



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Kirkland Elementary School District

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February • 2016  
Report No. 16-201



**Debra K. Davenport**  
Auditor General

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

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AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

February 17, 2016

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Kirkland Elementary School District

Ms. Michelle Perey, Administrator  
Kirkland Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Kirkland Elementary 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

## Student achievement and operational efficiency

### Our Conclusion

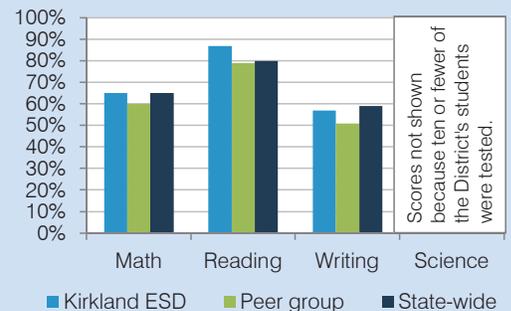
In fiscal year 2013, Kirkland Elementary School District's student AIMS scores were slightly higher than or similar to peer districts' averages, and the District operated efficiently overall. Specifically, the District's administrative cost per pupil was 11 percent lower than peer districts', on average, because it operated with lower administrative staffing levels. However, the District needs to strengthen some of its purchasing and computer controls. The District's plant operations costs per pupil were lower than peer districts' because it operated and maintained substantially less building space per pupil, and its food service program operated efficiently with a lower cost per meal and per pupil than peer districts', on average. The District's transportation program had slightly higher costs per mile, but did not appear to be inefficient. However, the District lacked documentation to demonstrate that its buses were regularly maintained, misreported its transportation ridership numbers to the Arizona Department of Education, and did not ensure that all driver certification requirements were met.



2016

**Student achievement**—For very small districts such as Kirkland ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. In fiscal year 2013, Kirkland ESD's math scores were similar to peer districts' averages, and its reading and writing scores were slightly higher. Scores for science were not reported because ten or fewer of the District's students were tested. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B for fiscal year 2013. Of the ten districts in the peer group receiving letter grades, five districts also received Bs, one received an A, three received Cs, and one received a D.

Percentage of students who met or exceeded state standards (AIMS)  
Fiscal year 2013



**Efficient operations overall**—In fiscal year 2013, Kirkland ESD operated efficiently overall, which enabled the District to spend a similar amount in the classroom as peer districts', on average, despite spending \$1,331 less per pupil overall. Specifically, the District's administrative cost per pupil was 11 percent lower than peer districts', on average, because it operated with lower administrative staffing levels. The District was

Comparison of per pupil expenditures by operational area  
Fiscal year 2013

	Kirkland ESD	Peer group average
Administration	\$2,284	\$2,572
Plant operations	1,584	2,148
Food service	451	851
Transportation	1,379	1,056

able to employ fewer administrative staff because the Yavapai County Education Service Agency performed most of the District's business office functions for a small charge to the District. The District's plant operations costs per pupil were lower than peer districts' because it operated and maintained substantially less building space per pupil. Further, the District's food service program operated efficiently with a lower cost per meal and per pupil than peer districts', on average. Lastly, the District's transportation program had slightly higher costs per mile but did not appear to be inefficient.

## District's accounting and computer controls need strengthening

**Inadequate purchasing controls**—The District did not always require proper approval prior to purchases being made. We reviewed 30 fiscal year 2013 accounts payable transactions and found that 15 transactions were for purchases made without prior approval. Requiring prior approval helps ensure that expenditures are appropriate and properly supported.

**Inadequate computer controls**—The District did not have strong password controls for its computer network and student information system. More specifically, the District allowed network and student information system passwords to be short and did not require passwords to contain numbers or symbols. Additionally, the District's computer server was kept in an unsecured storage room that was accessible to all district staff and students, and the room lacked any climate control and fire suppression equipment. Allowing broad access to the computer server room and failing to properly protect computer equipment from temperature fluctuations and fire increased the risk of network interruption, equipment loss, and possible loss of sensitive data.

### Recommendations

The District should:

- Implement proper purchasing controls;
- Implement and enforce stronger password requirements; and
- Limit physical access to its computer server room and ensure the room is properly cooled and has a fire extinguisher nearby.

