



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

---

Performance Audit

# Colorado River Union High School District

---

August • 2013  
Report No. 13-07



---

**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

## The Joint Legislative Audit Committee

---

Senator **Chester Crandell**, Chair

Representative **John Allen**, Vice Chair

Senator **Judy Burges**

Representative **Paul Boyer**

Senator **Rich Crandall**

Representative **Andrea Dalessandro**

Senator **Steve Gallardo**

Representative **Martin Quezada**

Senator **Katie Hobbs**

Representative **Kelly Townsend**

Senator **Andy Biggs** (*ex officio*)

Representative **Andy Tobin** (*ex officio*)

## Audit Staff

---

**Ross Ehrick**, Director

**Mike Quinlan**, Manager and Contact Person

**Christine Medrano**, Team Leader

**Ben Gutierrez**

**Tammy Seilheimer**

Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

### **Office of the Auditor General**

**2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333**

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

August 8, 2013

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
Colorado River Union High School District

Mr. Riley Frei, Superintendent  
Colorado River Union High School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Colorado River Union High School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

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

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

Sincerely,

Debbie Davenport  
Auditor General

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

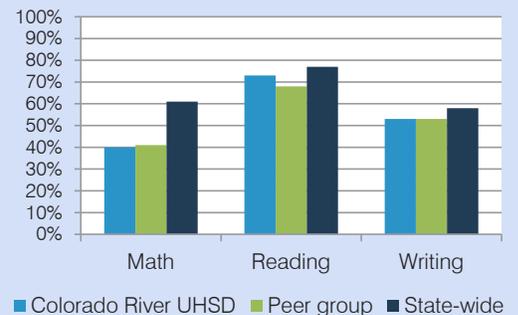
## Similar student achievement and efficient operations overall

### Our Conclusion

In fiscal year 2011, Colorado River Union High School District's student AIMS scores were similar to the peer districts' averages, and it operated efficiently overall with similar or lower costs in most operational areas. The District's administrative costs were lower than peer districts'. However, it needs to strengthen some controls over its computer systems and cash handling. The District's plant operations costs per square foot were similar to peer districts', and its food service costs were much lower. The District's transportation costs were mixed with a higher cost per rider, but lower cost per mile; however, the District needs to improve its controls over fuel purchases. Further, the District did not maintain complete Proposition 301 pay records, and some of the District's performance pay plan goals were so easily met that they did not promote improved job performance.

**Student achievement similar to peer districts'**—In fiscal year 2011, Colorado River UHSD's student AIMS scores were similar to the peer districts' averages. Additionally, under the Arizona Department of Education's A-F Accountability Letter Grade System, the District received an overall letter grade of D, as did the only peer district that was also graded. Further, Colorado River UHSD's 71-percent graduation rate was similar to the peer districts' 74-percent average but lower than the State's 78-percent average.

Percentage of students who met or exceeded state standards (AIMS)  
Fiscal year 2011



**Most operational costs similar to or lower than peer districts'**—In fiscal year 2011, Colorado River UHSD operated efficiently overall with most of its nonclassroom costs similar to, or lower than, its peer districts' averages. The District's administration and food service programs operated efficiently, with much lower costs and despite a slightly higher plant operations cost per pupil, the District's cost per square foot was similar to the peer district average. The District's transportation costs were mixed with a higher cost per rider, but lower cost per mile.

Comparison of per-pupil expenditures by operational area  
Fiscal year 2011

Per pupil	Colorado River UHSD	Peer group average
Administration	\$579	\$736
Plant operations	980	917
Food service	197	351
Transportation	360	360

## District needs to strengthen controls over computer systems, fuel purchases, and cash handling

Colorado River UHSD's poor controls over its computer network, student information system, and accounting system expose the District to an increased risk of errors and fraud. Additionally, the District needs to improve controls over its fuel purchases and bookstore cash-handling procedures.

**Increased risk of unauthorized access to critical systems**—Four district employees have more access to the accounting system than is needed to perform their job duties. Although no improper transactions were detected in the items we tested, access beyond that which is necessary to perform job functions exposes the District to an increased risk of fraud and errors. Additionally, the District does not have procedures in place to ensure that only current employees have access to critical applications. We found that five user accounts on the network and one user account in the student information system were linked to employees who no longer worked for the District.



