



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Humboldt Unified School District

July • 2012
Report No. 12-07



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

July 9, 2012

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Humboldt Unified School District

Dr. Paul Stanton, Superintendent
Humboldt Unified School District

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

This report will be released to the public on July 10, 2012.

Sincerely,

Debbie Davenport
Auditor General

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Humboldt Unified School District's student achievement was higher than both its peer districts' and state averages, and the District operated efficiently. The District's per-pupil costs in administration and plant operations were much lower than peer districts', and although its per-pupil costs for food service and transportation were similar to peer districts', it operated these programs efficiently with lower costs per meal and lower costs per mile and per rider. The District generally has lower staffing levels and salaries than peer districts' and has implemented many effective techniques and practices to help keep its costs low and programs operating efficiently. However, the District needs to strengthen controls over its computer systems.



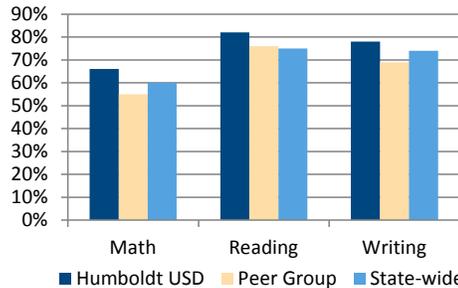
2012

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Higher student achievement and efficient operations

Student achievement higher than peers' and state averages—In fiscal year 2010, Humboldt USD's student AIMS scores were higher than both peer districts' and state averages. Further, eight of the District's nine schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, and the District's 82-percent high school graduation rate was slightly higher than the peer districts' average of 80 percent and the state average of 78 percent.

Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010



District operated efficiently with costs lower than or similar to peer districts'—In fiscal year 2010, Humboldt USD operated efficiently with per-pupil costs that were lower than or similar to peer districts' costs in all operational areas. The District's administration and plant operations costs were much lower than its

peer districts averaged. Further, although the District's per-pupil costs for food service and transportation were similar to peer districts, Humboldt USD operated these programs efficiently with lower costs per meal and lower costs per mile and per rider than peer districts.

Operating efficiently allowed the District to spend more of its available resources for instructional purposes, which was especially important for Humboldt USD because the District's fiscal year 2010 per-pupil operational spending of \$6,432 was \$664 less per pupil than its peer districts' and one of the lowest per-pupil spending amounts in the State. Humboldt USD had less money available primarily because it did not receive additional funding through voter-approved budget overrides to increase its budget and chose to budget less of its capital monies for operational purposes.

Per-Pupil Expenditures by Operational Area Fiscal Year 2010

Operational Area	Humboldt USD	Peer Group Average
Administration	\$556	\$748
Plant operations	697	874
Food service	328	322
Transportation	380	396

District operated efficiently

In fiscal year 2010, Humboldt USD operated efficiently with lower operational costs than peer districts. The table on page 2 highlights the District's efficiencies in each of the operational areas.

Much lower administrative costs—Humboldt USD's administration operated efficiently with costs that were 26 percent

lower per pupil than peer districts', on average. These costs were lower primarily because the District employed fewer administrative staff at its schools and paid lower salaries for some administrative positions. Humboldt USD's lower staffing was primarily in administrative support positions at school sites, including administrative secretaries and

**Comparison of Efficiency Measures
Fiscal Year 2010**

Efficiency Measure	Humboldt USD	Peer Group Average
Administrative cost per pupil	\$556	\$748
Plant operations cost per square foot	5.11	5.70
Food service cost per meal	2.19	2.66
Transportation cost per mile	2.36	3.40
Transportation cost per rider	709	937

receptionists. Further, Humboldt USD’s high-level administrators, such as the superintendent, business manager, and principals, were paid less despite generally having a similar number of years of experience in their respective positions as the audited peer districts’ administrators.

Efficient plant operations—Humboldt USD’s plant operations costs were 10 percent lower per square foot and 20 percent lower per student than peer districts’. These lower costs were primarily because of lower staffing levels, lower salaries, and lower energy costs.

