



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Duncan Unified School District

August • 2014
Report No. 14-205



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 5, 2014

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Duncan Unified School District

Mr. Eldon Merrell, Superintendent
Duncan Unified School District

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

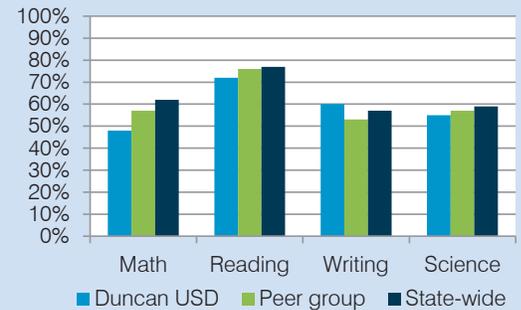
Similar student achievement and efficient operations

Our Conclusion

In fiscal year 2012, Duncan Unified School District's student achievement was similar to peer districts', and the District operated efficiently overall. Although the District's administrative costs per pupil were slightly higher than the peer districts' average, the District has taken steps to reduce its costs by reducing its number of administrative positions. The District's plant operations, food service, and transportation programs were efficient with lower costs per square foot, per meal, and per mile, respectively, than peer districts' averages. However, the District needs to improve its purchasing and computer controls. The District also needs to accurately determine, and report to the Arizona Department of Education, its ridership information to help ensure the District is properly funded and to allow it the ability to calculate and monitor transportation performance measures such as cost per rider and bus capacity utilization. Further, the District should ensure that its inmate worker documentation complies with statute.

Student achievement similar to peer districts'—In fiscal year 2012, Duncan USD's student AIMS scores were similar to peer district averages in reading and science, lower in math, and higher in writing. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of D, while most of its peer districts received Bs and Cs. However, the District's 89 percent graduation rate was slightly higher than the peer districts' 83 percent average and much higher than the State's 77 percent average.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2012



District operated efficiently overall—In fiscal year 2012, Duncan USD operated efficiently overall with lower per pupil costs or other costs, such as cost per square foot, cost per meal, and cost per mile, than peer district averages. The District's administrative costs per pupil were slightly higher than peer districts', on average, because it employed slightly more administrative positions, such as principals. However, the District has since reduced the number of administrative positions it employs, thus reducing its administrative costs. The District's food service and transportation programs were reasonably efficient with a slightly lower cost per meal and a lower cost per mile than peer districts', respectively. In addition, the District's plant operations costs per square foot were slightly lower than the peer districts' average, in part, because it used inmate workers to perform maintenance at a very low cost to the District.

Comparison of per pupil expenditures by operational area
Fiscal year 2012

| | Duncan USD | Peer group average |
|------------------|------------|--------------------|
| Administration | \$1,597 | \$1,487 |
| Plant operations | 1,379 | 1,438 |
| Food service | 391 | 454 |
| Transportation | 626 | 510 |

District lacked sufficient purchasing and computer controls

Some purchases lacked proper approval—The District had an increased risk of errors and fraud because it did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2012 accounts payable transactions and found that 5 transactions were for purchases made without prior approval. No inappropriate transactions were detected in the items we reviewed. However, preparing purchase orders and having an authorized employee approve them prior to making a purchase would help the District ensure that it has adequate budget capacity and that expenditures are appropriate and properly supported.



2014

Inadequate computer controls—The District lacks adequate controls over user access to its computer systems and network. More specifically, four of the District's seven accounting system users have more access to the accounting system than they need to perform their job duties. Additionally, the District allows accounting system and student information system passwords to be short and does not require passwords to contain numbers or symbols. Also, the District did not sufficiently protect its computer servers. The District's servers are located in areas that are accessible to noninformation technology staff, such as a student computer lab. The broad access to the servers creates the risk of network interruption due to intentional or accidental equipment damage. Further, the District lacks a written, up-to-date, and tested disaster recovery plan, which would help ensure continuous accessibility to sensitive and critical data in the event of a system or equipment failure or interruption.

Recommendations

The District should:

- Ensure all purchases have proper approval.
- Modify employee access to its accounting system to ensure that an employee cannot initiate and complete a transaction without independent review and approval.
- Implement and enforce stronger password controls.
- Limit physical access to its computer server rooms.
- Create a formal disaster recovery plan and test it periodically.