2013

Further, the District needs to strengthen password requirements for its network, student information system, and accounting system.

**District needs to strengthen controls over fuel purchases**—Because Colorado River UHSD does not own its own fuel tank, it obtains fuel from a local vendor's site. However, the District was unable to determine from the vendor's billing statements whether all fuel purchases were made by district employees for district vehicles and were appropriate based on transaction details. Although the vendor statements identified the vehicle number, date, time, and type and amount of fuel purchased, they did not identify the employee fueling or the vehicle odometer reading, and no fuel card was required to pump fuel. Instead, individuals only had to enter an easily determined number to operate the fuel pumps. District drivers use fuel cards to purchase fuel from other vendors while transporting students on field trips and athletic trips. However, the District did not ensure that all fuel purchase receipts were submitted. We found that receipts for 57 of 247 fuel purchases, totaling about \$2,400, from one vendor were missing. Without receipts, the District cannot ensure that all purchases are appropriate and that the District is being billed properly.

**District should improve cash-handling procedures for bookstore operations**—In fiscal year 2011, Colorado River UHSD received approximately \$730,000 at its school bookstores for various purposes, including student activities, student course fees, and tax credit donations. However, the District did not have proper procedures in place to ensure that money received was accounted for properly. For example, the bookstore at one school used three different methods to record sales, but none of these methods were used consistently. Further, the District lacked a sufficient process of reconciling daily sales to cash collected. As a result, the District could not be sure that all sales had been recorded, leaving these monies more susceptible to loss, theft, or misuse.

### Recommendations

The District should:

- Limit employees' access to only those accounting system functions needed to perform their work.
- Implement and enforce stronger password requirements.
- Establish a process to promptly delete access to the system when an employee terminates employment.
- Work with its local fuel vendor to ensure billing statements include a means of identifying individuals purchasing fuel and the odometer readings of the vehicles fueled.
- Ensure fuel card receipts are submitted and properly reconciled for all purchases.
- Strengthen bookstore cash collections procedures.

## Proposition 301 pay records incomplete and some performance pay goals did not promote improved performance

In fiscal year 2011, all of the District's eligible employees received the full amount of performance pay. However, the District did not maintain documentation to show that each of these employees had actually met their goals to receive such amounts. Additionally, the District awarded performance pay for some goals that were easily met. For example, teachers were awarded performance pay for administering a test of academic progress, but they did not have to show that students met any expected or desired results on the test.

### Recommendations

The District should:

- Retain supporting documentation to show that performance pay goals were met.
- Establish meaningful and measureable performance goals.

# TABLE OF CONTENTS



<b>District Overview</b>	1
Student achievement similar to peer districts' averages	1
District operated efficiently overall with most costs similar to or lower than peer districts'	2
<b>Finding 1: District needs to strengthen controls over computer systems, fuel purchases, and cash handling</b>	3
Increased risk of unauthorized access to critical systems	3
Insufficient agreement for hosting student information system	4
District needs to strengthen controls over fuel purchases	4
District should improve cash-handling procedures for bookstore operations	5
<b>Recommendations</b>	5
<b>Finding 2: District's Proposition 301 pay records incomplete and some performance pay goals did not promote improved performance</b>	7
Pay records were incomplete	7
Some performance pay goals so easily met that they did not promote improved performance	8
<b>Recommendations</b>	9
<b>Appendix</b>	
Objectives, Scope, and Methodology	a-1
<b>District Response</b>	