Efficient food service program—Humboldt USD’s \$2.19 cost per meal was much lower than the peer districts’ average of \$2.66 per meal. By maintaining a low cost per meal, the District was able to cover all of its program costs, while having enough monies remaining to help pay for some indirect costs, such as utilities. The lower costs were primarily the result of lower food costs, which the District has helped keep low by implementing several effective cost-controlling techniques. Specifically:

- **Fully use commodities**—To help take full

advantage of the commodities program, the District purchased an additional freezer and created additional dry storage space so that it can receive large amounts of commodities. Further, the District requests and accepts additional commodities when they become available.

- **Prepare menus to use available food inventory**—The District reviews its food inventory and modifies the cafeteria menus to minimize food waste and limit the purchase of noncommodity food items.
- **Offer some every-day menu options**—Although the District offers five or six meal choices to students on a daily basis, it is still able to keep its costs low by limiting food waste. Several of the same meal options are offered every day and some of these every-day options are the type of meals that can be refrigerated until needed and served the following day if unsold.
- **Monitor meal demand to limit waste**—The District monitors the number of meals produced and served by specific meal type and uses this information to determine the appropriate amount of food items to order and the number of meals to prepare the next time specific meals are served.

Efficient transportation program—Humboldt USD’s transportation program operated efficiently with a \$2.36 cost per mile that was 31 percent lower than the peer districts’ and a \$709 cost per rider that was 24 percent lower than the peer districts’. These lower costs were primarily the result of lower salaries, repair and maintenance costs, and fuel costs.

District needs to strengthen controls over its computer systems

Humboldt USD needs to improve controls over its computer systems in three ways. First, the District needs to separate the incompatible job duties of having the system administrator for the accounting system also be a user of the system. Second, the District needs to strengthen password requirements. Third, the District needs to develop and implement a disaster recovery plan. Although no improper transactions were detected in the sample we reviewed, these improvements are necessary to

help prevent fraud and abuse, protect sensitive information, and ensure continuity of operations in a disaster.

Recommendations—The District should:

- Separate the system administrator duties from the business office functions.
- Implement and enforce password requirements.
- Create and implement a formal IT disaster recovery plan.

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DISTRICT OVERVIEW

Humboldt Unified School District is located near Prescott in Yavapai County. In fiscal year 2010, the District served 5,877 students at its nine schools: five kindergarten-through-6th-grade elementary schools, two 7th-through-8th-grade middle schools, one 9th-through-12th-grade high school, and one kindergarten-through-8th-grade traditional school.

Overall, in fiscal year 2010, Humboldt USD compared favorably with peer districts in both student achievement and operational efficiencies.¹ The District's student achievement was higher than both its peer districts' and state averages. Additionally, it operated efficiently, spending much less per student than peer districts on administration and plant operations. Further, its food service program operated efficiently with a much lower cost per meal, and its transportation program was efficient with a much lower cost per mile and cost per rider. The District's overall per-pupil spending was also lower than the state and peer districts' averages.

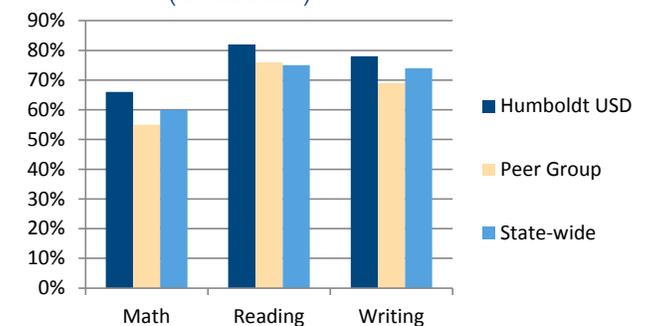
Student achievement higher than state and peer districts' averages

In fiscal year 2010, 66 percent of the District's students met or exceeded state standards in math, 82 percent in reading, and 78 percent in writing. As shown in Figure 1, these scores were higher than the state and peer districts' averages. Further, eight of the District's nine schools met "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act. Humboldt USD's high school failed to meet AYP because some students did not demonstrate sufficient academic progress and its 76-percent high school graduation rate in fiscal year 2009 was below the target rate. The District's 82-percent high school graduation rate in fiscal year 2010 was slightly higher than the peer group average of 80 percent and also higher than the state average of 78 percent.

