

# Mingus Union High School District

District did not ensure all monies that should have been collected through its bookstore were collected and deposited; did not adequately protect its sensitive computerized data; and produced more meals than it served, resulting in an estimated \$32,400 of wasteful spending

Performance Audit

November 2020

Report 20-208

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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November 6, 2020

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Mingus Union High School District

Mr. Mike Westcott, Superintendent  
Mingus Union High School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Mingus Union High School District*, conducted pursuant to Arizona Revised Statutes §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 the findings and recommendations and plans to implement all the recommendations.

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

Sincerely,

Lindsey Perry, CPA, CFE  
Auditor General

## Mingus Union High School District

**District did not ensure all monies that should have been collected through its bookstore were collected and deposited; did not adequately protect its sensitive computerized data; and produced more meals than it served, resulting in an estimated \$32,400 of wasteful spending**

### Audit purpose

To assess the District's spending on administration, plant operations and maintenance, food service, and transportation and its compliance with certain State requirements.

### Key findings

- District had an increased risk of errors and fraud because it did not document and approve student fee waivers or conduct thorough reviews of bookstore purchases and fee payments, thereby not ensuring all monies were collected and deposited.
- District did not adequately protect its sensitive computerized data, which increased the risk of unauthorized access to sensitive information, errors, fraud, and data loss.
- District produced more meals than it served, costing it an estimated \$32,400 in fiscal year 2019.

### Key recommendations

The District should:

- Ensure that all monies that should be collected through its bookstore are collected and deposited by implementing fee waiver policies in accordance with statutory criteria and requiring a second employee to review daily purchase and fee payment reports and reconcile deposits to these reports.
- Protect sensitive computerized data by following industry standards regarding passwords, limiting users' system access, and reviewing its contingency plan to ensure it is complete.
- Reduce meal overproduction by regularly reviewing records and making menu changes accordingly, basing meal production on daily lunch order counts, and researching practices from other high schools that would help increase meal participation and reduce meal overproduction.



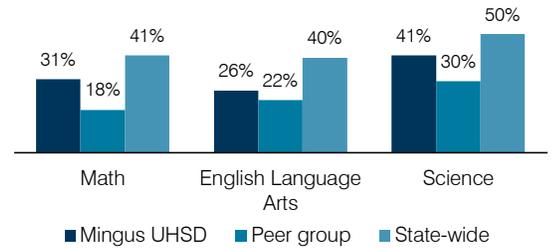
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Rural district in Yavapai County  
Grades: 9th through 12th  
Students attending: 1,253  
Number of schools: 1  
School letter grade: C  
Graduation rate: 82%

**Students who passed State assessments**



**Total operational spending—\$10.4 million (\$8,280 per pupil)**

**Instructional—59.3% (\$4,908 per pupil)**

**Noninstructional—40.7% (\$3,372 per pupil)**

| Operational overview  | Measure                  | Mingus UHSD | Peer average |
|---|--------------------------|-------------|--------------|
| <p><b>Administration—lower spending but improvements needed</b></p> <p>The District spent much less per pupil on administration than its peer districts, on average, primarily because it employed fewer administrative employees. However, the District’s cash-handling and IT controls need strengthening (see Finding 1, page 2, and Finding 2, page 4).</p>   | Spending per pupil       | \$817       | \$1,190      |
| <p><b>Plant operations—lower spending and efficient use of space</b></p> <p>The District’s plant operations spending was similar to the peer districts’ average per square foot but much lower per pupil primarily because it operated its building space efficiently at 93 percent of its designed capacity, and it maintained 42 percent fewer square feet per student than the peer districts, on average.</p>   | Spending per square foot | \$5.98      | \$5.67       |
|   | Spending per pupil       | \$888       | \$1,416      |
| <p><b>Food service—spending exceeded revenues primarily because District overproduced meals</b></p> <p>The District’s food service spending per meal and per pupil were similar to or lower than the peer districts’ averages. However, the District produced more meals than it served, costing it an estimated \$32,400 and resulting in the District’s food service spending exceeding revenues by more than \$30,000 in fiscal year 2019 (see Finding 3, page 6).</p>   | Spending per meal        | \$3.67      | \$3.60       |
|   | Spending per pupil       | \$213       | \$428        |
| <p><b>Transportation—high spending but District has taken steps to lower spending</b></p> <p>The District’s spending was higher both per mile and per rider than the peer districts’ averages primarily because it had fewer total miles and riders over which to spread its fixed costs. Further, although the District’s 8 fiscal year 2019 bus routes were slightly less than efficient, filling buses to an average of 69 percent seat capacity, the District eliminated 1 bus route in fiscal year 2020, which improved its average bus capacity utilization rate to 77 percent, and eliminated 1 bus driver position.</p> | Spending per mile        | \$4.03      | \$3.70       |
|   | Spending per rider       | \$1,405     | \$1,127      |