♦ continued



# TABLE OF CONTENTS

## Table

1	Comparison of per-pupil expenditures by operational area Fiscal Year 2011 (Unaudited)	2
---	---	---

## Figure

1	Percentage of students who met or exceeded state standards (AIMS) Fiscal Year 2011 (Unaudited)	1
---	--	---

concluded ♦

# DISTRICT OVERVIEW

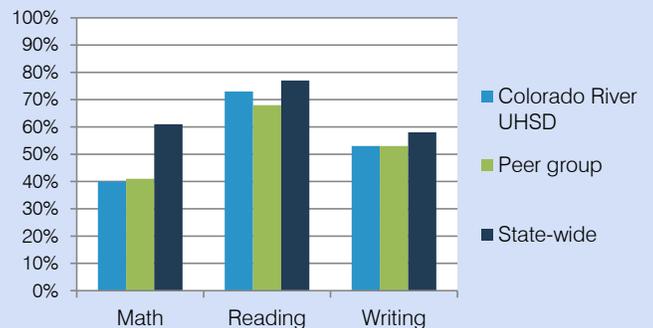
Colorado River Union High School District is located about 50 miles north of Lake Havasu City on the Arizona-Nevada border, in Mohave County. In fiscal year 2011, the District served 2,327 students in 9th- through 12th-grade at its two schools.

In fiscal year 2011, Colorado River UHSD's student achievement was similar to the peer districts', on average.<sup>1</sup> Overall, the District operated efficiently, with most costs similar to or lower than peer districts'. The District operated its administration and food service programs efficiently with costs that were much lower than peer district averages, and despite a slightly higher plant operations cost per pupil, the District's cost per square foot was similar to the peer districts' average. Additionally, its transportation program operated with a higher cost per rider but lower cost per mile. However, the District needs to strengthen controls over its computer systems, fuel purchases, and cash handling. Additionally, the District should strengthen its performance pay plan goals and retain supporting documentation to demonstrate that goals were met before payments from the Classroom Site Fund are made.

## Student achievement similar to peer districts' averages

In fiscal year 2011, 40 percent of the District's students met or exceeded state standards in math, 73 percent in reading, and 53 percent in writing. As shown in Figure 1, these scores were similar to the peer districts' averages. Further, under the Arizona Department of Education's A-F Accountability Letter Grade System, the District and both of its schools received an overall letter grade of D, as did one of the three peer districts.<sup>2</sup> Letter grades for the remaining two peer districts were not reported for fiscal year 2011 because they had too few students tested. The District's fiscal year 2011 71-percent graduation rate was similar to the peer districts' 74-percent average but lower than the State's 78-percent average.

**Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2011 (Unaudited)**



Source: Auditor General staff analysis of fiscal year 2011 test results on Arizona's Instrument to Measure Standards (AIMS).

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

<sup>2</sup> The Arizona Department of Education's A-F Accountability Letter Grade System assigns letter grades based primarily on academic growth and the number of students passing AIMS.

## District operated efficiently overall with most costs similar to or lower than peer districts'

As shown in Table 1 and based on auditors' review of various performance measures, in fiscal year 2011, Colorado River UHSD operated efficiently overall with most of its nonclassroom costs similar to, or lower than, its peer districts' averages. The District's fiscal year 2011 per-pupil spending of \$6,404 and classroom spending of \$3,654 were both slightly lower than peer districts' primarily because it did not receive additional funding through voter-approved budget overrides and received less student transportation funding because it drove fewer total miles. Although the District operated efficiently overall, auditors identified a few opportunities for improvement.

**Table 1: Comparison of per-pupil expenditures by operational area Fiscal year 2011 (Unaudited)**

Spending	Colorado River UHSD	Peer group average	State average
Total per pupil	\$6,404	\$7,026	\$7,485
Classroom dollars	3,654	3,783	4,098
Nonclassroom dollars			
Administration	579	736	728
Plant operations	980	917	927
Food service	197	351	375
Transportation	360	360	352
Student support	316	528	571
Instruction support	318	351	434

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting data.

**Much lower administrative costs**—Colorado River UHSD's fiscal year 2011 administrative costs were much lower per pupil than peer districts averaged—\$579 compared to \$736. The District spent less on administration primarily because it employed fewer administrative staff as a result of operating fewer schools than peer districts, on average. However, this report identified some administrative practices that need strengthening (see Finding 1, page 3).

