



December 18, 2020

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

Dear, Ms. Perry,

Saddle Mountain Unified School District No. 90 has received and reviewed the FY19 Performance Audit Report. The District appreciates the thoroughness of the audit and agrees with the findings and recommendations and will take action to implement the improvements in internal controls and operations as outlined in the report.

Given the difficulties associated with COVID 19 pandemic, the District would like to compliment the efforts and patience exhibited by the Auditors under these difficult conditions.

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

Respectfully,

Kirk Waddle
Executive Director of Business Services
Saddle Mountain Unified School District No. 90

Finding 1: District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss

District Response: The District agrees with the finding.

Recommendation 1: The District should identify and correct all overpayments made to employees.

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

1. \$472 – This was an overpayment due to adding an annual increase to an extra day contract twice. Due to the small nature of the overpayment and the length of time since it occurred, the district will not recoup the expense.
2. \$462 – this was not an overpayment. The employee worked the hours for which he was paid. The initial estimate assumed the project would take 60 hours when in fact it took 90 hours. The original PAR formally authorized the 60 hours. When the employee was asked to work an additional 30 hours (3 days) a revised PAR was not created.
3. \$10.61 this was an overpayment but due to it being nearly three years ago and immaterial, no recoupment will be made. This error occurred due to the employee having two positions, one primary and one a supplemental at \$1.00 per hour for a shift differential. When docked for a day's pay for lack of available leave, the primary contract was docked correctly but the system did not dock the \$1.00 per hour shift differential from being paid on the same day.

Recommendation 2: The District should develop and implement a process to ensure employees are paid accurately by having a second employee check that the first employee entered employees' contract or hourly pay amounts accurately in the accounting system, that employees are not paid for more hours than approved on their contracts/PAR, and that employees' pay is accurately reduced for any unpaid leave.

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

Recommendation 3: The District should review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that all purchases and payments are properly approved prior to being made.

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

Recommendation 4: The District should review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that the District pays vendors only after verifying that all purchases have been received and billings are accurate.

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

Recommendation 5: The District should review its cash handling policies and procedures with school staff and monitor that they follow them to ensure that the District is depositing all cash collected.

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

Recommendation 6: The District should review its credit card policies and procedures with school staff and monitor that they follow them to ensure that staff submit all supporting documentation for credit card purchases in a timely manner so that the District can pay credit card balances on time and in full each month.

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

Recommendation 7: The District should review the Uniform Chart of Accounts for school districts and implement its guidance to accurately classify all credit card transactions when reporting its spending.

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

Note that the incorrect coding occurred to ensure payment was made and no additional finance charges were incurred. The original error was a keypunch error that short paid an invoice charge to the bankcard. The District's accounts payable department could not locate the short payment and so a decision was made by the director to pay the amount and it was coded to "finance charges" and included in administrative costs so that it was highlighted. The original vendor was paid in full by the bank card. The charge to "finance charges" was a conscious decision to curtel any additional interest charges.

Recommendation 8: The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties including removing the administrator-level access from the business office employee.

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

The administrative-level access will be moved to the superintendent so that assignment of roles will not be made by a business office employee.

Recommendation 9: The District should develop and implement a process to assign access to new users in the accounting system to ensure it is necessary for job duties.

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

A process already exists however, this function will be assigned to the superintendent and taken from the Executive Director of Business Services so that it no longer resides in the business office.

Recommendation 10: The District should develop and implement a process to periodically review users' access in the accounting system to ensure it is necessary for job duties.

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

Recommendation 11: The District should review and reduce the number of users with administrative privileges to the District's computers.

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

Recommendation 12: The District should develop and implement an alternative process for staff to install and update applications that does not require local administrative privileges.

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

Because it is required to have local administrative privileges to install software, this will require the limited technology staff to install all software.

Recommendation 13: The District should review industry password standards at least annually and implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information.

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

Recommendation 14: The District should immediately disable or remove all network and SIS accounts associated with terminated employees.

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

Recommendation 15: The District should develop and implement a process to ensure that terminated employees have their network and SIS access promptly removed to reduce the risk of unauthorized access.

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

Recommendation 16: The District should require all employees to participate in a security awareness training if they have not done so in the past year.

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

Recommendation 17: The District should establish and implement a District policy to conduct security awareness training on a regular basis, at least annually.

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

Recommendation 18: The District should review its IT contingency plan to ensure it is complete; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the results of the test.

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

Finding 2: District did not maintain school buses and sometimes transported special education students in unallowable vans, putting student safety at risk

District Response: The District agrees with the finding.

Recommendation 19: The District should develop and implement a formal preventative maintenance policy that stipulates the number of miles a bus can travel or the amount of time that can elapse before a bus will receive preventative maintenance.

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

Recommendation 20: The District should revise its process for tracking when buses are due for preventative maintenance and ensure that required preventative maintenance is identified and completed in accordance with the State's Minimum Standards and the District's formal preventative maintenance policy.

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

Recommendation 21: The District should stop using its 12- and 15-passenger vans for student transportation.

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

Recommendation 22: The District should identify and implement ways to transport all students using vehicles that meet all required safety standards, such as developing a list of substitute certified bus drivers so that the District can transport all students in its school buses.

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

The District used the vans in question only as an exception. The District has not been able to hire or find substitute CDL drivers in this rural community. The majority of special needs students are transported on the dedicated special needs buses (yellow) that have lifts and accommodations for wheel chairs. The district has recently increased wages to be able to attract drivers with CDL licenses to enable us to utilize the full-size yellow special needs buses.