## **District did not have support for waiving some student fees and its review did not verify they were approved, thereby not ensuring all monies that should have been collected were collected and deposited, increasing risk of errors and fraud**

The District operated a bookstore on its campus, and bookstore staff collected monies for school events; athletic, class material, textbook, and library fees/fines; student parking passes; replacement identifications cards; supplies; student club activities; and extracurricular activities fees tax credit donations. In fiscal year 2019, the District deposited approximately \$606,000 of these monies. However, the District did not document and approve student fee waivers, and its review of bookstore purchase and fee payment transactions was not thorough enough to identify these deficiencies. Therefore, the District did not ensure all monies that should have been collected through the bookstore were collected and deposited, which increased the District's risk of errors and fraud.

**District did not document and approve student fee waivers and reportedly waived some student fees for reason that lacked required governing board approval**—Our review of fiscal year 2019 District bookstore purchase and fee payment transactions identified 1,170 \$0 transactions, which are transactions resulting in no money being collected and typically include voids, refunds, and waived fines and fees. These transactions represented about 8 percent of the District's total fiscal year 2019 bookstore transactions. However, bookstore staff did not document why no monies were collected in these 1,170 instances. According to the *Uniform System of Financial Records for Arizona School Districts* (USFR), because of the relatively high risk associated with transactions involving cash, districts should establish and maintain effective policies and procedures to safeguard cash. The District did not have specific policies and procedures requiring staff to document the reasons for and approval of \$0 transactions. After we requested further information, the District showed that 988 of these transactions recorded students' textbook deposit monies that were originally recorded into its prior point-of-sale system (POS) into its new POS. In addition, 140 of these transactions were for things like complimentary tickets to student theater productions or dances and had appropriate approval. However, the District lacked documentation to support the purpose of the remaining 42 \$0 transactions totaling \$503. According to District officials, the 42 \$0 transactions were for student fee waivers. Specifically, District officials stated that a District employee waived certain fees based on verbal approval from other District staff, such as counselors, teachers, and business office staff, for students experiencing economic hardships. Arizona Revised Statutes §15-342, paragraph 24, allows district governing boards to authorize school principals to waive the assessment of all or part of a fee if it creates an economic hardship for a student. However, the District did not have a governing-board-approved policy allowing the principal to waive fees and outlining the criteria for waiving student fees and procedures for obtaining proper supporting documentation of waiver approvals.

**District review of bookstore purchase and fee payment transactions not thorough enough to find deficiencies with fee waivers**—The District's process for reviewing bookstore purchase and fee payment transactions was not thorough enough to ensure that all \$0 transactions were appropriate. Specifically, 1 employee was responsible for processing and recording all bookstore purchase and fee payment transactions, and although another District employee reviewed summary cash collection reports to reconcile cash receipts and deposits on a weekly basis, this review did not verify that \$0 transactions had documentation and approval

to support that they were appropriate. A thorough review of all \$0 transactions to ensure they are appropriate is important because \$0 transactions could be a red flag for possible fraud, waste, or abuse. For example, an employee could ring up a sale, receive the money from the student, and then zero out the transaction in the system.