**Similar plant operations costs**—Colorado River UHSD's \$5.45 plant operations cost per square foot was similar to the peer districts' average of \$5.52. The District's plant operations cost per pupil was slightly higher than peer districts averaged because, although the District had fewer schools, its schools were larger, operating with more square footage per student.

**Efficient food service program**—The District operated its food service program efficiently with a much lower cost per meal than the peer districts averaged—\$1.79 compared to \$2.60. Additionally, the District's program was self-supporting in fiscal year 2011. The District kept its per-meal costs low by using student workers to help serve meals and by maximizing its use of United States Department of Agriculture commodities.

**Mixed transportation costs**—Although the District's cost per rider of \$1,238 was 34 percent higher than the peer districts' average of \$927, its per-mile cost of \$2.67 was 9 percent lower than the peer districts' average cost of \$2.93. These mixed costs are the result of the District driving 43 percent more miles per rider than peer districts, on average. However, the District needs to strengthen controls over its fuel purchases (see Finding 1, page 3).

# FINDING 1

---

## District needs to strengthen controls over computer systems, fuel purchases, and cash handling

Colorado River UHSD needs to improve controls over its computer network, student information system, and accounting system. Although no improper transactions were detected in the fiscal year 2011 transactions auditors reviewed, these poor controls expose the District to an increased risk of errors and fraud. Additionally, the District needs to improve controls over its fuel purchases and bookstore cash-handling procedures.

### Increased risk of unauthorized access to critical systems

The District has weak controls over user access to its network and student information and accounting systems, increasing the risk of unauthorized access to these critical systems.

**Broad access to accounting system**—Four of the District's 11 accounting system users have access to the system beyond what is required to perform their job duties. Two of these employees have the ability to add new vendors, create and approve purchase orders, and pay vendors without an independent review. One employee has the ability to add new employees, set pay rates, and process payroll payments without an independent review. A fourth district employee, who is a user of the accounting system, is also responsible for administering the District's accounting system, meaning she has access to all functions and settings within the accounting system. Although no improper transactions were detected in the 30 payroll and 30 accounts payable transactions for fiscal year 2011 auditors reviewed, such broad access exposes the District to increased risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding and paying nonexistent vendors or employees.

**Weak password requirements**—The District needs stronger password requirements for its network, student information system, and accounting system. The District's network and accounting system passwords are assigned by district technicians, and employees are not required to change their passwords. Further, if employees want to change their passwords, technicians have to be made aware of what the new passwords are, and they are stored in a folder on the network. Therefore, the passwords are known by more than one individual. The District's student information system passwords are determined by each individual user. However, the

District has not established adequate password complexity requirements—that is, passwords do not need to contain numbers or symbols. Lastly, users are not prompted to periodically change passwords for any of the systems. Common practice requires passwords to be at least eight characters, contain a combination of alphabetic and numeric characters, and be changed periodically. Additionally, users should change assigned passwords at first login, and only the users should know them. These practices would decrease the risk of unauthorized persons gaining access to the systems.

**Inadequate procedures for removing terminated employees' access to critical applications**—The District does not have formal procedures in place to ensure that only current employees have access to critical systems. Auditors found that 5 of the 224 user accounts on the network and 1 of the 180 user accounts in the student information system were linked to employees who no longer worked for the District. District officials stated that terminated employee accounts are not always disabled in a timely manner because the District does not have a formal process to notify the Information Technology (IT) department when an employee leaves the District. To reduce the risk of unauthorized access, the District should create a formal procedure and promptly remove access when a user is no longer employed by the District.

## Insufficient agreement for hosting student information system

Colorado River UHSD uses a vendor to administer and host its student information system. However, the District's written agreement with its vendor does not stipulate each party's responsibilities. The agreement should specify responsibilities such as software licensing; establishing and maintaining user access; ownership of data; ensuring the security of data; data backup, storage, and recovery; and removal of terminated employees' access.

