



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# J.O. Combs Unified School District

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August • 2010  
Report No. 10-11



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**Debra K. Davenport**  
Auditor General

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

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

August 26, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
J.O. Combs Unified School District

Ms. Gayle Blanchard, Superintendent  
J.O. Combs Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the J.O. Combs 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 August 27, 2010.

Sincerely,

Debbie Davenport  
Auditor General

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Our Conclusion

J.O. Combs Unified School District's student achievement is similar to peer districts' and state averages, and the District generally operates efficiently. The District's plant operation costs were much lower than peer districts' because it operated less square footage per pupil, and its food service costs were significantly lower because of proper district oversight. However, the District needs to address two main areas of concern: (1) the District did not adequately document bus maintenance and repairs; and (2) the District had inadequate controls over payroll, purchasing, and its computerized accounting system, which exposed the District to increased risk of errors and fraud.

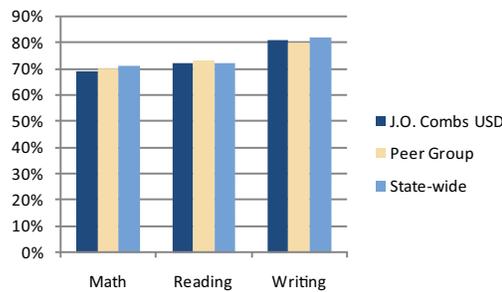


# 2010

## Average student achievement and generally efficient operations

**Student achievement similar to peer districts'**—In fiscal year 2009, J.O. Combs USD's student AIMS scores were similar to the peer districts' and state averages. Further, all five of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act (NCLB).

Percentage of Students who Met or Exceeded State Standards (AIMS)  
Fiscal Year 2009



**District operates efficiently with lower or similar costs**—The District's administration, plant operations, and food service costs were similar to or lower than those of peer districts. However, because of higher student transportation costs and because it spent less per pupil overall, the District spent only \$3,634 per pupil in the classroom, 14 percent less than peer districts averaged.

Expenditures by Function  
Fiscal Year 2009

Per Pupil	J.O. Combs USD	Peer Group Average
Administration	\$786	\$746
Plant operations	729	935
Food service	275	355
Transportation	378	355

## High transportation costs reflect District's growth and geographic size, but some improvements needed

In fiscal year 2009, J.O. Combs USD's student transportation costs per mile were 32 percent higher than peer districts' costs.

Transportation Cost Per Mile  
Fiscal Year 2009

J.O. Combs USD	\$3.95
Peer Group Average	\$3.00

As a result, the District had to subsidize its transportation program with more than \$825,000 that could otherwise have potentially been spent in the classroom. Several factors outside the District's control contributed to these high costs, including the District's rapid growth, geographic size,

and transportation of more special needs students.

**Transportation performance measures would help manage the program**—To its credit, the District has done some things to control costs, such as establishing a work schedule system to limit drivers' hours and using part-time drivers to help reduce overtime. However, the District has not established and monitored performance measures for the program, such as cost per mile, cost per rider, and bus capacity usage. Calculating and monitoring such measures can help identify areas for improvement.

**District did not adequately document preventative maintenance and repairs**—State standards require that districts demonstrate that their buses receive systematic preventative maintenance. However, the District does not have documentation that preventative maintenance was done. In addition, the District is not adequately documenting repairs made to its buses.

**Recommendations**—The District should:

- Review routes to determine if it can increase efficiency and lower costs.
- Develop and monitor performance measures.
- Ensure that bus maintenance and repairs are conducted and documented.

## Proper district oversight keeps food service costs low

In fiscal year 2009, J.O. Combs USD received over \$1.14 million in food service revenues and spent about \$977,000 to operate its program. The District's \$1.95 cost per meal is one of the lowest in the State and was 26 percent lower than the peer group's average of \$2.62.

The District keeps costs low by:

- Using performance measures to evaluate staffing.
- Reviewing inventory weekly.
- Using daily production sheets to determine the amount of food to order and prepare.