### **Recommendation**

1. The District should ensure that all monies that should be collected through its bookstore are in fact collected and deposited by:
  - a. Developing and obtaining governing board approval for policies and procedures that provide specific criteria for waiving or reducing student fees for economic hardships in accordance with A.R.S. §15-342, paragraph 24, and require documented approval of student fee waivers by appropriate District staff.
  - b. Requiring a second employee to review detailed daily bookstore purchase and fee payment transaction reports, including all printed receipts, cash collection forms, and documented explanations and approvals of any \$0 transactions and reconcile deposits to these reports to verify that all monies that should be collected through the bookstore have been collected and deposited.

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



# District did not adequately protect its sensitive computerized data, which increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

## District's network passwords did not meet credible industry standards, putting sensitive information at risk

The District's network password requirements as of October 2019 were not aligned with credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST). As a result, the District increased its risk that unauthorized individuals could access sensitive District information, such as District accounting data and student information including health records, grades, and addresses. District officials indicated that they were unaware of industry standards related to password requirements.

## District allowed too many network and systems users to have administrator-level access

Our October 2019 review of user access reports found that 11 network user accounts and 22 student information system user accounts had administrator-level access. Administrator-level access grants users full control over all 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. Users with administrator-level access can also grant themselves full access to view and edit all data on the network and systems, which increases a district's risk of errors and fraud. We reviewed all network and student information system user accounts with administrator-level access and found that 3 network and 11 student information system user accounts did not require this level of access. Therefore, the District was not abiding by the principle of least privilege, which is that users should have the least amount of access in a system necessary to complete their job responsibilities. This occurred because the District was not regularly reviewing user accounts and assessing their need for administrator-level 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 their greater access privileges, which could result in unauthorized access to and loss of sensitive data or disruption of District operations.

## District assigned some employees too much access to its accounting system

Our October 2019 review of access levels for the District's 13 users found that 5 users' access allowed them to be able to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. Although we did not identify any improper transactions in the items we reviewed, the District increased its risk that these users could commit errors or fraud without being detected. For example, these users could process false invoices, change employee pay rates including their own, or add and pay nonexistent vendors or employees without detection. In addition, the District granted administrator-level access to its accounting system to a business office employee, which gave the employee 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. According to District officials, the District has experienced high turnover among District office staff in recent years and has not had enough trained staff to allow for proper restriction of accounting system access. District officials stated that they plan to revise accounting system access in fiscal year 2021 when the District's staffing level will be sufficient to properly restrict accounting system access to only what is necessary for each employee to complete their job duties.

## 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 steps for how to perform business operations in the event of a system or equipment failure or interruption, and although the District's data is periodically backed up, the District has not tested its contingency plan. 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.

### Recommendation

2. The District should protect its sensitive computerized data by:
  - a. Reviewing industry password standards at least annually and implementing and enforcing strong network password requirements consistent with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.
  - b. Reviewing and reducing the number of users with administrator-level access to its network and student information system to reduce the risk of unauthorized access.
  - c. Limiting users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.
  - d. Reviewing its IT contingency plan to ensure it is complete, testing it at least annually to identify and remedy any deficiencies, and documenting the results of the test.

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



## District produced more meals than it served, costing it an estimated \$32,400 in fiscal year 2019

### Meal overproduction resulted in an estimated \$32,400 of wasteful spending

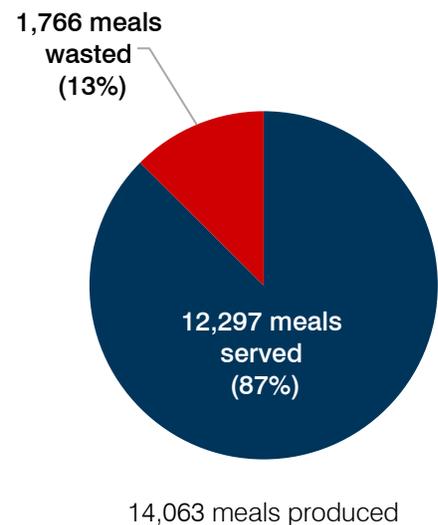
#### Meal overproduction contributed to food service program loss