District misreported number of riders for transportation funding

In fiscal year 2012, Duncan USD incorrectly reported its ridership to the Arizona Department of Education by reporting the number of students eligible for transportation rather than the number of students actually transported as required by Arizona Revised Statutes (A.R.S.) §15-922. Although the District's inaccurate reporting in fiscal year 2012 did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. Further, not monitoring rider counts hinders the District's ability to calculate and use rider-based performance measures, such as cost per rider and bus capacity utilization, to evaluate its routes and program efficiency and make informed program decisions.

Recommendation

The District should determine, and report to the Arizona Department of Education, the actual number of students transported.

District needs to improve its inmate worker documentation

Duncan USD uses Arizona Department of Corrections inmates to perform maintenance and custodial work. Although the District appears to properly supervise inmate workers, it has not complied with all statutory requirements or its own policies regarding the use of inmate workers on its premises. Specifically, A.R.S. §15-512.H requires all contractors, subcontractors, and vendors to obtain a valid fingerprint clearance card, except that districts may adopt a policy to exempt individuals who, as part of their normal job duties, are not likely to have independent access to, or unsupervised contact with, students. Duncan USD has adopted such a policy, which requires the superintendent to determine, in writing, when such an exemption should be provided. However, the District has not identified inmate workers as persons eligible for exemption.

Recommendation

To comply with statute and its own policy, the District needs to identify in writing inmate workers as persons eligible for exemption from the fingerprint clearance card requirements.

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DISTRICT OVERVIEW

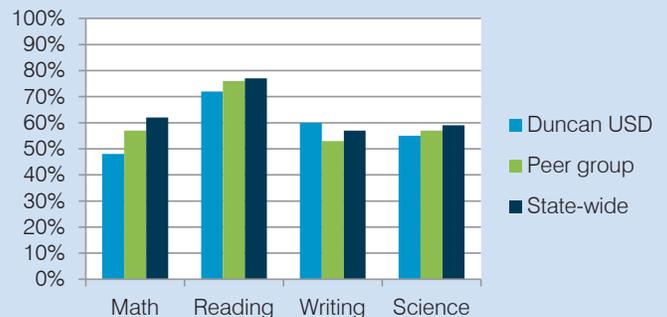
Duncan Unified School District is a small, rural district located in eastern Arizona in Greenlee County. In fiscal year 2012, the District served 386 students in kindergarten through 12th grade at its two schools.

Duncan USD's fiscal year 2012 student achievement was similar to peer districts', and the District operated efficiently overall with most costs lower than peer districts' averages.¹ Although the District's administrative costs per pupil were slightly higher than peer districts', on average, the District has taken steps to reduce these costs. Further, the District's plant operations and food service programs operated with lower costs per pupil than peer districts', on average, and its transportation program was reasonably efficient. However, the District should improve some of its purchasing and computer controls and more accurately count and report its number of bus riders.

Student achievement was similar to peer districts'

In fiscal year 2012, 48 percent of the District's students met or exceeded state standards in math, 72 percent in reading, 60 percent in writing, and 55 percent in science. As shown in Figure 1, compared to peer districts, Duncan USD's math scores were slightly lower, its writing scores were slightly higher, and its reading and science scores were similar to peer district averages. Under the Arizona Department of Education's A-F Letter Grade Accountability System, Duncan USD received an overall letter grade of D for fiscal year 2012, whereas most of its peer districts received Bs and Cs. However, the District's 89 percent graduation rate was slightly higher than the peer districts' 83 percent average and much higher than the State's 77 percent average.

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2012 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2012 test results on Arizona's Instrument to Measure Standards (AIMS).

District operated efficiently overall

As shown in Table 1 and based on auditors' review of various performance measures, in fiscal year 2012, Duncan ESD operated efficiently overall with lower costs in most operational areas than peer districts, on average. However, despite operating reasonably efficiently, the District spent 10 percent, or \$485, less per pupil in the classroom than peer districts, on average. The District spent less in the classroom, in part, because it had less to spend. For example, the District received less federal grant

¹ Auditors developed three peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

monies, such as Title I, than the peer districts averaged because its poverty level was 34 percent lower than the peer districts' average.

