## Issue 3: District lacked adequate computer controls, which increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

**District assigned some employees too much access to its accounting system**—We reviewed the District's May 2019 user access report for 10 of the District's 244 users with access to the accounting system and found that 8 of those users had more access to the accounting system than appropriate, which could allow these users to perform all purchasing and/or payroll functions without an independent review and approval. Granting users access beyond what is required to fulfill their job duties exposes the District to an increased risk of errors and fraud, such as processing false invoices, changing employee pay rates, or adding and paying nonexistent vendors or employees.

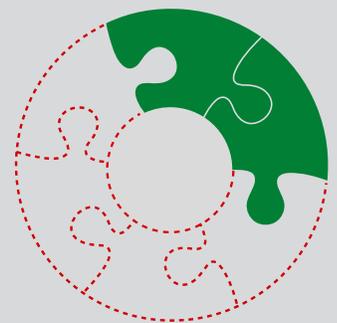
**Too many accounting system users had administrator-level access**—We reviewed the District's May 2019 user access report and found that 18 of the 244 accounting system user accounts had administrator-level access. Administrator-level access grants users full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data on the accounting system. We reviewed all 18 user accounts and found that at least 5 of them did not require this level of access. By allowing too many users to have this access level, the District also increased its risk of security breaches because hackers typically target administrator accounts for the greater access privileges, which could result in unauthorized access to and loss of sensitive data or disruption of District operations.

**Procedures for removing access to critical systems were inadequate**—We reviewed user access reports for the District's network and accounting system for April and May 2019, respectively, and found that at least 15 network user accounts and 7 accounting system user accounts were linked to employees who no longer worked for the District. Not removing these accounts promptly once the users were no longer employed by the District exposed the District to an increased risk of unauthorized access to its systems.

**District contingency plan was incomplete**—We reviewed the District's information technology (IT) contingency plan and found that it was missing some key components. Specifically, the plan did not include detailed steps on how to restore systems in the event of a system or equipment failure or interruption, did not clearly outline the individuals responsible for each step, and did not include procedures for the District to continue operating in the event of a system outage. In addition, according to

### District's contingency plan missing key pieces

- ✓ Identify all critical systems.
- ✓ Indicate system restoration order.
- ✗ Outline individual responsibilities.
- ✗ Contain plans for business continuity.
- ✗ Include detailed restoration steps.
- ✗ Test and update plan annually.



District officials, the District tests portions of its contingency plan, as needed, but does not document the results of the tests. The District should test the plan at least annually to ensure the plan's effectiveness, which should include testing its ability to restore electronic data files for critical systems from backups, and it should document the results of the test.

## **Recommendations**

The District should:

11. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties.
12. Review and reduce the number of users with administrator-level access to its accounting system to reduce the risk of unauthorized access.
13. Improve procedures to ensure that terminated employees have their computer network and accounting system access promptly removed to reduce the risk of unauthorized access.
14. Review its IT contingency plan to ensure it is complete, test it at least annually to identify and remedy any deficiencies, and document the results of the test.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



## District provided food and beverages at District events and public café without express statutory authority to do so

In fiscal year 2018 and for many years before that, Sunnyside USD contracted with a vendor to operate its food service program. Additionally, through the vendor, the District provided food and beverages for internal District events, such as providing food for teacher trainings, as well as through a café selling breakfast and lunch to the public and District employees at the District office. However, statute does not expressly authorize school districts to provide food and beverages at District events or through a café open to the public. School districts have only those powers and duties granted to them by statute, which authorize school districts to provide some meals and food services for specific purposes, including providing meals to students; operating student culinary programs; and providing meals on a nonprofit basis to people who are at least 60 years old and their spouses. District officials were unable to provide us any authority indicating that they are statutorily authorized to provide food and beverages for internal District events or at the public café. Therefore, the District should stop providing food and beverages for any purposes for which it does not have express statutory authority. If the District determines that it does have express statutory authority to provide food and beverages at a District event, for each event, it should document its statutory authority, document the public purpose and benefit, ensure the event and all purchases are in accordance with its policies, maintain proper approval and itemized receipts for all purchases, document the funding source used, and ensure any purchases are an allowable use of the funding source. The District did not document these items when providing food and beverages for internal District events or for the operation of the public café.

Additionally, the District did not track the costs, such as salaries and benefits and food purchases, when providing food and beverages at internal District events or the public café. Without this information, the District cannot know if the events or café are breaking even or if the District is subsidizing these costs with monies that would otherwise be used to operate its student meal program or other programs.