In fiscal year 2019, the District produced more meals than it served through its food service program, resulting in wasteful spending. Meal production records for September 2018 and February 2019 show that during those 2 months, the District reported producing 1,766 more meals than it served, which is equivalent to it wasting 13 percent of the total meals it produced during that time period (see Figure 1). Based on the \$3.67 the District spent in fiscal year 2019 to produce each meal in its cafeteria, the District wasted nearly \$6,481 on those 1,766 meals that it did not serve and for which it did not receive any payments. According to District officials, factors such as the District's open campus lunch policy (discussed below) affected their ability to more accurately predict the number of lunches to prepare each day. Further, District officials stated that they tried to provide various lunch selections, such as burgers, nachos, sandwiches, and salads, and enough of each selection without running out of any particular selection. According to the meal production records we reviewed, students could have selected their lunch each day from 2 different hot meals, 2 types of pizza, a sub sandwich, a wrap, and a salad.

Based on the 2-month meal production sample we reviewed, the District may have overproduced an estimated 8,830 meals during the school year. This equates to the District having spent an estimated \$32,400 in fiscal year 2019 on meals that it never served. The District's food service program operated at a loss of over \$30,000 in fiscal year 2019; therefore, the District's overproduction was the primary reason for its operational loss. The District's food service program loss did not require that it divert monies from other parts of its budget to cover the loss because it had a balance in its food service fund that it used to cover the loss. However, the District's food service fund balance decreased by 70 percent between fiscal years 2015 and 2019 because the program lost money in 4 of the 5 fiscal years during that period. If the District continues to overproduce meals and does not have other revenues to compensate for the cost of the overproduced meals, it will likely deplete its food service fund balance, which would require the District to divert monies from other important priorities to its food service program.

**District lunch period policies may have impacted meal production**—The District has had a long-standing policy of allowing junior and senior students to leave campus for the lunch period, which was 30 minutes. Allowing certain students to leave campus for lunch is a common practice in many high schools across

**Figure 1**  
District wasted 13 percent of meals produced over 2 months Fiscal year 2019



Source: Source: Auditor General staff analysis of District meal production and meals served records for September 2018 and February 2019.

the country. Then, in fiscal year 2019, the District implemented an additional lunch period concept called Power Hour, which added an additional 30-minute free period to the regular 30-minute lunch period. This concept applies to all students and is essentially a free hour to eat lunch, study, meet with friends, attend club meetings, and receive tutoring. During the first 30 minutes of Power Hour, students with failing grades are required to attend tutoring sessions, and student clubs can also meet during the first 30 minutes of Power Hour. According to the experiences of other high schools around the country that have also implemented the Power Hour concept, they have seen positive impacts on student achievement, including reduced failure rates, fewer students being referred for discipline, and stronger student-teacher relationships. However, because of Power Hour, District juniors and seniors can now leave campus for the full lunch hour as long as they do not have any failing grades. Although Power Hour may have a positive impact on students and student achievement, increasing the open campus policy to 1 hour may make going off campus more enticing to students and thereby make it more difficult for the District's food service staff to predict how many students will stay on campus and eat a cafeteria lunch each day. It does appear that the District's policies may have impacted meal production because the District served 18 percent fewer lunches per pupil in fiscal year 2019 than it did, on average, in the 5 previous fiscal years. In addition, although the open campus policy applies only to juniors and seniors, we observed students leaving campus at the beginning of the Power Hour and then returning shortly thereafter with large amounts of food, which they could have distributed to students who were not eligible to leave campus at lunch. Allowing students leaving campus at lunch to bring back food for others who are not eligible to leave campus can make it even more difficult for District officials to determine how many students will purchase school lunches each day.