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

As shown in Table 1 on page 2, in fiscal year 2010, Humboldt USD operated with much lower per-pupil costs in administration and plant operations than its peer districts'. Further, although the District's per-pupil

Figure 1: Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2010 test results on Arizona's Instrument to Measure Standards (AIMS).

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

**Table 1: Per-Pupil Expenditures by Operational Area
Fiscal Year 2010
(Unaudited)**

Spending	Humboldt USD	Peer Group Average	State Average
Total per pupil	\$6,432	\$7,096	\$7,609
Classroom dollars	3,700	3,889	4,253
Nonclassroom dollars			
Administration	556	748	721
Plant operations	697	874	914
Food service	328	322	366
Transportation	380	396	342
Student support	485	578	581
Instructional support	286	289	432

Source: Auditor General staff analysis of fiscal year 2010 Arizona Department of Education student membership data and district-reported accounting data.

costs for food service and transportation were similar to peer districts, Humboldt USD operated these programs efficiently with lower costs per meal and lower costs per mile and per rider than peer districts. Operating efficiently allowed the District to spend more of its available resources for instructional purposes, which was especially important for Humboldt USD because the District’s fiscal year 2010 per-pupil operational spending of \$6,432 was \$664 less per pupil than its peer districts’ and one of the lowest per-pupil spending amounts in the State. Humboldt USD had less money available primarily because it did not receive additional funding through voter-approved budget overrides to increase its budget and chose to budget less of its capital monies for operational purposes. In fiscal year 2010, Humboldt USD spent 57.5 percent of its available operating dollars in the classroom compared to the 54.8-percent peer district average and 55.9-percent state average.

Much lower administrative costs—Humboldt USD’s administrative costs were 26 percent lower per pupil than peer districts averaged—\$556 compared to \$748. The District spent less on administration primarily because it employed fewer administrative staff and paid some administrators lower salaries (see Finding 1, page 3).¹ The District should, however, strengthen some of its computer controls (see Finding 2, page 7).

Efficient plant operations—The District’s plant operations cost of \$5.11 per square foot was 10 percent lower than the peer districts’ average and its \$697-per-student cost was 20 percent lower. The District spent less on plant operations primarily because it staffed fewer plant employees and paid lower salaries. Further, the District’s energy costs were lower likely because of its efforts to control electricity consumption (see Finding 1, page 3).

Efficient food service program—Although it spent a similar amount per pupil for food service as its peer districts, Humboldt USD’s food service program operated efficiently with a cost per meal of \$2.19, which was much lower than the peer district’s average of \$2.66. The District controlled costs and maintained a self-sufficient program by fully using federal commodities and closely monitoring the program (see Finding 1, page 3).

Efficient transportation program—Although it spent a similar amount per pupil for transportation as its peer districts, Humboldt USD’s transportation costs were 31 percent lower per mile and 24 percent lower per rider. Further, the District’s routes were reasonably efficient, filling buses to 75 percent of seat capacity, on average. The District’s much lower costs were primarily due to lower pay rates, low costs associated with bus repair and maintenance, and lower fuel costs. Additionally, the District maintained proper controls over its fuel purchase cards (see Finding 1, page 3).

¹ Within the 11-district efficiency peer group, auditors compared staffing levels, salaries, and longevity among a 6-district subset that was subject to performance audits for their fiscal year 2010 operations.

FINDING 1

District operated efficiently

In fiscal year 2010, Humboldt USD operated efficiently with lower operational costs than peer districts. The District attained these lower costs primarily by employing fewer staff, paying lower salaries, and closely monitoring its operations. As shown in Table 2, the District's efficiency measures compared favorably to its peer districts. These low operational costs allowed the District to spend a similar amount as peer districts spent in the classroom even though its overall per-pupil spending was one of the lowest in the State.

Table 2: Comparison of Efficiency Measures
Fiscal Year 2010
(Unaudited)

Efficiency Measure	Humboldt USD	Peer Group Average
Administrative cost per pupil	\$556	\$748
Plant operations cost per square foot	5.11	5.70
Food service cost per meal	2.19	2.66
Transportation cost per mile	2.36	3.40
Transportation cost per rider	709	937

Source: Auditor General staff analysis of fiscal year 2010 district-reported accounting and food service program data; Arizona School Facilities Board square footage information; and Arizona Department of Education student membership and transportation program data.