### Recommendations

The District should:

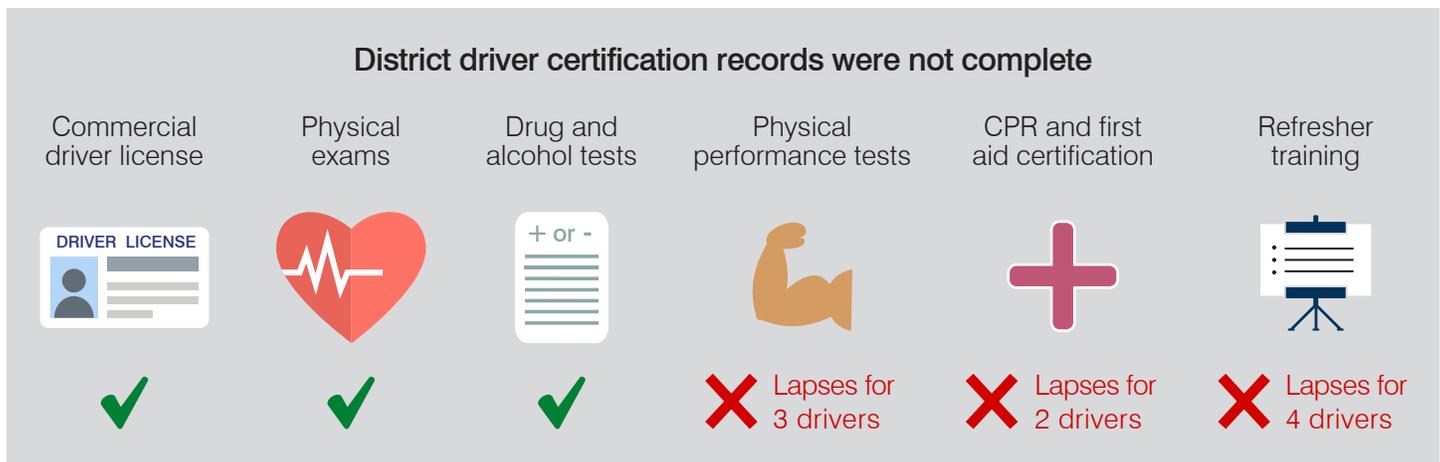
15. Stop providing food and beverages for any purposes for which it does not have express statutory authority.
16. Ensure that it has express statutory authority before providing food and beverages. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, maintain proper approval and itemized receipts for all purchases, document the funding source used, and ensure any purchases are an allowable use of the funding source.
17. Ensure that revenues from statutorily authorized events cover all related costs.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## Lack of transportation oversight led to increased student safety risk and insufficient documentation

### District did not ensure bus drivers met certification requirements

The State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards), administered by the Department of Public Safety (DPS), requires that bus drivers meet all certification requirements, such as possessing a current commercial driver license, receive physical examinations, drug and alcohol tests, physical performance tests (PPT), CPR and first aid certification, and refresher training. We reviewed files for 10 of the District's 70 bus drivers and found that the District lacked complete records demonstrating that its bus drivers met the State's Minimum Standards. Of the 10 driver files reviewed, 3 drivers' files showed lapses in required PPT ranging from 7 to 9 months; 2 drivers' files showed lapses in required CPR certifications ranging from 1 to 11 months; and 4 drivers' files showed lapses in required driver refresher trainings spanning multiple years.



### District lacked adequate documentation to demonstrate school bus preventative maintenance

The State's Minimum Standards also require school districts to regularly perform school bus preventative maintenance to help ensure school bus passengers' safety and welfare, as well as extend the useful life of their buses. Preventative maintenance includes items such as periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. The District did not have a formal, written policy that states what preventative maintenance work will be completed at what mileage or time frame. Instead, District officials stated that, in fiscal year 2019, they had an informal policy of performing bus preventative maintenance annually, regardless of the number of miles the bus drove during the year. We reviewed maintenance records for 10 of the District's 92 buses and found that the District could not demonstrate that its buses received systematic preventative maintenance because it did not retain complete documentation of preventative maintenance performed in fiscal years 2018 and 2019. We also reviewed the most recent DPS inspections available from fiscal years 2018 or 2019 for these same 10 buses and found that 8 of the 10 buses had violations. Two of those buses had at least 1 significant violation that required the bus to be pulled from service until repaired.