## Transportation oversight needs strengthening

**District did not ensure all bus driver certification requirements were met**—We reviewed bus driver files for the District's two regular bus drivers and two substitute bus drivers for fiscal years 2013 and 2014 and found that the District lacked complete records demonstrating that its bus drivers met the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*. Specifically, we found that some bus driver files were missing evidence of required initial or refresher training, annual drug tests, and physical examinations. In addition, the District did not have a process in place to ensure that the required random drug and alcohol testing of bus drivers was completed. As a result, none of its bus drivers were randomly tested for drug and alcohol use in fiscal years 2013 and 2014.

**District lacked documentation to demonstrate buses were regularly maintained**—Auditors reviewed maintenance files for the District's three buses and found that although all three buses received several repairs, two of the buses did not have documentation showing that they received preventative maintenance services during fiscal year 2013. According to the District's informal policy, each bus should have received preventative maintenance service at the beginning of the school year. Without this documentation, the District cannot demonstrate that it is properly maintaining its school buses according to the *Minimum Standards*.

**District misreported number of riders for transportation funding**—Kirkland ESD 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 §15-922 requires. Although the District's inaccurate reporting in fiscal year 2013 did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. Having accurate rider counts will enable the District 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.

### Recommendations

The District should:

- Ensure that bus driver certification requirements are met and documented in accordance with the State's *Minimum Standards*;
- Ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with its formal policy; and
- Determine and report the actual number of students transported as required by statute for funding purposes.

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# DISTRICT OVERVIEW

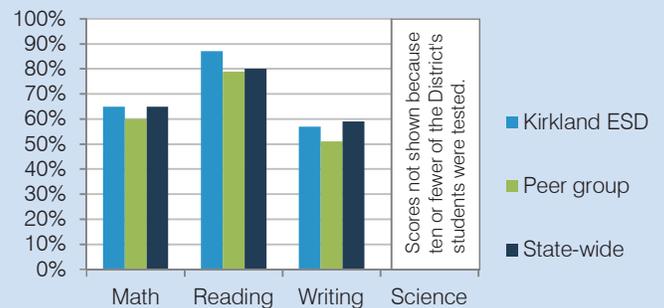
Kirkland Elementary School District is a very small, rural district located about 27 miles west of Prescott in Yavapai County. In fiscal year 2013, the District served 59 students in kindergarten through 8th grade at its one school.

In fiscal year 2013, Kirkland ESD's student test scores on Arizona's Instrument to Measure Standards (AIMS) were slightly higher than or similar to the peer districts' averages and the District operated efficiently overall with lower costs in most noninstructional areas.<sup>1</sup> However, the District should strengthen its accounting and computer controls and improve its transportation program oversight.

## Student achievement

In fiscal year 2013, 65 percent of the District's students met or exceeded state standards in math, 87 percent in reading, and 57 percent in writing. As shown in Figure 1, the District's math scores were similar to peer districts' averages, and its reading and writing scores were slightly higher. However, for very small districts such as Kirkland ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. Scores for science were not reported because ten or fewer of the District's students were tested. Under the Arizona Department of Education's A-F Letter Grade Accountability System, Kirkland ESD received an overall letter grade of B for fiscal year 2013. Of the ten districts in the peer group receiving letter grades, five districts also received Bs, one received an A, three received Cs, and one received a D.

**Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2013 (Unaudited)**



Source: Auditor General staff analysis of fiscal year 2013 test results on Arizona's Instrument to Measure Standards (AIMS).

## District operated efficiently overall but some improvements needed

As shown in Table 1 (see page 2), in fiscal year 2013, Kirkland ESD spent a similar amount in the classroom as its peer districts despite spending \$1,331 less per pupil overall. The District was able to do this because it operated efficiently overall based on auditors' review of fiscal year 2013 performance measures.

**Lower administrative costs but some improvements needed**—At \$2,284, Kirkland ESD's administrative costs per pupil were 11 percent lower than peer districts', on average, primarily because of lower salary and benefit costs. The District spent less on administration likely

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

**Table 1: Comparison of per pupil expenditures by operational area Fiscal year 2013 (Unaudited)**

Spending	Kirkland ESD	Peer group average	State average
Total per pupil	\$14,373	\$15,203	\$7,496
Classroom dollars	7,491	7,647	4,031
Nonclassroom dollars			
Administration	2,284	2,572	746
Plant operations	1,584	2,148	924
Food service	451	851	396
Transportation	1,379	1,056	369
Student support	813	548	582
Instruction support	371	381	448

Source: Auditor General staff analysis of fiscal year 2013 Arizona Department of Education student membership data and district-reported accounting data.