District has taken action to reduce slightly higher administrative costs—Duncan USD's fiscal year 2012 administrative costs were 7 percent higher per pupil than peer districts', on average. The District spent more per pupil for administration than peer districts—\$1,597 compared to \$1,487—primarily because it employed slightly more administrative positions, such as principals. However, in fiscal year 2013, the District eliminated its high school principal position, shifting those responsibilities to its superintendent. Regardless of its administrative costs, the District needs to strengthen some of its administrative and computer controls (see Finding 1, page 3).

**Table 1: Comparison of per pupil expenditures by operational area
Fiscal year 2012
(Unaudited)**

| Spending | Duncan USD | Peer group average | State average |
|----------------------|------------|--------------------|---------------|
| Total per pupil | \$8,931 | \$9,872 | \$7,475 |
| Classroom dollars | 4,381 | 4,866 | 4,053 |
| Nonclassroom dollars | | | |
| Administration | 1,597 | 1,487 | 736 |
| Plant operations | 1,379 | 1,438 | 928 |
| Food service | 391 | 454 | 382 |
| Transportation | 626 | 510 | 362 |
| Student support | 344 | 636 | 578 |
| Instruction support | 213 | 481 | 436 |

Source: Auditor General staff analysis of fiscal year 2012 Arizona Department of Education student membership data and district-reported accounting data.

Efficient plant operations—Compared to peer districts, Duncan USD's plant operations were efficient overall with similar costs per student and slightly lower costs per square foot—\$4.36 compared to \$4.80. Duncan USD's plant operations cost per square foot was lower, in part, because it used inmate workers to perform maintenance at a very low cost to the District. Duncan USD was the only district in the peer group to use inmate workers to perform maintenance work. The District appears to properly supervise inmate workers; however, it has not met all statutory requirements for inmate worker documentation (see Other Findings, page 5).

Food service program reasonably efficient—Duncan USD's food service program was reasonably efficient with lower costs per meal and per pupil than peer districts', on average. The District's \$3.04 cost per meal was 5 percent lower than the peer districts' \$3.19 average. Additionally, the District spent 14 percent less per pupil than peer districts, on average, primarily because it served 11 percent fewer meals per pupil than the peer districts averaged. Districts with lower percentages of students eligible for free and reduced-price meals typically have lower costs per pupil because fewer students participate in the lunch program. In fiscal year 2012, 55 percent of Duncan USD's students were eligible for free and reduced-price lunches, which is 22 percent less than the peer districts' average of 70 percent.

Transportation program reasonably efficient, but some improvements needed—Although it spent more per pupil for transportation than its peer districts, Duncan USD's transportation program was reasonably efficient overall. The District's \$1.54 cost per mile was 24 percent lower than the peer districts' average of \$2.02 largely because of the District's extensive use of part-time labor. For example, each of the District's bus drivers worked only part-time for the District, and the program operated with only a part-time director. However, other performance measures, such as cost per rider and bus capacity utilization, could not be calculated because the District's bus rider counts were inaccurate (see Other Findings, page 5).

FINDING 1

Inadequate purchasing and computer controls increased risk of errors and fraud

In fiscal year 2012, Duncan USD lacked adequate controls over purchasing and its computer network and systems. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors, fraud, and misuse of sensitive information.

Some purchases lacked proper approval

The District did not always require proper approval prior to purchases being made. Auditors reviewed 30 fiscal year 2012 accounts payable transactions and found that 5 transactions were for purchases made without prior approval. Although no inappropriate transactions were detected in the items auditors reviewed, the District should prepare purchase orders and have them approved by an authorized supervisor prior to ordering goods or services, as required by the *Uniform System of Financial Records for Arizona School Districts*. This helps ensure purchases are appropriate and that the District has budget capacity prior to ordering goods and services.

Inadequate computer and network controls

Duncan USD lacks adequate controls over its computer systems and network. Although no improper transactions were detected, these poor controls expose the District to an increased risk of errors, fraud, and misuse of information.

Broad access to accounting system—Auditors reviewed the District’s user access report for all seven users with access to the accounting system and found that four district users have more access to the accounting system than they need to perform their job duties. Two of these employees have full access to all accounts payable functions, which provides an employee the ability to add new vendors, create and approve purchase orders, and pay vendors without independent review. Although no improper transactions were detected in the payments to the 30 employees and 30 accounts payable transactions auditors reviewed, such broad access exposes the District to a greater risk of errors, fraud, and misuse, such as processing false invoices or adding and paying nonexistent vendors or employees. The District should review and further restrict its employees’ access to the computerized accounting system to ensure that no single employee has the ability to initiate and complete a transaction without independent review and approval.