## Inadequate controls increased risk of errors and fraud

The District failed to maintain adequate controls over its payroll and purchasing processes. Such controls reduce the risk that an individual could process false payments or make an error. Examples of the District's control deficiencies include:

- One district employee, with little or no supervision, was able to modify pay rates, enter and modify time sheets, record payroll expenditures, and distribute paychecks.
- Inadequate documentation showing that additional pay was approved.
- Inadequate documentation showing that some purchases received prior approval.

not establish proper user access controls to protect the integrity of its computerized accounting system. For example, four employees each had the ability, without further approval, to add new vendors and create and approve purchase orders. Three of these employees also had the ability to add new employees, change employee pay rates, and process payroll.

**Recommendations**—The District should:

- Implement proper controls over its payroll and purchasing processes.
- Limit employees' access to its computerized accounting system.

In addition to the control deficiencies, the District did

## District needs to develop and document IT policies and procedures

With the District's rapid expansion, information technology policies and procedures have not kept up. In order to ensure appropriate computer use and security, policies and procedures should cover such areas as data access, privacy and security, and disaster recovery.

**Recommendation**—The District should develop, document, and implement IT policies and procedures.

# TABLE OF CONTENTS



<b>District Overview</b>	<b>1</b>
Student achievement similar to peer districts' and state averages	1
District operates efficiently with most costs similar to or lower than peer districts'	1
<b>Finding 1: High transportation costs reflect District's growth and geographic size, but some improvements needed</b>	<b>3</b>
District subsidized its transportation program, which had higher per-mile costs than peer districts	3
Required bus preventative maintenance and repairs not documented	5
<b>Recommendations</b>	<b>5</b>
<b>Finding 2: Proper district oversight leads to low food service costs</b>	<b>7</b>
Food service program was self-sufficient and had low costs	7
District oversight helps control costs	7
<b>Finding 3: Inadequate controls increased risk of errors and fraud</b>	<b>9</b>
Payroll and purchasing controls inadequate	9
Overly broad access to computerized accounting system	10
<b>Recommendations</b>	<b>10</b>

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# TABLE OF CONTENTS

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<b>Other Findings:</b>	11
District has not developed and formally documented Information Technology policies and procedures	11
<b>Recommendation</b>	11
<b>Appendix</b>	a-1
Objectives, Scope, and Methodology	a-1
<b>District Response</b>	
<b>Table:</b>	
1    Comparison of Per-Pupil Expenditures by Function Fiscal Year 2009 (Unaudited)	2
<b>Figures:</b>	
1    Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009	1
2    New Schools Fiscal Years 2003 through 2010	3

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# DISTRICT OVERVIEW

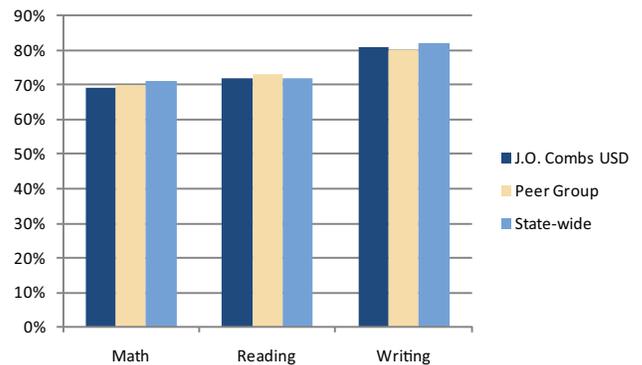
J.O. Combs Unified School District is located in San Tan Valley, about 45 miles southeast of downtown Phoenix in Pinal County. The District has experienced significant growth over the past 10 years, resulting in the opening of additional schools and the decision to transition from an elementary to a unified school district. In fiscal year 2009, the District served 3,706 students at its five schools: three kindergarten-6th grade elementary schools, one kindergarten-5th grade elementary school, and one 7th-9th grade middle school. The 10th- through 12th-grade students attended neighboring school districts because the District's first high school did not open until fiscal year 2010.

J.O. Combs USD's student achievement was similar to its peer districts' average and the state-wide average.<sup>1</sup> Overall, the District operated efficiently, but auditors noted a few areas for improvement, as discussed later in this report.

## Student achievement similar to peer districts' and state averages

In fiscal year 2009, 69 percent of the District's students met or exceeded state standards in math, 72 percent in reading, and 81 percent in writing (see Figure 1). These scores are similar to the peer districts' and state averages for each area. Additionally, all five of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act.

Figure 1: Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009



Source: Auditor General staff analysis of fiscal year 2009 test results on the Arizona Instrument to Measure Success (AIMS).