because each of the District's administrative employees served 13 percent more students than the peer districts', on average. Kirkland ESD was able to operate with lower administrative staffing levels because, like many of the very small school districts within Yavapai County, most of the District's business office functions, such as recording payroll and purchasing transactions, were performed by the Yavapai County Education Service Agency at a cost of about \$1,000 for the fiscal year. Similarly sized school districts in some other counties employed more administrative employees because similar services were not always available within their counties. For example, six very small recently audited school districts in a southern Arizona county employed higher administrative staffing levels because they had to include positions that provided business office functions. Despite the lower costs, the District should strengthen some of its accounting and computer controls (see Finding 1, page 3)

**Mixed plant operations costs**—Kirkland ESD's \$8.90 cost per square foot was 35 percent higher than the peer districts' average and its \$1,584 cost per pupil was 26 percent lower. The District was able to spend less per pupil despite a higher cost per square foot because it operated and maintained 48 percent fewer square feet per pupil than peer districts', on average. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs per square foot, likely due to higher usage. For example, having more students per square foot likely increases the maintenance and janitorial needs of that space and would potentially require more energy to heat and cool the space. Auditors observed the District's facilities and plant operations activities and did not identify any overstaffing, unusually high salaries, or excessive or unneeded heating or cooling of buildings.

**Efficient food service program**—Kirkland ESD's \$3.56 cost per meal was 28 percent lower than the peer districts' average and its \$451 cost per pupil was 47 percent lower. The District spent less per pupil on food service partly because it served 28 percent fewer meals per student than the peer districts' averaged, but also because it operated an efficient food service program. The District's food service salaries and benefits costs per meal were 36 percent lower than the peer districts' average because it operated its food service program with only one part-time food service employee, while the peer districts providing food service programs employed an average of 1.4 full-time positions.

**Transportation costs slightly higher, and some improvements needed**—Kirkland ESD's \$1.87 cost per mile was slightly higher than the peer districts' average. 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. Therefore, a determination of the District's transportation program's efficiency was not possible. However, auditors did not identify any overstaffing or any unusually high salaries or fuel or repair and maintenance costs and combining its two bus routes to reduce costs was not practical. Although the District's transportation program did not appear inefficient, the District needs to improve its oversight of the program (see Finding 2, page 5).

# FINDING 1

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## Accounting and computer controls need strengthening

In fiscal year 2013, Kirkland ESD lacked adequate purchasing and computer controls. 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 needs to strengthen its purchasing controls to ensure that all purchases are properly approved prior to being made. Auditors examined 30 fiscal year 2013 purchases, and found that 15 of the 30 purchases were made without prior approval. Although no inappropriate purchases were detected in the items reviewed, the District should ensure that all purchases are properly approved prior to being made, as required by the *Uniform System of Financial Records for Arizona School Districts* (USFR). Although the District is very small, it has adequate staffing to ensure proper approval. For example, the District's administrative assistant could prepare purchase orders and have them approved by an authorized employee, such as the District's principal, prior to ordering goods or services. This helps ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported.

### Weak password requirements

The District did not have strong password requirements for its computer network and student information system. Although users developed their own passwords, the passwords lacked length and complexity requirements—that is, passwords could be short and did not need to contain numbers and symbols. Common practice requires passwords to be at least eight characters and contain a combination of alphabetic and numeric characters. These practices would decrease the risk of unauthorized persons gaining access to the District's computer network and student information system.

### Computer server not properly secured or protected

The District's computer server was not properly secured and protected. Specifically, the District's computer server was kept in an unsecured storage room that was accessible to all district staff and students. Additionally, the room lacked any climate control and fire suppression equipment. Allowing broad access to the computer server room and failing to properly protect computer equipment from

temperature fluctuations and fire increased the risk of network interruption, equipment loss, and possible loss of sensitive 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 implement and enforce stronger password requirements for its computer network and student information system related to password length and complexity.
3. The District should limit physical access to its computer server room so that only appropriate personnel have access. In addition, the District should ensure that its computer server is stored in a room that is properly cooled and ensure that a fire extinguisher is available nearby.

# FINDING 2

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## Transportation program oversight needs strengthening

In fiscal years 2013 and 2014, Kirkland ESD lacked adequate procedures to ensure its buses and bus drivers met the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*. The District also misreported the number of students transported for state funding purposes.