Weak password requirements—The District needs stronger controls over its accounting and student information systems' passwords. Although users develop their own passwords, they are not prompted to periodically change the passwords in either of the systems. Additionally, accounting system passwords lack a complexity requirement—that is, passwords can be short and need not contain numbers and symbols. Common practice requires passwords to be at least eight characters, contain a combination of alphabetic and numeric characters, and be changed every 90 days. These practices would decrease the risk of unauthorized persons' gaining access to the systems.

Physical access to IT server room is not limited—The District does not sufficiently protect its server rooms. Auditors observed that a server is located in an unsecured room, along with a staff refrigerator, that is accessible to noninformation technology (IT) staff. Another server is located in a student computer lab, where it is accessible to both non-IT staff and students. The broad access to the servers creates the risk of network interruption due to intentional or accidental equipment damage.

Lack of disaster recovery plan could result in interrupted operations or data loss—Duncan USD does not have a written, up-to-date, and tested disaster recovery plan even though it maintains critical student and accounting information on its systems and network. A written and properly designed disaster recovery plan would help ensure continued operations in the case of a system or equipment failure or interruption. The plan should include detailed information on how to restore systems in such an event. As part of a disaster recovery plan, the District should also perform documented tests of its ability to restore electronic data files from data backups, which are important to ensure continuous accessibility to sensitive and critical data.

Recommendations

1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
2. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that employees have only the access necessary to meet their job responsibilities.
3. The District should implement and enforce password requirements related to password length, complexity, and expiration.
4. The District should limit physical access to its IT server rooms so that only appropriate personnel have access.
5. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

OTHER FINDINGS

In addition to the main finding presented in this report, auditors identified two other less significant areas of concern that require district action. These additional findings and their related recommendations are as follows:

1. District reported eligible riders, not actual, for student transportation funding

In fiscal year 2012, Duncan USD incorrectly reported its ridership to the Arizona Department of Education by reporting the number of students eligible for transportation rather than the number of students actually transported as Arizona Revised Statutes (A.R.S.) §15-922 requires. Transportation funding is primarily based on miles driven, but the number of riders is also a factor in determining the per mile rate that districts receive. Although the District's inaccurate reporting in fiscal year 2012 did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. Further, not monitoring rider counts hinders the District's ability to calculate and use rider-based performance measures, such as cost per rider and bus capacity utilization, to evaluate its routes and program efficiency and make informed program decisions.

Recommendation

As statute requires for state funding purposes and also to help it evaluate its transportation program's efficiency, the District should determine and report to the Arizona Department of Education the actual number of students transported.

2. District should ensure that it meets all statutory requirements for inmate worker documentation

As stated in this report's Overview (see page 2), the District's use of inmate workers has helped lower its plant operations costs. District officials stated that they have used inmate workers for many years, and the District is currently in the middle of a 5-year agreement with the Arizona Department of Corrections to continue using inmate workers. Typically, the District uses inmate workers to perform work such as custodial and maintenance tasks, and when auditors visited the District to conduct audit work, they observed that the inmate workers present at that time were properly supervised.

Although the District appears to properly supervise inmate workers, it has not complied with all statutory requirements or its own policies regarding the use of inmate workers on its premises. Specifically, A.R.S. §15-512.H requires all contractors, subcontractors, and vendors to obtain a valid fingerprint clearance card, except that districts may adopt a policy to exempt individuals who, as part of their normal job duties, are not likely to have independent access to, or unsupervised contact with, students. Duncan USD has such a policy, which requires the superintendent to determine, in writing, when to provide such an exemption. However, because the policy does not identify inmate workers as persons eligible for exemption and because the superintendent did not complete a separate written determination of exemption, the District has not met statutory requirements for providing exemptions from the fingerprint clearance card requirements for inmates and is not in compliance with its own policy.