Much lower administrative costs

Humboldt USD's administration operated efficiently with costs that were 26 percent lower per pupil than peer districts', on average. The District was able to operate with lower administrative costs primarily because it employed fewer administrative staff at its schools and paid lower salaries for some administrative positions. Humboldt USD employed one administrative full-time equivalent (FTE) position for every 106 students while the peer districts employed one FTE for every 95 students, on average. Humboldt USD's lower staffing was primarily in administrative support positions at school sites, including administrative secretaries and receptionists. Further, in reviewing detailed information for the six audited peer districts, Humboldt USD's high-level administrators, such as the superintendent, business manager, and principals, were paid less despite generally having a similar number of years of experience in their respective positions as the audited peer districts' administrators.

Efficient plant operations

Humboldt USD's plant operations were efficient with lower costs per square foot and per student than the peer districts'. Its \$5.11 cost-per-square-foot was 10 percent lower than the peer districts' and its cost per student was 20 percent lower. The District's lower costs were primarily because of lower staffing levels, lower salaries, and lower energy costs.

Fewer staff and lower salaries—In fiscal year 2010, the District employed 53 FTE plant operations positions, or 1 full-time plant employee for every 15,041 square feet. The five other peer districts that did not outsource janitorial and grounds maintenance employed an average of 1 full-time plant employee for every 12,874 square feet. Further, Humboldt USD's average plant operations employee salary was 21 percent lower than these peer districts'.

Lower energy costs—The District's per-square-foot energy costs were 9 percent lower than peer districts', in part because of its following efforts to control electricity usage. Specifically:

- **Monitoring energy usage**—The District prepares monthly reports of electricity costs and usage by campus to help monitor energy usage. The District's plant operations employees closely monitor these reports, comparing monthly usage over the past several years, and investigate any unusual spikes in electricity consumption to determine if the cause might be something correctable such as poorly operating cooling and heating equipment.
- **Upgrading to energy-efficient equipment**—The District made several upgrades to improve energy efficiency in some buildings, including installing more energy-efficient lighting, replacing heating and air conditioning units, and installing occupancy sensors that turn lights on and off depending on whether someone is in the room.
- **Other conservation efforts**—The District has also undertaken other efforts to reduce energy costs, including using natural lighting when possible and installing a program that automatically shuts off its computers at the end of the day.

Efficient food service program

In fiscal year 2010, the District's \$2.19 cost per meal was much lower than the peer group average of \$2.66 per meal. By maintaining a low cost per meal, the District was able to cover all of its program costs, while having enough monies remaining to help pay for some indirect costs, such as utilities. The District's lower costs were primarily the result of lower food costs, and the District has implemented several effective techniques and practices for controlling cost. Specifically:

- **Fully use commodities**—The District helps keep its food costs low by fully using United States Department of Agriculture (USDA) food commodities. Districts participating in the National School Lunch Program can obtain USDA commodities by paying only a small shipping charge. Districts receive allocations of USDA commodities based on student meal participation in the prior year and may also obtain additional available commodities not used by other participants or when the USDA has large surpluses. To help take full advantage of the commodities program, the District purchased an additional freezer and created additional dry storage space so that it can receive large amounts of commodities. In fiscal year 2010, the District received over \$156,000 worth of food commodities. This was nearly \$30,000 more than its allocation of commodities because the District requested and

accepted additional commodities when they became available. During fiscal year 2010, the value of the commodities the District received was 20 percent more than peer districts' on a per-meal basis.

- **Prepare menus to use available food inventory**—The District reviews its food inventory and modifies the cafeteria menus to minimize food waste and limit the purchase of food items.
- **Offer some every-day menu options**—Although the District offers five or six meal choices to students on a daily basis, it is still able to keep its costs low by limiting food waste. Auditors have found that offering many options increased costs at some other districts. However, Humboldt USD has managed to keep its food costs low by offering several of the same meal options every day and some of these every-day options are the type of meals that can be refrigerated until needed and served the following day if unsold.
- **Monitor meal demand to limit waste**—Humboldt USD's schools each prepares daily production records that identify the number of meals planned and served by menu option. The District uses these daily production records to determine the appropriate amount of food items to order and the number of meals to prepare the next time specific meal options are served. This helps to limit food and production costs by making only what is needed, and limiting waste.