### District lacked adequate procedures to ensure bus drivers met certification requirements

To help ensure student safety, the State's *Minimum Standards* administered by the Department of Public Safety, require districts to ensure that bus drivers are properly certified and receive random drug and alcohol tests, and annual drug tests, physical examinations, refresher training, and CPR and first aid certification. Auditors reviewed files for the District's two regular bus drivers and two substitute bus drivers for fiscal years 2013 and 2014 and found that the District lacked complete records demonstrating that its bus drivers met *Minimum Standards*. Specifically:

- One driver's file did not have evidence of required initial or refresher training;
- One driver's file did not have evidence of required annual drug tests; and
- One driver's file did not have evidence of required physical examinations.

In addition, the District did not have a process in place to ensure that the required random drug and alcohol testing of bus drivers was completed. As a result, none of its bus drivers were randomly tested for drug and alcohol use in fiscal years 2013 and 2014.

To comply with the *Minimum Standards* and to help ensure a safe transportation program, the District should ensure that drivers meet all required standards and should maintain all documentation demonstrating compliance.

### District lacked documentation to demonstrate it regularly maintained its buses

According to the State's *Minimum Standards*, districts must demonstrate that their school buses receive systematic preventative maintenance including periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. Following the *Minimum Standards* helps to ensure the safety and welfare of students and can help extend buses' useful

lives. Auditors reviewed maintenance files for the District's three buses and found that although all three buses received several repairs, two of the buses did not have documentation showing that they received preventative maintenance services during fiscal year 2013. According to the District's informal policy, each bus should have received preventative maintenance service at the beginning of the school year. Without this documentation, the District cannot demonstrate that it is properly maintaining its school buses according to the Minimum Standards.

## District incorrectly reported eligible riders, rather than actual riders, for student transportation funding

In fiscal year 2013, Kirkland ESD 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 §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 2013 did not affect its transportation funding, the District should ensure it is meeting state reporting requirements by reporting the actual number of students transported. Having accurate rider counts will enable the District 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.

## Recommendations

1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's *Minimum Standards*.
2. The District should develop a formal preventative maintenance policy that meets the State's *Minimum Standards* and includes the maximum number of miles and the maximum amount of time a bus can travel before it receives preventative maintenance services. Additionally, the District should ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with its formal policy.
3. The District should accurately calculate and report to the Arizona Department of Education the actual number of riders transported for state funding purposes.

# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Kirkland Elementary 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 Office of 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 2013, was considered.<sup>1</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

For very small districts, such as Kirkland ESD, increasing or decreasing student enrollment by just five or ten students, or employing even one additional part-time position can dramatically impact the district's costs per pupil in any given year. As a result and as noted in the fiscal year 2013 Classroom Dollars report, spending patterns of very small districts are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of Kirkland ESD's operations, less weight was given to various cost measures and more weight was given to auditor observations made at Kirkland ESD.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2013 summary accounting data for all districts and Kirkland ESD's fiscal year 2013 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. Kirkland ESD's student achievement peer group includes Kirkland ESD and the 11 other elementary districts that also served student populations with poverty rates between 17 and 21 percent in towns and rural areas. Auditors compared Kirkland ESD's student AIMS scores to those of its peer group averages. The same grade levels were included to make the AIMS score comparisons between Kirkland ESD and its peer group. AIMS scores were calculated using test results of the grade levels primarily tested, including grade levels 3 through 8. Generally, auditors considered Kirkland ESD's student AIMS scores to be similar if they were within 5 percentage points of peer averages and higher/lower if they were more than 5 percentage points higher/lower than

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

peer averages. Auditors also reported the District's Arizona Department of Education-assigned letter grade.<sup>1</sup>

To analyze Kirkland ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size and location. This operational peer group includes Kirkland ESD and 42 other school districts that also served fewer than 200 students and were located in towns and rural areas. Auditors compared Kirkland ESD's costs to its peer group averages. Generally, auditors considered Kirkland ESD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 15 percent of peer averages, higher/lower if they were within 16 to 30 percent of peer averages, and much higher/lower if they were more than 30 percent higher/lower than peer averages. However, in determining the overall efficiency of Kirkland ESD'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 2013 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for all of the 28 individuals who received payments in fiscal year 2013 through the District's payroll system and reviewed supporting documentation for 30 of the 1,121 fiscal year 2013 accounts payable transactions. No improper transactions were identified. After adjusting transactions for proper account classification, auditors reviewed fiscal year 2013 spending and prior years' spending trends 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 managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2013 required transportation reports, reviewed fiscal year 2013 bus routing, reviewed fiscal year 2013 and fiscal year 2014 bus driver files for the District's four drivers, and reviewed fiscal year 2013 and fiscal year 2014 bus maintenance and safety records for the District's three buses. Auditors also reviewed fiscal year 2013 transportation costs and compared them to peer districts'.
- 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 2013 administration costs and compared these to peer districts'.