## Recommendations

The District should:

18. Develop and implement procedures to ensure that bus driver certification requirements are met and appropriately documented to help ensure student safety and to comply with the State's Minimum Standards.
19. Establish and implement a formal written policy that states what school bus preventative maintenance work will be completed at what mileage and time frame, and maintain documentation of preventative maintenance performed to help ensure student safety and to comply with the State's Minimum Standards.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 19 recommendations to the District

The District should:

1. Look for ways to ensure prompt repayment of all amounts owed for unsupported travel expenses charged on District credit cards, such as removing credit card privileges until unsupported amounts are repaid (see Finding 1, pages 2 through 4, for more information).
2. Revise its travel policy to include guidelines related to using the most reasonable economic means possible for travel arrangements (see Finding 1, pages 2 through 4, for more information).
3. Ensure Board members are familiar with the District's credit card and travel policies and procedures and consequences for not following them and require them to sign a credit card user agreement (see Finding 1, pages 2 through 4, for more information).
4. Improve its cash collection procedures, including reviewing voided sales; recording information that can be used to verify that the appropriate amount of cash was collected, such as the number of items sold and each item's selling price; and reviewing supporting documentation when reconciling bank statements (see Finding 1, pages 2 through 4, for more information).
5. Ensure that it requires an independent review and approval for all its purchases prior to the purchases being made (see Finding 1, pages 2 through 4, for more information).
6. Establish and implement procedures to review employee pay to help ensure that employees are paid correctly (see Finding 1, pages 2 through 4, for more information).
7. Revise its policy to require that its governing board members complete the District's annual Conflict of Interest Disclosure Form (see Finding 1, pages 4 through 5, for more information).
8. Conduct annual training to ensure District conflict-of-interest policies are communicated to employees and governing board members and acknowledged as received and understood (see Finding 1, pages 4 through 5, for more information).
9. Implement a process to ensure that all employees and governing board members complete the District's annual Disclosure Form, according to District policy, and maintain completed Disclosure Forms in a file (see Finding 1, pages 4 through 5, for more information).
10. Review Disclosure Forms completed by employees and governing board members in a timely manner and flag higher-risk transactions for situations of identified conflicts of interest to ensure appropriate safeguards are taken and District policies are appropriately followed (see Finding 1, pages 4 through 5, for more information).
11. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties (see Finding 1, pages 5 through 6, for more information).
12. Review and reduce the number of users with administrator-level access to its accounting system to reduce the risk of unauthorized access (see Finding 1, pages 5 through 6, for more information).

13. Improve procedures to ensure that terminated employees have their computer network and accounting system access promptly removed to reduce the risk of unauthorized access (see Finding 1, pages 5 through 6, for more information).
14. Review its IT contingency plan to ensure it is complete, test it at least annually to identify and remedy any deficiencies, and document the results of the test (see Finding 1, pages 5 through 6, for more information).
15. Stop providing food and beverages for any purposes for which it does not have express statutory authority (see Finding 2, page 7, for more information).
16. Ensure that it has express statutory authority before providing food and beverages. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, maintain proper approval and itemized receipts for all purchases, document the funding source used, and ensure any purchases are an allowable use of the funding source (see Finding 2, page 7, for more information).
17. Ensure that revenues from statutorily authorized events cover all related costs (see Finding 2, page 7, for more information).
18. Develop and implement procedures to ensure that bus driver certification requirements are met and appropriately documented to help ensure student safety and to comply with the State's Minimum Standards (see Finding 3, pages 8 through 9, for more information).
19. Establish and implement a formal written policy that states what school bus preventative maintenance work will be completed at what mileage and time frame, and maintain documentation of preventative maintenance performed to help ensure student safety and to comply with the State's Minimum Standards (see Finding 3, pages 8 through 9, for more information).



## Objectives, scope, and methodology

We have conducted a performance audit of Sunnyside 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 2018 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 spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending 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 2018 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 2,422 individuals who received payments in fiscal year 2018 through the District's payroll system and reviewed supporting documentation for 30 of the 31,287 fiscal year 2018 accounts payable transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2018 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 our report findings.

**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 2018 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2018 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	Between 26 and 32%	19
	District type	Unified school districts	
	Location	Towns and rural areas <sup>1</sup>	
Administration, plant operations and maintenance, and food service	District size	Between 8,000 and 19,999 students	10
	District type	Unified and union high school districts	
	Location	Cities and suburbs	
Transportation	Miles per rider	Between 165 to 230 miles per rider	12
	Location	Cities and suburbs	

<sup>1</sup> Although an urban district, Sunnyside USD was included in a group with rural districts to better match poverty rates.