Efficient transportation program and proper controls over fuel purchase cards

The District's transportation program operated efficiently with a \$2.36 cost per mile that was 31 percent lower than its peer districts' and a \$709 cost per rider that was 24 percent lower than the peer districts'. Humboldt USD's lower costs were primarily the result of lower salaries, repair and maintenance costs, and fuel costs. Further, the District's routes were reasonably efficient, filling buses to 75 percent of seat capacity, on average.

Lower salaries—On average, the District paid its bus drivers and mechanics lower pay rates than the six audited peer districts'. Bus drivers were paid about 10 percent less and mechanics were paid about 13 percent less.

Lower repair and maintenance costs—The District's mechanics stated that they make every effort to perform nearly all bus maintenance and repairs in-house, thereby reducing costs for maintenance and repair services. Auditors noted that although the District's buses averaged a similar age as peer districts', Humboldt USD spent 43 percent less per mile for bus repair and maintenance costs.

Proper controls over fuel purchase cards—The District has proper controls over its fuel cards and closely monitors their usage. The District uses fuel cards to fuel its buses with a local vendor. To help ensure fuel charges are proper, each fuel card is assigned to a specific bus, and the driver is required to input the bus number, odometer reading, and a unique and confidential

personal identification number when purchasing fuel. The District monitors fuel purchases on a daily basis by reviewing the transactions on the vendor's Web site for any unusual purchases. Further, when the bi-weekly billing is received, transportation staff verify that all transactions are supported by receipts turned in by drivers. Additionally, the vendor's system provides the District with the average miles per gallon for each of its buses, which staff review for reasonableness and investigate discrepancies.

FINDING 2

District needs to strengthen controls over its computer systems

Humboldt USD needs to improve controls over its computer systems in three ways. First, the District needs to separate the incompatible job duties of having the system administrator for the accounting system also be a system user. Second, the District needs to strengthen password requirements. Third, the District needs to develop and implement a disaster recovery plan. Although no improper transactions were detected in the sample auditors reviewed, these improvements are necessary to help prevent fraud and abuse, protect sensitive information, and ensure continuity of operations in a disaster.

Business office employee has incompatible job duties

The district employee who is responsible for administering the District's accounting system is also a user of the system as the payroll clerk. As the system administrator, this person has access to all functions and settings within the accounting system, including adding and modifying employee information and changing pay rates. In situations where one employee has such access and is also responsible for processing payroll, there is a greater risk that unauthorized changes, such as creating fictitious employees or changing employee pay rates, could go unnoticed. Auditors scanned all employees' fiscal year 2010 pay for reasonableness and reviewed detailed payroll and personnel records for 30 of the District's 921 employees who were paid at least \$1,500 and noted no improper transactions. However, this user access weakens controls that help protect the District against errors, fraud, and misuse. The District should separate the system administrator duties from the business office functions and consider assigning the system administrator duties to someone who is not a user of the system.

Password requirements need to be strengthened

The District needs stronger password requirements for its network, student information system, and accounting system. Although users generally develop their own passwords, the District has not established complexity requirements—that is, passwords do not need to be a minimum length or

contain numbers or symbols. Further, users are not prompted to periodically change passwords. 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.

Lack of disaster recovery plan could result in interrupted operations or loss of data

The District does not have a formal, up-to-date, and tested disaster recovery plan, even though it maintains critical financial and student 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. Although the District stores some backup information offsite, some critical data is stored on storage devices next to the District's servers. Further, the District has not attempted to restore data on an offsite system to ensure the completeness and integrity of its data backup. Disaster recovery plans should be tested periodically, and modifications should be made to correct any problems and ensure their effectiveness.