## District has taken steps to increase meal participation and reduce overproduction, but more can be done

**District has taken steps to increase meal program participation**—Recognizing that it needed to do more to attract students to eat lunch at school, the District has taken steps to increase meal participation by adding amenities to the cafeteria, including 3 large screen televisions, lunch tables with device charging ports, and made-to-order sandwiches. Despite these amenities, the District's food service program was still losing money, so in fiscal year 2020, District officials implemented a few more strategies to increase participation, including having school buses arrive 15 minutes earlier than usual in the mornings, which helped increase revenues by increasing student breakfast participation. Further, the District expanded its sales of a la carte items, such as snack foods and drinks. For example, the District began selling an a la carte fruit smoothie made almost entirely from free food available through the United States Department of Agriculture's Foods in Schools program. According to District officials, the smoothie is one of the most popular a la carte items, and a la carte sales increased daily food service program revenues by \$60 per day to as much as \$500 per day in fiscal year 2020.

**District can take additional steps to reduce meal overproduction**—Although the District's efforts in fiscal year 2020 to increase food service revenues appear to be successful, we identified some other steps the District can take to help increase meal participation and reduce meal overproduction. Specifically:

- **Reviewing and planning meal production using past production records**—The District determined the number of meals to serve each day based on the number of meal sales from the prior day, and it had a set menu rotation. However, as noted earlier, the District overproduced some meals, resulting in waste. Other school district audits have noted that some districts with efficient food service programs monitor meal production records to help their districts make foods that students like, which can maintain or increase student participation in the food program and help reduce overproduction and waste. For example, when we reviewed the District's September 2018 and February 2019 meal production records, we found that the most commonly overproduced meals during those 2 months were hot breakfast and lunch meals, such as hot dogs, fish, sub sandwiches, wraps, and salads. The District can use information like this to prepare fewer of the less popular items and more of the popular items. Further, not liking the meals served could impact students' participation in the program in the future. The District could also use the meal production records to help it determine if it should reduce the number of selections offered each day.

- **Taking lunch counts in the classroom**—In fiscal year 2019, the District based the number of meals it prepared for lunch each day on lunch sales from the prior day. However, we found that some districts with efficient food service programs limit waste by having classroom teachers take morning counts of students intending to eat a district-served lunch that day. Those counts are then provided to food service staff to guide them in determining the proper number of lunches to prepare that day.
- **Researching practices of similar districts in Arizona or other states**—We identified 2 practices that other districts have implemented to improve their high school food service program operations that may be beneficial to the District. First, we found that some other high schools across the country have limited open campus policies to juniors and seniors with grade point averages above a district-determined minimum. Second, officials at some high school districts across the country have found that high school students prefer cafeteria lunch lines that move quickly; otherwise, they may leave the line or never enter the line because of the wait and instead go off campus for lunch. In fiscal year 2019, the District implemented separate cafeteria lines where students could order made-to-order sandwiches and salads to increase student lunch participation. However, because made-to-order items tend to take more time and slow down lunch lines, research indicates that premade sandwiches and salads that students can grab and go are better options for high school cafeterias. Although these 2 practices may be beneficial to the District, the District should perform its own assessment to determine if these practices would be beneficial given the District’s specific circumstances and the student population it serves and determine whether these or other practices would help increase meal participation and reduce meal overproduction.

## Recommendations

3. The District should reduce meal overproduction by:
  - a. Regularly reviewing meal production records and making menu changes based on participation levels and popularity of items.
  - b. Collecting lunch order counts each morning in classrooms and basing meal production on these counts.
4. The District should research practices of other high school food service programs in Arizona and other states and determine and implement practices that would work well with the District’s food service program and student population and result in increased meal participation and reduced meal overproduction.