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

As shown in Table 1 on page 2 and based on auditors' reviews of various performance measures, J.O. Combs USD operated its administration, plant operations, and food service programs efficiently at costs that were similar to, or less than, the peer districts'. Despite operating efficiently in these areas, the District spent less in the classroom because its

<sup>1</sup> As discussed in this report's Appendix (see page a-1), auditors developed two peer groups for comparative purposes. An operational peer group was selected based on district size, type, and location; and a student achievement peer group was selected based on district size, location, and the additional consideration of poverty rate, which has been shown to be strongly related to student achievement.

transportation program was less efficient and because its total per-pupil spending was much lower. J.O. Combs USD spent \$6,597 per pupil, 13 percent less than its peer districts, primarily because it (1) received less federal grant monies, (2) received less in state transportation aid, and (3) chose to budget more of its capital monies for capital instead of for operational purposes.

Administrative costs similar, but procedural improvements needed—The District spent a similar amount on administration as its peer districts, but it needs to improve controls over its payroll and purchasing processes and access to its computer accounting system to reduce the risk of errors and fraud (see Finding 3, page 9).

Lower plant costs related to operating less square footage—J.O. Combs USD spent 22 percent less per pupil than its peer districts for plant operations primarily because it operated 28 percent less square footage per pupil. The District's schools appeared well maintained and operated at a reasonable 80 percent of capacity.

Significantly lower food service costs—The District spent 23 percent less per pupil and 26 percent less per meal on its food service program than peer districts. In fact, the District's cost per meal was one of the lowest in the State. These lower costs were primarily the result of proper district oversight as discussed further in Finding 2 on page 7 of this report.

High transportation costs and poor recordkeeping—While the District's transportation cost per pupil was only slightly higher than the peer districts' average, its \$3.95 cost per mile was 32 percent higher, reflecting the District's small geographic size and its transportation of more special education students than its peer districts. These higher costs resulted in the District's subsidizing its transportation program by more than \$825,000 in fiscal year 2009. Further, J.O. Combs USD could not demonstrate that its buses received required preventative maintenance, and it did not adequately document bus repairs (see Finding 1, page 3).

Lower student support costs—The District spent \$108 less per pupil for student support, such as social, health, and attendance services. Student support is often directed toward disadvantaged populations, commonly identified by poverty levels. J.O. Combs USD's poverty rate was lower than its operational peer districts' and appears to be the reason for its lower student support costs.

Table 1: Comparison of Per-Pupil Expenditures by Function  
Fiscal Year 2009  
(Unaudited)

Spending	J.O. Combs USD	Peer Group Average	State Average
Total per pupil	\$6,597	\$7,544	\$7,908
Classroom dollars	3,634	4,213	4,497
Nonclassroom dollars			
Administration	786	746	729
Plant operations	729	935	920
Food service	275	355	382
Transportation	378	355	343
Student support	457	565	594
Instructional support	331	369	431
Other	7	6	12

Source: Auditor General staff analysis of fiscal year 2009 school district Annual Financial Reports and summary accounting data.

# FINDING 1

## High transportation costs reflect District's growth and geographic size, but some improvements needed

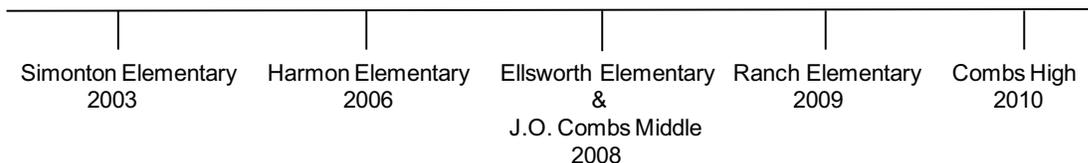
In fiscal year 2009, J.O. Combs USD's student transportation cost per mile was 32 percent higher than its peer districts', on average. These high costs resulted in the District's subsidizing its transportation program with more than \$825,000 that otherwise could have potentially been spent in the classroom. Several factors outside the District's control contributed to these high costs, including the District's rapid growth, geographic size, and transportation of more special needs students. However, reviewing routes and establishing and monitoring performance measures may help the District better control costs. Additionally, the District failed to meet certain state requirements because it lacks documentation of bus preventative maintenance and repairs.