Recommendation

In order to comply with statute and its own policy, the District needs to identify inmate workers as persons eligible for exemption from the fingerprint clearance card requirements of A.R.S. §15-512.H, and prepare a written determination of such an exemption.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Duncan Unified School District pursuant to Arizona Revised Statutes §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 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 2012, was considered.¹ 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 2012 summary accounting data for all districts and Duncan USD's fiscal year 2012 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. Duncan USD's student achievement peer group includes Duncan USD and 19 other unified school districts that also served student populations with poverty rates between 18 and 27 percent in towns and rural areas. Auditors compared Duncan USD's student AIMS scores to those of its peer group averages. Generally, auditors considered Duncan USD's student AIMS scores to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 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 Duncan USD and its peers, as well as the District's graduation rate and Arizona Department of Education-assigned letter grade.²

To analyze Duncan USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Duncan USD and 18 other unified and union high school districts that also served between 200 and 599 students and were located in town and rural areas. To analyze Duncan USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer

¹ 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 The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades based primarily on academic growth and the number of students passing AIMS.

group includes Duncan USD and 16 other districts that also traveled more than 510 miles per rider and were located in towns and rural areas. Because Duncan USD misreported its number of riders by reporting the number of riders eligible for transportation rather than the actual number of riders transported, auditors used the actual number of riders transported, as observed during an on-site visit, to determine the District's proper transportation peer group. Auditors compared Duncan USD's costs to its peer group averages. Generally, auditors considered Duncan USD'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 Duncan USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student and meal participation rates, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2012 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 103 individuals who received payments in fiscal year 2012 through the District's payroll system and reviewed supporting documentation for 30 of the 2,359 fiscal year 2012 accounts payable transactions in fiscal year 2012. No improper transactions were identified. After adjusting transactions for proper account classification, auditors reviewed fiscal year 2012 spending across operational areas. Auditors also evaluated other internal controls that were considered significant to the audit objectives.
- 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 system, such as data sensitivity, backup, and recovery.
- 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, and bus routing, and observed transportation operations. Auditors also reviewed fiscal year 2012 transportation costs and compared them to peer districts'.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2012 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'. Auditors also reviewed the District's use of inmate workers.
- 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 2012 administration costs and compared these to peer districts' average costs and further evaluated staffing levels using district-reported data.

- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2012 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food-service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2012 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.

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 Duncan Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE

DUNCAN UNIFIED SCHOOLS

July 29, 2014

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The Duncan Unified School District has received your letter and draft and respectfully submits its response to the performance audit of FY 2012.

The District has attached its response to each finding and recommendation, as required by A.R.S. 41-1279.03. The District concurs with each finding that the audit team reported.

The District would like to thank the Auditor General staff, for evaluating the performance areas that need improvement. We appreciate the time and effort that this took, and are committed to continual improvements in all areas of our District.

Sincerely,

Eldon Merrell
Superintendent

Finding 1: Inadequate purchasing and computer controls increased risk of errors and fraud.

The District agrees with the finding.

Recommendation 1

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

The District agrees with the recommendation and will train staff on the required Uniform System of Financial Records process for expenditures.

Recommendation 2

The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that employees have only the access necessary to meet their job responsibilities.

The District agrees with the recommendation and is in the review process of how this can be accomplished within our small district. The level of access in the accounting system is being evaluated to determine each employee's need to have access based on the particular job duties.

Recommendation 3

The District should implement and enforce password requirements related to password length, complexity, and expiration.

The District agrees with the recommendation. There is a need for increased password security. The District will implement a procedure to ensure that all passwords are strong in length, complexity and are changed with regular frequency.

Recommendation 4

The District should limit physical access to its IT server rooms so that only appropriate personnel have access.

The District agrees with the recommendation, and is studying the feasibility of relocating the server rooms so that only IT personnel would have access. If this is not possible, the District will consider enclosing the areas to make sure that it is not accessible by anyone other than the appropriate IT staff.

Recommendation 5

The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

The District agrees with the recommendation. There has been much review by the District, to discover the best and most efficient process for disaster recovery, to include testing restoration of data from backups.

Other Findings: District reported eligible riders, not actual, for student transportation funding.

Recommendation

Report the actual number of students transported, as statute requires.

The District agrees with the recommendation. The District made progress on this in FY 14, by requiring the drivers to record actual students transported, and will continue to fine tune this process to make it easier and more efficient for the drivers.

District should ensure that it meets all statutory requirements for inmate worker documentation.

Recommendation

The District needs to identify inmate workers as persons eligible for exemption from the fingerprint clearance card requirements and prepare a written determination of such an exemption.

The District agrees with the recommendation, and will prepare and have the Governing Board approve the determination that the inmate workers are a group of persons that are eligible for exemption from the fingerprint clearance requirements. This will be completed within the next several months.