**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 4 recommendations to the District

1. The District should ensure that all monies that should be collected through its bookstore are in fact collected and deposited by:
  - a. Developing and obtaining governing board approval for policies and procedures that provide specific criteria for waiving or reducing student fees for economic hardships in accordance with A.R.S. §15-342, paragraph 24, and require documented approval of student fee waivers by appropriate District staff (see Finding 1, pages 2 through 3, for more information).
  - b. Requiring a second employee to review detailed daily bookstore purchase and fee payment transaction reports, including all printed receipts, cash collection forms, and documented explanations and approvals of any \$0 transactions and reconcile deposits to these reports to verify that all monies that should be collected through the bookstore have been collected and deposited (see Finding 1, pages 2 through 3, for more information).
2. The District should protect its sensitive computerized data by:
  - a. Reviewing industry password standards at least annually and implementing and enforcing strong network password requirements consistent with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information (see Finding 2, pages 4 through 5, for more information).
  - b. Reviewing and reducing the number of users with administrator-level access to its network and student information system to reduce the risk of unauthorized access (see Finding 2, pages 4 through 5, for more information).
  - c. Limiting users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office (see Finding 2, pages 4 through 5, for more information).
  - d. Reviewing its IT contingency plan to ensure it is complete, testing it at least annually to identify and remedy any deficiencies, and documenting the results of the test (see Finding 2, pages 4 through 5, for more information).
3. The District should reduce meal overproduction by:
  - a. Regularly reviewing meal production records and making menu changes based on participation levels and popularity of items (see Finding 3, pages 6 through 8, for more information).
  - b. Collecting lunch order counts each morning in classrooms and basing meal production on these counts (see Finding 3, pages 6 through 8, for more information).
4. The District should research practices of other high school food service programs in Arizona and other states and determine and implement practices that would work well with the District's food service program and student population and result in increased meal participation and reduced meal overproduction (see Finding 3, pages 6 through 8, for more information).



## Objectives, scope, and methodology

We have conducted a performance audit of Mingus Union High 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 2019 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 2019 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 206 individuals who received payments in fiscal year 2019 through the District's payroll system and reviewed supporting documentation for 32 of the 4,312 fiscal year 2019 accounts payable transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2019 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 2019 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2019 ADE-assigned school letter grade 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<br>District type<br>Location  | Greater than 17%<br>Union high school districts<br>Towns and rural areas                           | 4                                 |
| Administration, plant operations and maintenance, and food service | District size<br>District type<br>Location | Between 600 and 1,999 students<br>Unified and union high school districts<br>Towns and rural areas | 31                                |
| Transportation   | Miles per rider<br>Location                | Between 240 and 335 miles per rider<br>Towns and rural areas                                       | 19                                |

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 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.
- **Documentation reviews**—We reviewed various sets of District documentation including credit card statements for fiscal year 2019, cash deposit and bookstore purchase and fee payment transaction documentation for fiscal year 2019, bus driver files for 10 of the District’s 22 drivers, bus maintenance and repair records for 5 of the District’s 19 buses, and food production records for September 2018 and February 2019.
- **Analysis**—We reviewed and evaluated fiscal year 2019 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, use of building space, building age, 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 and reviewed the District's bus route efficiency.

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



# MINGUS UNION HIGH SCHOOL DISTRICT NO. 4

1801 East Fir Street  
Cottonwood, AZ 86326  
928-634-7531  
[www.mingusunion.com](http://www.mingusunion.com)



October 21, 2020

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

Dear Ms. Perry,

Mingus Union High School District No. 4 has received and reviewed the FY19 Performance Audit Report. The Mingus District appreciates the thoroughness, patience, and diligence of the entire audit team and values the opportunity to improve the operations of our district by complying with the audit recommendations.

We agree with all the findings and recommendations in the audit and will act to implement all of the recommendations provided.

Please find attached The District's response to each finding and recommendation.

Sincerely,

Mike Westcott, M. Ed., M. A. T.  
Superintendent  
Mingus Union High School District No. 4

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#### Governing Board

Ms. Carol Anne Teague, President  
Mrs. Lori Drake, Vice President  
Mr. Anthony Lozano  
Mr. Stephen Currie  
Mr. Greg Roeller

**Superintendent**  
Mr. Mike Westcott  
928-634-8640

**Finance Director**  
Ms. Lynn Leonard  
928-634-2941

**Finding 1:** District did not have support for waiving some student fees and its review did not verify they were approved, thereby not ensuring all monies that should have been collected were collected and deposited, increasing risk of errors and fraud

District Response: The District agrees with the finding.

The District did have a practice of waiving fees without a specific procedure and that has been corrected as outlined below.