### District subsidized its transportation program, which had higher per-mile costs than peer districts

In fiscal year 2009, J.O. Combs USD's \$3.95 cost per mile was 32 percent higher than the peer districts' \$3.00-per-mile average. These higher costs resulted in the District's subsidizing its transportation program by more than \$825,000. Specifically, in fiscal year 2009, the District received approximately \$574,000 in state transportation aid, but spent almost \$1.4 million. Because of this subsidy and the District's higher costs, auditors looked for factors that may have contributed to these higher costs.

**Rapid growth affected funding**—Since fiscal year 2005, the District's number of students has more than tripled, increasing by an average of about 675 students each year. Because of this growth, the District has opened six schools over the past 7 years—all five schools in operation in fiscal year 2009, plus a new high school that opened in fiscal year 2010. The District uses its original school for administrative offices, training, and other purposes.

Figure 2: New Schools  
Fiscal Years 2003 through 2010



Source: Auditor General staff analysis of information obtained from district officials and the Arizona School Facilities Board.

Rapid growth requires significant changes in district routing from year to year, which can lead to temporary inefficiencies and higher costs. Further, because Arizona school districts receive state transportation funding based on the prior year's activity, the District's fast growth is one reason why its transportation expenditures exceeded related revenues. For example, between fiscal years 2008 and 2009, the District's transportation miles increased by 98,612 miles, or 39 percent. However, these additional miles were not funded until fiscal year 2010. Had these additional miles been funded in fiscal year 2009, the District would have received almost \$428,000 more in state transportation funding, reducing the amount it needed to subsidize its program by about half.

**Higher per-mile costs due to driving fewer miles per rider**—The District's higher per-mile costs were also caused in part by its driving significantly fewer miles per rider than the peer districts, on average. J.O. Combs USD is very compact with the majority of its population and school locations within 5 square miles. Consequently, its buses traveled about 26 percent fewer miles per rider than the peer group's average. Prior school district performance audits have shown that districts that travel fewer miles per rider tend to have higher costs per mile.

**Special needs services increase costs**—While J.O. Combs USD traveled fewer miles than its peer districts averaged, more of the District's miles were for special needs students. In fiscal year 2009, 46 percent of J.O. Combs USD's miles were for special education routes. In comparison, only 24 percent of the miles traveled by the peer group were for special education routes, on average. The costs for transporting these students are inherently higher because transporting special needs students often requires special buses and routes, as well as additional employees to assist the students. However, the District may be able to increase its efficiency in this area. For example, the District transported between five and nine riders on each of its 14 preschool special needs routes. District officials indicated that as students enrolled in the preschool program throughout the year, additional classes were needed. Instead of adding these classes at the same time as existing classes and adding students to existing bus routes, classes were added on different days and at different times of the day, necessitating additional routes. Reviewing class schedules and routes may help control costs in this area.

**Performance measures would facilitate transportation program management**—Although the District is already doing some things to help run an efficient program and control costs, it has not established and monitored performance measures for the program. To its credit, the District has implemented a work schedule system to ensure that bus drivers and aides are limited to agreed-upon hours and clocking in and out between routes. Also, the District uses part-time drivers to help reduce the need for overtime. However, calculating and monitoring performance measures such as cost per mile and cost per rider can help the District identify areas for improvement. Additionally, although the District's regular routes were reasonably efficient, averaging 75 percent of capacity, the District did not monitor this performance measure. Monitoring bus capacity utilization rates can help identify route segments with low ridership, segments that may be effectively combined, or buses that are overcrowded.

## Required bus preventative maintenance and repairs not documented

The District did not meet all of the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) because it lacks documentation of bus preventative maintenance and repairs.

**Preventative maintenance not documented**—According to the Minimum Standards, districts must be able to demonstrate that their school buses receive systematic preventative maintenance services such as oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. Following the standards helps to ensure the safety and welfare of school bus passengers and can help extend buses' useful lives. However, J.O. Combs USD does not have a documented preventative maintenance program. According to district staff and the lead mechanic interviewed by auditors, preventative maintenance is performed on each bus every 3 months. Further, auditors reviewed Department of Public Safety bus inspections for 5 of the District's 38 buses and found no violations. However, the District does not have any formal written policies, procedures, or checklists outlining what maintenance will be done and how often, nor does it document actual preventative maintenance performed.