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 DPS, 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.
- **Documentation reviews**—We reviewed various sets of District documentation including credit card statements for June and July 2018, cash deposit documentation for September 2017, bus driver files for 10 of the District’s 70 drivers, and bus maintenance and safety records for 10 of the District’s 92 buses. Additionally, we reviewed the District’s contract with and invoices from its food service management company and reviewed the District’s conflict-of-interest policy and related documents.
- **Analysis**—We reviewed and evaluated fiscal year 2018 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts’. We also compared the District’s 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 its spending.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

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



**Office of the Superintendent**  
2238 East Ginter Road  
Tucson, Arizona 85706  
Telephone No.: (520) 545-2025

December 20, 2019

Ms Lindsey Perry  
Auditor General Office  
Division of School Audits  
2910 N 44th Street  
Phoenix, AZ 85018

Dear Ms. Perry,

Sunnyside Unified School District #12 has received and reviewed the FY18 Performance Audit Report. We agree with all of the findings and all of the recommendations set forth. SUSD#12 will implement all of the recommendations provided by your office.

The information provided has given us an opportunity to make improvements and corrections that will result in improved efficiency, transparency and compliance.

SUSD#12 would like to thank the Auditor General's staff for their professionalism, patience and advice throughout the entire process.

Attached is the District's response to each of the findings and recommendations.

Respectfully,

Steve Holmes  
Superintendent

Attachment

**Finding 1:** District's inadequate accounting and computer controls increased risk of errors and fraud and led to incorrect payments

District Response: The District agrees with the finding.

The District has already implemented changes in its accounting and computer controls to correspond to the appropriate level of access required by the employees. The District implemented a new ERP system (VISIONS) and during the implementation year, access levels had not been revised to correspond to the level required of different employees' job responsibilities. That has now been addressed and corrected.

**Recommendation 1:** The District should look for ways to ensure prompt repayment of all amounts owed for unsupported travel expenses charged on District credit cards, such as removing credit card privileges until unsupported amounts are repaid.

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

The District requires Governing Board members and the Superintendent to check out credit cards prior to using for official out of town/overnight business and check them in, with appropriate receipts after returning from official business. Unsupported travel expenses charged to the District credit card require repayment to the District by the individual as soon as possible. Checking out of credit card will not be allowed until all outstanding amounts are paid in full. As of this date, December 20, 2019 the unsupported travel expenses owed by a past Board member and a current Board member have been paid in full.

**Recommendation 2:** The District should revise its travel policy to include guidelines related to using the most reasonable economic means possible for travel arrangements.

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

District Travel Policy will include guidelines and language related to using the most reasonable economic means possible for travel arrangements.

**Recommendation 3:** The District should ensure Board members are familiar with the District's credit card and travel policies and procedures and consequences for not following them and require them to sign a credit card user agreement.

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

Annually, the District will review with Board members the District's credit card and travel policies and procedures and require them to sign the credit card user agreement and acknowledgement that these have been reviewed and discussed with them and that they understand the consequences for not following them.

**Recommendation 4:** The District should improve its cash collection procedures, including reviewing voided sales; recording information that can be used to verify that the appropriate amount of cash was collected, such as the number of items sold and each item's selling price; and reviewing supporting documentation when reconciling bank statements.

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

The District will implement a process for reviewing voided sales and cash collections.

**Recommendation 5:** The District should ensure that it requires an independent review and approval for all its purchases prior to the purchases being made.

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

The District agrees with the recommendation and has implemented procedures for reviewing and approving all of its purchases prior to the purchase being made. Currently, the District has in place a process that identifies all purchases made prior to the issuance of purchase orders. Once identified, mandatory attendance of a “one on one” meeting with that individual to discuss and explain the proper purchasing procedures is scheduled and completed with the Director of Business Operations. Recommendations will be made to the Superintendent to further strengthen the process that will include disciplinary action towards the employee in the event of future infractions.

**Recommendation 6:** The District should establish and implement procedures to review employee pay to help ensure that employees are paid correctly.

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

The Director of Financial Operations and the Director of Human Resources will establish procedures to review employee pay to ensure that employees are paid correctly.

**Recommendation 7:** The District should revise its policy to require that its governing board members complete the District’s annual Conflict of Interest Disclosure Form.

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

The District will revise its policy and annually require its Governing Board members complete the District’s Conflict of Interest Disclosure Form.

**Recommendation 8:** The District should conduct annual training to ensure District conflict-of-interest policies are communicated to employees and governing board members and acknowledged as received and understood.