Recommendations

1. The District should separate the system administrator duties from the business office functions and consider assigning the system administrator duties to someone who is not a user of the system.
2. The District should implement and enforce password requirements related to password length, complexity, and expiration.
3. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies. Additionally, all backup tapes should be stored in a secure offsite location.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Humboldt Unified 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 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 current expenditures, primarily for fiscal year 2010, were 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 2010 summary accounting data for all districts and Humboldt USD's fiscal year 2010 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 analyze Humboldt USD'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 Humboldt USD and the ten other unified and union high school districts that also served between 2,000 and 7,999 students and were located in cities and suburbs. Within this operational peer group, auditors developed a subset of six districts that were subject to a performance audit for their fiscal year 2010 operations. Auditors compared the more detailed accounting, staffing level, and longevity data that was available for these districts. To compare districts' academic indicators, auditors developed a separate student achievement peer group using poverty as the primary factor because poverty has been shown to be strongly related to student achievement. Auditors also used secondary factors such as district type, size, and location to further refine these groups. Humboldt USD's student achievement peer group includes Humboldt USD and the 21 other unified districts that also served student populations with poverty rates between 17 and 23 percent. Additionally:

- To assess the District's student achievement, auditors reviewed the Arizona's Instrument to Measure Standards (AIMS) passing rates, "Adequate Yearly Progress" for the federal No Child Left Behind Act, and high school graduation rates. AIMS passing rates were compared to the state-wide average and the average of the student achievement peer districts.

¹ Current expenditures are those incurred for the District's day-to-day operations. They exclude 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.

- 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 2010 administration costs and compared these 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 2010 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2010 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; and observed food service operations.
- 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, and bus capacity usage. Auditors also reviewed fiscal year 2010 transportation costs and compared them to peer districts'.
- 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 was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2010 expenditures to determine whether they were appropriate and the District properly accounted for them. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed. No issues of noncompliance were identified.
- 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 921 employees who were paid at least \$1,500 and reviewed supporting documentation for 30 of 16,521 accounts payable transactions. After adjusting transactions for proper account classification, auditors reviewed fiscal year 2010 spending and prior years' spending trends across operational areas. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

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

DISTRICT RESPONSE

DISTRICT RESPONSE



The Humboldt Schools.
Motivating achievement since 1906.

June 25, 2012

Ms. Debra K. Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Humboldt Unified School District respectfully submits its response to the Performance Audit conducted by the Office of the Auditor General for the 2010 Fiscal Year. The District would like to thank the Auditor General's staff for their exemplary professionalism and courtesy during the multiple visits to our District. We are extremely pleased with the overall assessment, and agree with and will implement the Audit's findings and recommendations.

In its First Finding, the Performance Audit indicates that HUSD compares most favorably with its peer districts in both student achievement and operational efficiencies. Following are some of the Performance Audit conclusions for Finding #1:

Student Achievement higher than state and peer districts' averages

The Auditor's report strongly highlights that our student achievement is higher than both our peer districts and state averages. In fiscal year 2010, the percentage of District students who met or exceeded state standards in math, reading and writing was higher than the state and peer districts' averages. The District's 82% high school graduation rate was also higher than the peer group average of 80% and the state average of 78%.

District operated efficiently in costs for administration and plant operations

The Auditor's report reflects that HUSD has operated very efficiently, spending much less per student than peer districts on administration and plant operations. In the area of administration, our costs were 26% lower per pupil than peer districts. The District spent less on administration due to the fact that it employs fewer administrative staff and pays lower salaries for some administrative positions. In the area of plant operations, our per-square-foot costs were 10% lower and our per-pupil-costs were 20% lower compared to our peer district averages. The Audit further underscores that our Food Service and Transportation programs have operated with great efficiency in providing much lower costs per meal and transporting students with a much lower cost per mile and cost per rider. We would like to state that this was accomplished with a complete focus on the needs of the students whom we serve.

Under Finding #2, the Performance Audit recommends that the District, a) Strengthen its controls relative to its computer systems and, b) Formalize a disaster recovery plan in the case of a system or equipment

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failure and/or interruption.

Finally, it is essential to point out that the high student achievement and efficient operation of the district is directly associated with our outstanding teaching, support and administrative staff. The difficult Arizona economic conditions directly impacting our district have not deterred them in the least from executing exemplary service and work on behalf of our students. We are grateful for all of our employees.

Once again, we thank you for your thorough and diligent review. The Humboldt Unified School District is steadfast in its commitment to being a good steward of our financial resources and to strengthening our academic and business systems.

Sincerely,

Dr. Paul Stanton, Superintendent

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