**Recommendation 1:** The District should ensure that all monies that should be collected through its bookstore are in fact collected and deposited by:

**Recommendation 1a:** Developing and obtaining governing board approval for policies and procedures that provide specific criteria for waiving or reducing student fees for economic hardships in accordance with A.R.S. §15-342, paragraph 2, and require documented approval of student fee waivers by appropriate District staff.

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

On June 18, 2020 the Governing Board approved policy JQ-EC to allow the Principal to authorize student fee waivers. Any future requests will require the "Fee Hardship Waiver Application" be completed and submitted before fees are waived. This form requires the Principal and Business Manager approval.

**Recommendation 1b:** Requiring a second employee to review detailed daily bookstore purchase and fee payment transaction reports, including all printed receipts, cash collection forms, and documented explanations and approvals of any \$0 transactions and reconcile deposits to these reports to verify that all monies that should be collected through the bookstore have been collected and deposited.

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

Although the performance audit did not discover any fraud in the Bookstore and the finding relates to less than 0.09% of the bookstore transactions for a total amount of \$503, the Business Manager will review any \$0 transactions on a monthly basis.

**Finding 2:** District did not adequately protect its sensitive computerized data, which increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

District Response: The District agrees with the finding.

The District is reviewing and implementing strategies which will ensure the protection of sensitive computerized data, including off-site storage and backup of sensitive data and stringent password requirements.

**Recommendation 2:** The District should protect its sensitive computerized data by:

**Recommendation 2a:** Reviewing industry password standards at least annually and implementing and enforcing strong network password requirements consistent with

credible industry standards 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.

Password standards will be reviewed on an ongoing basis and industry standards will be implemented.

**Recommendation 2b:** Reviewing and reducing 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 now conducts a regular review of administrative-level users.

**Recommendation 2c:** Limiting users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

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

The District has reviewed employee roles in relation to their responsibilities and user access in the accounting system. Additionally, the District will transfer the administrator-level access to the IT Manager.

**Recommendation 2d:** Reviewing its IT contingency plan to ensure it is complete, testing it at least annually to identify and remedy any deficiencies, and documenting the results of the test.

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

The IT contingency plan is reviewed annually and will continue to get Governing Board approval after the annual review. The District will ensure that the plan is complete by updating it with all missing key components before the next annual review. Tests of the plan will be made at least annually and deficiencies will be corrected in a timely manner.

**Finding 3:** District produced more meals than it served, costing it an estimated \$32,400 in fiscal year 2019

District Response: The District agrees with the finding.

The introduction of Power Hour in Fiscal Year 2019 had an unforeseen negative impact on lunch participation in the cafeteria. The District has made many changes to their lunch

program to minimize the reduction in participation. This multi-step process resulted in a significant increase in revenues prior to the closure of the school due to COVID-19.

**Recommendation 3:** The District should reduce meal overproduction by:

**Recommendation 3a:** Regularly reviewing meal production records and making menu changes based on participation levels and popularity of items.

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

The District regularly reviews the menus and popularity of the items. A student survey was planned prior to the school closure and once normal meal service resumes, we will survey students on likes and dislikes in the cafeteria.

**Recommendation 3b:** Collecting lunch order counts each morning in classrooms and basing meal production on these counts.

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

The District has recently implemented the procedure of collecting lunch order counts each morning in classrooms and will base meal production on these counts.

**Recommendation 4:** The District should research practices of other high school food service programs in Arizona and other states and determine and implement practices that would work well with the District's food service program and student population and result in increased meal participation and reduced meal overproduction.

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

The District contacted other high school food service programs in December 2019. Based on those conversations, the District increased its a la carte offerings. This was highly successful prior to in-person school closing for the COVID-19 pandemic. The high schools the District contacted all had closed campuses. Having an open campus for Juniors and Seniors presents obstacles to lunch participation. In addition, the impact of Power Hour allowing students a full hour for lunch has been addressed. Beginning in October 2020, the bell schedule has been modified, and although it still allows the students an hour, there are two distinct lunch periods and required intervention to minimize off-campus availability.