**Repairs not adequately documented**—Similar to the inadequate documenting of preventative maintenance, the District is also not adequately documenting repairs made to its buses. According to district officials, when a repair is needed, the driver submits a "Vehicle Inspection Report" to the mechanics. After finishing the repair, the mechanic is supposed to sign and date the report and give it back to the driver to sign and hand in to the Transportation Supervisor to be filed in the bus' file. However, a review of bus files showed that mechanics and drivers are not always signing and dating the reports to show that the work was done. Additionally, the mechanics are not documenting what work is actually done to correct the problems. Without documenting this information, the District is unable to track items such as what parts were used and the cost of the repairs, the repair history of the buses, the timeliness of the repairs, or even that the repairs were actually completed.

## Recommendations

- 1.1 The District should review its routes, especially its preschool special needs routes, to determine whether it can increase efficiency and lower costs.
- 1.2 To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, and bus capacity utilization.
- 1.3 As specified in the State's *Minimum Standards for School Buses and School Bus Drivers*, the District should ensure that bus preventative maintenance and repairs are conducted and documented.



# FINDING 2

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## Proper district oversight leads to low food service costs

The District's food service program is operating efficiently and effectively. In fiscal year 2009, J.O. Combs USD's \$1.95 cost per meal was significantly lower than the peer group's average of \$2.62. Further, the program is self supporting, generating enough revenue to cover its operating costs. In order to control costs and maintain a self-sufficient food service program, J.O. Combs USD has implemented many effective techniques and practices.

## Food service program was self-sufficient and had low costs

During fiscal year 2009, J.O. Combs USD received over \$1.14 million in food service revenues and spent about \$977,000 to operate its food service program. Additionally, the District's \$1.95 cost per meal, which is one of the lowest in the State, was 26 percent lower than the peer group's average of \$2.62. This was accomplished while serving a similar number of meals.

## District oversight helps control costs

In order to control costs and maintain a self-sufficient food service program, J.O. Combs USD has implemented many effective techniques and practices. For example:

- **Performance measures and staffing**—The District calculates its meals per labor hour using number of meals served and employee work hours to help monitor program efficiency. District officials stated that they compare their meals per labor hour to an industry standard and use this benchmark to evaluate their staffing levels and make changes as necessary.<sup>1</sup>
- **Purchasing practices**—J.O. Combs USD participates in a cooperative purchasing group to help purchase food at lower costs. Additionally, district officials review weekly inventory reports from each of the schools to determine what food has been used and what needs to be purchased. They said that this helps to ensure that very little excess inventory is maintained or wasted.

<sup>1</sup> For example, the industry standard the District uses for one of its schools recommended a productivity rate of 18 to 19 meals per labor hour, and the District's calculation showed that this school's productivity rate was 21 meals per labor hour.

- **Limited waste**—J.O. Combs USD’s schools each complete daily production sheets that show the number of meals planned and actually served for breakfast and lunch. The District then uses the production sheets to determine the appropriate amount of food to order and prepare the next time the meals are served. This helps to reduce costs by making only what is needed and limiting waste. The District also incorporates student and parent preferences into meal planning. This step also limits waste because the District purchases and prepares foods that they know the students will like.

# FINDING 3

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## Inadequate controls increased risk of errors and fraud

In fiscal year 2009, J.O. Combs USD was exposed to increased risks of errors and fraud because it failed to maintain adequate controls over its payroll and purchasing processes, and did not properly limit access to its computerized accounting system. Specifically, auditors observed the following:

### Payroll and purchasing controls inadequate

The District's procedures for modifying payroll records, processing payroll, and approving purchases need improvement.

**Payroll process lacked proper separation of responsibilities**—The District had an increased risk of errors and fraud, such as processing false time sheets and modifying employee pay rates, because it did not sufficiently review or separate the payroll and personnel functions. One district employee, with little or no supervisory review, was responsible for modifying employee information, including pay rates, entering and editing employees' time sheets, recording payroll expenditures, and distributing paychecks. Although auditors did not identify any false payments, assigning an individual the responsibility to initiate and complete a transaction without an independent supervisory review could allow the person to process false payments.