## District needs to strengthen controls over fuel purchases

Because Colorado River UHSD does not own its own fuel tank, it obtains fuel from a local vendor's site. In fiscal year 2011, the District received billing statements from the vendor identifying the vehicle number, date, time, and type and amount of fuel purchased. However, the statements did not identify the employee fueling or the vehicle odometer reading because the system was not set up to record this information. Further, no fuel card was required, and individuals only had to enter an easily determined number to operate the fuel pumps. As a result, the District was unable to determine from these statements whether all fuel purchases were made by district employees for district vehicles and were appropriate based on transaction details.

Additionally, Colorado River UHSD provides fuel cards to drivers to purchase fuel from two different vendors while transporting students on field trips and athletic trips. Upon returning from

a trip, drivers are required to submit all fuel purchase receipts to the District so that fuel receipts can be reconciled to the vendors' monthly fuel card statements. However, auditors noted that many fuel receipts were missing. More specifically, auditors reviewed 12 monthly fuel card statements for one of the two vendors and found that the District lacked receipts for 57 of 247 fuel purchases, totaling approximately \$2,400. Although the purchases reviewed appeared reasonable, documentation should be retained to help ensure that all purchases are appropriate and that the District is being properly billed by the vendor.

## District should improve cash-handling procedures for bookstore operations

In fiscal year 2011, Colorado River UHSD received cash for various purposes, including student activities, student course fees, and tax credit donations. The majority of this cash, approximately \$730,000, was received by the District's individual school bookstores. However, the District did not have proper procedures in place for its bookstore operations to ensure that money received was accounted for properly. For example, the bookstore at one school used three different methods to record its sales and lacked a sufficient process of reconciling daily sales to cash collected. The bookstore used a receipt book, a cash register, and a software system, but none of these methods were consistently used, and the District could not be sure that all sales had been recorded. Failure to adequately account for all money received left these monies more susceptible to loss, theft, or misuse.

## Recommendations

1. The District should limit employees' access to only those accounting system functions needed to perform their work.
2. The District should implement and enforce password requirements related to password length, complexity, and expiration, and only the user should know passwords.
3. The District should develop and implement a formal process to ensure that terminated employees have their IT system access promptly removed.
4. The District should ensure that its written agreement with its IT service provider outlines each party's responsibilities for the District's student information system.
5. The District should work with its local fuel vendor to ensure the vendor's billing statements include a means of identifying individuals purchasing fuel and the odometer readings of the vehicles at the time of the fuel purchases.

6. The District should ensure that all fuel card receipts are collected and properly reconciled to credit card statements to ensure purchases are appropriate and billings are accurate prior to payment.
7. The District should strengthen its procedures for recording cash collections and reconciling daily bookstore sales to cash collections.

# FINDING 2

---

## District's Proposition 301 pay records incomplete and some performance pay goals did not promote improved performance

In fiscal year 2011, Colorado River UHSD spent its Classroom Site Fund (CSF) monies for purposes authorized by statute.<sup>1</sup> However, the District did not maintain documentation showing whether employees who received performance pay monies actually met their goals. Further, some of the performance goals were so easily met that they did not promote improved performance.

### Pay records were incomplete

In fiscal year 2011, all of the District's eligible employees received the full amount of performance pay for which they were eligible. However, the District did not maintain documentation to show that each of these employees had actually met their goals to receive such amounts. According to the District's plan, eligible employees were to complete documentation demonstrating that performance goals were met and submit the documentation to administrators for evaluation. However, according to district officials, performance pay documentation was returned to the employees after the performance pay evaluations were completed. The District had lists from its principals stating which employees met their goals. However, because it returned all documentation to the employees, the District could not provide additional support that the goals were actually met. School districts are required by state records retention schedules to retain this type of documentation for 4 years.<sup>2</sup> Further, based on one of the principal's lists, it appeared as though 4 of the 38 eligible employees at that site did not meet all of the goals; however, all of the employees on the list received the full performance pay amount.

---

<sup>1</sup> In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund monies, may be spent only for specific purposes, primarily increasing teacher pay.

<sup>2</sup> Arizona State Library, Archives, and Public Records. General Records Retention Schedule for All Public Bodies, Finance Records. Schedule Number 000-11-76.