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

Annually, the District will present to all of its Administrators training to ensure District Conflict of Interest policies are communicated to employees and Governing Board members.

**Recommendation 9:** The District should implement a process to ensure that all employees and governing board members complete the District’s annual Disclosure Form, according to District policy, and maintain completed Disclosure Forms in a file.

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

The District has implemented an annual electronic process and procedure to disseminate to all of its employees and Governing Board members the District's annual Disclosure Form. The Information Technologies Department will electronically transmit, record, track and store the forms. Two weeks after the initial dissemination of the form, a record of those individuals not responding to the initial request will be prepared and those individuals' supervisor shall be notified and directed to contact the employee(s) and require the submission of the form.

**Recommendation 10:** The District should review Disclosure Forms completed by employees and governing board members in a timely manner and flag higher-risk transactions for situations of identified conflicts of interest to ensure appropriate safeguards are taken and District policies are appropriately followed.

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

The Information Technologies Department will identify those employees and Governing Board members that have disclosed a "potential" conflict of interest and forward the list to the Chief Financial Officer who will then contact those individuals and schedule a meeting to obtain additional information. Those identified as "higher risk" shall be flagged and the Human Resources Department and/or Purchasing Department shall be notified. In addition, cross checking of pertinent information (i.e. relationships and addresses) shall be conducted in the "IVISIONS" software to ensure additional verification of potential conflicts of interest.

**Recommendation 11:** The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties.

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

The District has already taken steps to limit users' access in the accounting system and only those levels necessary to perform their job duties have been granted.

**Recommendation 12:** The District should review and reduce the number of users with administrator-level access to its accounting system to reduce the risk of unauthorized access.

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

The District has already taken steps and reduced the number of users with administrator-level access to its accounting system and reduced the risk of unauthorized access.

**Recommendation 13:** The District should improve procedures to ensure that terminated employees have their computer network and accounting system access promptly removed to reduce the risk of unauthorized access.

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

The District has in place procedures to ensure that terminated employees have their computer network and accounting system access promptly removed. Additional automated and non-automated measures will be taken to ensure coordination of effort between the Human Resources Department, Payroll Office and Information Technology Department

**Recommendation 14:** The District should review its IT contingency plan to ensure it is complete, test it at least annually to identify and remedy any deficiencies, and document the results of the test.

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

The District will continue to review its IT contingency plan and at least annually identify and remedy any identified deficiencies and document the results of the test.

**Finding 2:** District provided food and beverages at District events and public café without express statutory authority to do so

District Response: The District agrees with the finding.

The District accepts the findings and has contacted legal counsel, requesting legal advice and will proceed as recommended.

**Recommendation 15:** The District should stop providing food and beverages for any purposes for which it does not have express statutory authority.

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

The District accepts the findings and has contacted legal counsel, requesting legal advice and will proceed as recommended.

**Recommendation 16:** The District should ensure that it has express statutory authority before providing food and beverages. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, maintain proper approval and itemized receipts for all purchases, document the funding source used, and ensure any purchases are an allowable use of the funding source.

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

The District accepts the findings and agrees with the recommendation

**Recommendation 17:** The District should ensure that revenues from statutorily authorized events cover all related costs.

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

The District shall take the necessary steps and measures to ensure that revenues from statutorily authorized events cover all related costs.

**Finding 3:** Lack of transportation oversight led to increased student safety risk and insufficient documentation

District Response: The District agrees with the finding.

**Recommendation 18:** The District should develop and implement procedures to ensure that bus driver certification requirements are met and appropriately documented to help ensure student safety and to comply with the State's Minimum Standards.

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

The District has implemented an electronic data base within the District's "Edulog Routing System" that maintains, records and documents all bus driver certifications, physical examinations, drug and alcohol tests, physical performance tests, CPR and first aid certification and refresher training.

**Recommendation 19:** The District should establish and implement a formal written policy that states what school bus preventative maintenance work will be completed at what mileage and time frame, and maintain documentation of preventative maintenance performed to help ensure student safety and to comply with the State's Minimum Standards.

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

The District has initiated utilization of the "Fleet Pro" software module in the Transportation Department's "Edulog Routing System" that tracks all vehicle maintenance records. The District has implemented the scheduling of preventative maintenance of its bus fleet utilizing the last digit of the bus number that determines which month the vehicle will be serviced. The District will develop and implement a formal written policy that states what school bus preventative maintenance work will be completed at what mileage and time frame.