**Authorization for additional pay inadequately documented**—The District did not always have documentation showing that additional pay was approved. For example, in fiscal year 2009, 13 administrators received annual cell phone stipends of \$600 each and 3 teachers received small amounts of extra duty pay without proper documentation showing approval. To ensure that all pay is properly authorized and employees are paid correctly, the District should include additional pay in the employees' contracts or personnel action forms and ensure that these documents are properly approved prior to payment.

**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. For 5 of 30 fiscal year 2009 expenditures examined, auditors found that items or services were purchased without prior approval. Requisitions and purchase orders should be created and

approved prior to placing an order to ensure that the District has adequate budget capacity and is following procurement rules, and to ensure that the item is needed and appropriate.

## Overly broad access to computerized accounting system

In addition to the separation of responsibilities issue discussed above, district officials did not establish proper user access controls to protect the integrity of its computerized accounting system. At least four employees had the ability to use the accounting system to initiate and complete a transaction without an independent review and approval. For example, four employees had the ability to add new vendors and create and approve purchase orders, record expenditures in the accounting records, and make payments to the vendor. Additionally, three of these individuals also had the ability to add new employees, change employee pay rates, and process payroll. Although auditors did not identify any inappropriate transactions or fraud, allowing an individual the ability to initiate and complete a transaction without an independent review and approval exposes the District to increased risks of errors, fraud, and misuse of sensitive information or district assets, such as processing false payments or adding nonexistent vendors or employees.

## Recommendations

- 3.1 The District should implement proper controls over its payroll processing to ensure adequate separation of responsibilities and proper documentation and approval of additional pay.
- 3.2 The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
- 3.3 The District should limit employees' access to its computerized accounting system so that no one individual is able to complete a transaction without an independent review and approval.

# OTHER FINDINGS

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In addition to the three main findings presented in this report, auditors identified one other, less significant area of concern that requires district action.

## District has not developed and formally documented Information Technology policies and procedures

As the District has grown in size and complexity from an elementary school district to a unified school district with several new schools, the creation and formalization of Information Technology policies and procedures has not kept pace with the expansion. In some cases, the District had informal policies and procedures that were not documented, and in other cases, the procedures did not exist at all. Auditors determined the need for formal documented policies in the areas of data access, privacy and security, change management, and disaster recovery planning. In addition, procedures are needed to monitor the use of unauthorized software, to monitor attempts at network intrusion, and to lock out users after several unsuccessful login attempts or periods of no use.

## Recommendation

The District should develop, formally document, and implement all needed Information Technology policies and procedures to ensure the security and integrity of its computerized information.



# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General's performance audit of the J.O. Combs Unified School District was conducted 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 Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operation and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2009, were considered.<sup>1</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed how the District 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 2009 summary accounting data for all districts and the J.O. Combs Unified School District's fiscal year 2009 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 J.O. Combs 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 J.O. Combs USD and the other 21 unified or union high school districts that also served between 2,000 and 7,999 students and were located in town/rural areas.<sup>2</sup> To compare districts' academic indicators, auditors developed a separate student achievement peer group using the same size and location categories as in the operational peer group, but with the additional consideration of each district's poverty rate because poverty rate has been shown to be strongly related to student achievement. J.O. Combs USD's student achievement peer group includes J.O. Combs USD and the 12 other districts that also served between 2,000 and 7,999 students, were located in town/rural areas, and had poverty rates at or below the state average of 19 percent. Additionally:

- 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

<sup>1</sup> Current expenditures are those incurred for the District's day-to-day operation. 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.

<sup>2</sup> Excludes two districts that received high levels of additional funding and skewed the peer-spending averages.

interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2009 administration costs and compared these to similar districts'.

- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2009 plant operation and maintenance costs and district building space, and compared these costs to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2009 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts'.
- 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 capacity usage. Auditors also reviewed fiscal year 2009 transportation costs and compared them to peer districts'.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and reviewed transactions for proper account classification and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

The Auditor General and her staff express their appreciation to the J.O. Combs Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

DISTRICT RESPONSE

J. O. Combs Unified School District  
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*"Developing a Community of Empowered Learners for the 21<sup>st</sup> Century"*

Gayle A. Blanchard, Superintendent

August 11, 2010

Debra Davenport  
Auditor General  
2910 N. 44th Street, Suite 410  
Phoenix, AZ 85018

RE: Response to J.O. Combs Unified School District #44 Performance Audit

Dear Ms. Davenport:

J.O. Combs Unified School District respectfully submits our response to the Performance Audit for fiscal year 2008-2009. The Performance Audit lists four findings along with recommendations.