## Some performance pay goals so easily met that they did not promote improved performance

In fiscal year 2011, the District made two separate payments to eligible employees for achieving performance goals. The first payment was based on employees' meeting the goals from the fiscal year 2010 performance pay plan, and the second payment was based on employees' meeting the goals from the fiscal year 2011 performance pay plan. However, both plans included goals that were so easily met that they did not promote improved performance. For example, Colorado River UHSD's fiscal year 2010 performance pay plan allowed the following:

- **Teachers earned performance pay for administering a test regardless of how well students performed on the test**—Twenty percent of performance pay was earned by teachers for administering a district-developed, standards-based student assessment of academic progress. Teachers did not have to show that students met any expected or desired results on the assessment; they simply had to administer the test.
- **Teachers earned performance pay for evaluating a parent/student survey regardless of the parents' or students' reported satisfaction levels**—Five percent of performance pay was earned upon staff's evaluating the results of a school quality parent and student survey, but no minimum satisfaction level had to be met to receive the additional pay.
- **Teachers received performance pay for performing at minimum acceptable levels**—Teachers were eligible to receive approximately 38 percent of performance pay if they achieved 29 of 32 items on the District's teacher evaluation instrument and were not on an improvement plan. However, according to district policy, a teacher who achieved only 29 of 32 of these items would be placed on an improvement plan. Therefore, the District rewarded teachers with additional pay for meeting minimum district performance expectations rather than for performance beyond what was required to avoid corrective action.

The District strengthened its fiscal year 2011 performance pay plan, which included goals related to teacher professional development and performance, student achievement, and attendance taking. However, the attendance-taking goal that made up 15 percent of the total potential performance pay was easily met and did not promote improved performance. Specifically, teachers were paid for taking accurate attendance, which was already required of a teacher by district policy.

Awarding teachers performance pay for such easily obtained goals, and for performing duties already required by their contracts, seems contrary to the goal of performance pay systems, which are to provide powerful incentives for improved outcomes.

## Recommendations

1. The District should ensure that it retains supporting documentation in accordance with state records retention schedules to demonstrate that performance pay goals were met.
2. To promote improved performance, the District should establish meaningful and measureable performance goals that are beyond what is already expected or required of employees.



# APPENDIX

---

## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Colorado River Union High School District pursuant to A.R.S. §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona Public School District Spending (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2011, was considered.<sup>1</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2011 summary accounting data for all districts and Colorado River UHSD's fiscal year 2011 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Colorado River UHSD's student achievement peer group includes Colorado River UHSD and the three other union high school districts that also served student populations with poverty rates greater than 26 percent in towns and rural areas. Auditors compared Colorado River UHSD's student AIMS scores to those of its peer group averages. Generally, auditors considered Colorado River UHSD's student AIMS scores to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were with 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between Colorado River UHSD and its peers, as well as the District's graduation rate and its Arizona Department of Education-assigned letter grade.

To analyze Colorado River UHSD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Colorado River UHSD and 19 other unified or union high school districts that also served between

---

<sup>1</sup> Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade-12 education.

2,000 and 7,999 students and were located in towns and rural areas. Auditors compared Colorado River UHSD's costs to its peer group averages. Generally, auditors considered Colorado River UHSD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Colorado River UHSD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency, such as staffing levels, square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the systems, such as data sensitivity, backup, and recovery; and reviewed the District's written agreement with the IT service provider that hosts its student information system.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, bus capacity usage, and vendor fuel card billing statements and receipts. Auditors also reviewed fiscal year 2011 transportation costs and compared them to peer districts' average costs.
- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2011 administration costs and staffing levels and compared these to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2011 expenditures to determine whether they were appropriate and if the District properly accounted for them. Auditors also reviewed the District's performance pay plans for both fiscal years 2010 and 2011 and analyzed how performance pay was being distributed.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 388 individuals who received payments through the District's payroll system and reviewed supporting documentation for 30 of the 8,859 accounts payable transactions in fiscal year 2011. Auditors also evaluated other internal controls that were considered significant to the audit objectives and reviewed fiscal year 2011 spending across operational areas.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2011

plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts' averages.

- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2011 food service revenues and expenditures, including labor and food costs, compared costs and staffing levels to peer districts', reviewed the Arizona Department of Education's food service monitoring reports, and observed food service operations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and her staff express their appreciation to the Colorado River Union School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.



# DISTRICT RESPONSE

DISTRICT RESPONSE

**COLORADO RIVER UNION HIGH SCHOOL DISTRICT #2**

**P. O. Box 21479  
Bullhead City, AZ 86439  
(928) 768-1665  
(928) 768-1702 fax**

**Administration**

**Riley Frei, Superintendent  
Darolene Brown, Director, Curriculum & Instruction  
Geoffrey Tubbs, Director of Special Services  
Robert Rime, Director, Career & Technical Education  
Heather Engelhardt, Director, CRUHSD On-line  
Roni Hart, Business Manager**

**Governing Board**

**Richard Hendrix, M.D., President  
Lori Crampton, Clerk  
Jon Moss, Member  
Kari Hoffman, Member  
Frank Waters, Member**

July 22, 2013

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport,

Enclosed is the audit response from Colorado River Union High School District for the performance audit for fiscal year 2011.

We are very pleased that there were minimal findings. However, the District agrees with the findings and we have already put several plans in place and are working on others to correct all findings.

I wish to thank you and your team for all of your hard work on this audit. The Colorado River Union High School District will use this as a tool to be more efficient in every area of our work.

Please do not hesitate to contact me if I can be of further assistance.

Regards,

Riley Frei  
Superintendent

## District Response to Findings and Recommendations

### **Finding #1: District needs to strengthen controls over computer systems, fuel purchases, and cash handling**

1. The District should limit employee's access to only those accounting system functions needed to perform their work.

**District Response:** The District agrees with the findings and recommendation. The District has implemented additional separation of duties and limited all users' access to only what is required for their job description.

2. The District should implement and enforce password requirements related to password length, complexity, and expiration, and only the user should know passwords.

**District Response:** The District agrees with the findings and recommendation. The District has worked with IT to implement and enforce password requirements related to password length, complexity, and expiration. No list of passwords will be kept.

3. The District should develop and implement a formal process to ensure that terminated employees have their IT system access promptly removed.

**District Response:** The District agrees with the findings and recommendation. The District has implemented a procedure with HR to immediately notify IT upon an employee's termination so they can remove all access for that individual.

4. The District should ensure that its written agreement with its IT service provider outlines each party's responsibilities for the District's student information system.

**District Response:** The District agrees with the findings and recommendation. District will be more diligent in reviewing contracts to ensure specific terms are accurate and address the concerns in the above recommendation.

5. The District should work with its local fuel vendor to ensure the vendor's billing statements include a means of identifying individuals purchasing fuel and the odometer readings of the vehicles at the time of the fuel purchases.

**District Response:** The District agrees with the findings and recommendation. The District has changed suppliers for their fuel purchases. The pumps have software that allows for more accurate tracking.

6. The District should ensure that all fuel cards receipts are collected and properly reconciled to credit card statements to ensure purchases are appropriate and billings are accurate prior to payment.

**District Response:** The District agrees with the findings and recommendation. The District has updated the process and accountability for checking out credit/gas cards and collecting receipts for reconciliation of the credit card statement.

7. The District should strengthen its procedures for recording cash collections and reconciling daily bookstore sales to cash collections.

**District Response:** The District agrees with the findings and recommendation. The District is implementing a checks and balance system which will be performed by at least two employees. The system will employ the use of receipts and a cash box or register depending on the location.

**Finding #2: Districts Proposition 301 pay records incomplete and some performance pay goals did not promote improved performance**

1. The District should ensure that it retains supporting documentation in accordance with state records retention schedules to demonstrate that performance pay goals were met.

**District Response:** The District agrees with the findings and recommendation. The District will review and enforce the records retention schedules with all administrators and district office staff.

2. To promote improved performance, the District should establish meaningful and measureable performance goals that are beyond what is already expected or required of employees.

**District Response:** The District agrees with the findings and recommendation. The District has made modifications to the goals to increase the level of rigor to earn performance pay.