Attached is the District's response to each of the findings in the report. The District concurs with these findings and will implement the recommendations suggested in order to maximize all available resources in the J.O. Combs Unified School District.

Thank you for the courtesy and professionalism extended to our staff by your audit team. We appreciate the worthwhile interaction throughout the audit process.

Sincerely,

Gayle A. Blanchard  
Superintendent

Governing Board

Patricia J. Pinckard, President  
Kathy Bourgeois, Member

Rey Flores, Member

Shelly Hargis, Clerk  
James Stobaugh, Member

## J.O. Combs Unified School District #44

### Performance Audit Responses

**Finding 1:** High transportation costs reflect District's growth and geographic size, but some improvements needed.

**Recommendations:**

- 1.1 The District should review its routes, especially its preschool special needs routes, to determine whether it can increase efficiency and lower costs.
- 1.2 To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider and bus capacity utilization.
- 1.3 As specified in the State's *Minimum Standards for School Buses and School Bus Drivers*, the District should ensure the preventative maintenance and repairs are conducted and documented.

**Response:**

- 1.1 The District concurs with this finding, and is in the process of combing regular education routes to maximize bus capacity. We will also continue to monitor and work closely with the Director of Student Services and will create transportation schedules for future preschool students. In addition, changes have occurred in the preschool schedule from 3 daily sessions to 2 sessions, eliminating several routes.
- 1.2 The District concurs with this finding, and is currently utilizing the Transportation Performance formula and will monitor quarterly. In addition, the District is exploring Fleet Management and Maintenance software programs.
- 1.3 The District concurs with this finding, and is currently implementing a system to track all preventative maintenance and repairs on all District Vehicles and filing said information in an existing vehicle file. In addition, the District is exploring Fleet Management and Maintenance software programs.

**Finding 2:** Proper District oversight leads to low food service costs

- 2.1 We appreciate your recognition of the District's efforts to implement effective techniques and practices in order to control costs and maintain a self-sufficient food service program.

**Finding 3:** Inadequate controls increased risk of errors and fraud

**Recommendations:**

- 3.1 The District should implement proper controls over its payroll processing to ensure adequate separation of responsibilities and proper documentation and approval of additional pay. Payroll process lacked proper separation of responsibilities.
- 3.2 The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.
- 3.3 The District should limit employee's access to its computerized accounting system so that no one individual is able to complete a transaction without an independent review and approval.

**Response:**

- 3.1 The District concurs with the finding and will ensure appropriate internal controls exist in this area. The Director of Business Services will review *Change Log Reports* daily before authorizing payroll vouchers. The Payroll Supervisor and the Director of Business Services will review and authorize each payroll voucher. The District has modified contract language to include additional payment for cell phone stipends for all administrators. The district has implemented a process to ensure that all extra duty assignments require a Personnel Action Request (PAR) form and supervisor's approval prior to payment.
- 3.2 The District concurs with this finding and is currently setting up an electronic accounting module for each site and department. These modules will require proper approval steps prior to purchases being made. The District will train all staff regarding the purchasing procedures to ensure appropriate internal controls exist.
- 3.3 The District concurs with the findings and has identified and created access to various accounting modules as it relates to functions and job responsibilities of the employee. At times the access to modules has been expanded to allow for cross-training opportunities within the departments. The expanded access although beneficial when employees are absent, does create the possibility of lesser internal controls as it relates to the separation of duties. The District will ensure that access to various accounting modules is limited, lessening the chance of error or mishap.

**Other Findings:**

The District has not developed and formally documented Information Technology policies and procedures.

Recommendation: The District should develop, formally document, and implement all needed Information Technology policies and procedures to ensure the security and integrity of its computerized information.

**Response:**

The District concurs with the findings that there is a need for formally documented policies and procedures in the areas of data access, privacy and security, change management, and disaster recovery planning. The District agrees that we need procedures as well as tools to monitor the use of unauthorized software and attempts at network intrusion. The District has created and implemented network security procedures that address unsuccessful attempts for a network logon. The District is currently creating additional security procedures that address unsuccessful attempts for other software applications.

The District will develop, formally document, and implement all needed information technology policies and procedures to ensure the security and integrity of its computerized information.