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

- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2013 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts’.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2013 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 2013 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 Kirkland Elementary School District’s board members, principal, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

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DISTRICT RESPONSE

# Kirkland Elementary School District #23

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February 4, 2016

Debbie Davenport, Auditor General

State of Arizona

2910 N 44<sup>th</sup> Street, Suite 410

Phoenix, AZ 85018

Re: Fiscal Year 2012-2013 Performance Audit

Dear Ms. Davenport,

Kirkland Elementary District #23 respectfully submits our response to the Performance Audit conducted by the Auditor General's office for fiscal year 2013. I would like to thank Ms. Orrico for her assistance with this district response as well as the AG staff that visited our district and continued to collect data in a thorough manner, thus providing an accurate overview of our very small district and the areas for us to work on in order to more effectively and efficiently operate.

The District agrees with the two findings and has begun implementing changes to correct the areas of concern. I appreciate the attention paid to our student achievement levels and district efficiency and am happy to work with my staff in the areas noted for improvement.

Sincerely,

Michelle Perey

District Administrator

Kirkland School

## **Finding 1:** Accounting and computer controls need strengthening

District Response: The Kirkland School District does agree with this finding and has begun implementing the auditor's recommendations. Many improvements have been made in the area of accounting and computer controls since the time of this audit. Other changes are being made as a result of these findings. Being mindful of accounting and computer controls is an important responsibility of the district.

**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.

District Response: The District does agree with the finding and is implementing the recommendation as follows: Fiscal 2013 was only the second year for both the District Administrator and the Administrative Assistant. Since that time, procedures have been further established that require all purchase requests to be submitted to the district's administrative assistant, purchase orders pulled, and then submitted to the district administrator for approval before orders are placed.

**Recommendation 2:** The District should implement and enforce stronger password requirements for its computer network and student information system related to password length and complexity.

District Response: The District does agree with the finding and will implement the recommendation as follows: Although the district does require passwords that do expire and cannot be immediately repeated, there has been no requirement to include alphabetic and numeric characters. This practice has been improved and is currently being implemented for both the district network as well as the student information system.

**Recommendation 3:** The District should limit physical access to its computer server room so that only appropriate personnel have access. In addition, the District should ensure that its computer server is stored in a room that is properly cooled and ensure that a fire extinguisher is available nearby.

District Response: The District does agree with the finding and has implemented the recommendation as follows: Structural improvements have been made to the one-time custodial closet that now serves as the district's technology room. A fire extinguisher has been installed in the room, a dedicated mini-split HVAC system has been added (through funding from the School Facilities Board), and the hallway has been closed off with a wall to create a private office for the District Administrator, thus creating a locked, secure environment where no unauthorized personnel can access the inner door to the IT room.

## **Finding 2:** Transportation program oversight needs strengthening

District Response: The Kirkland School District does agree with this finding and has begun implementing the auditor's recommendations. Student safety is our primary concern. Strengthening our transportation program is vital to ensuring our students get to and from school in the most efficient and safest manner possible.

**Recommendation 1:** The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's *Minimum Standards*.

District Response: The District does agree with the finding and will begin implementing the recommendation as follows: Although the District has relied on the Yavapai County Agency for fiscal support, including certification, it has become clear that the school district must assume this responsibility. Procedures have been put in place that require the district's transportation coordinator to maintain accurate and up to date files on all drivers at all times. This includes collecting required documentation, notifying employees when renewals are due, etc. Additionally, the district has entered into an agreement with Palmer Investigative Services to random drug test drivers as needed.

**Recommendation 2:** The District should develop a formal preventative maintenance policy that meets the State's *Minimum Standards* and includes the maximum number of miles and the maximum amount of time a bus can travel before it receives preventative maintenance services. Additionally, the District should ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with its formal policy.

District Response: The District does agree with the finding and is implementing the recommendation as follows: The recommendation to implement a formal bus preventative maintenance plan has been accepted with complete agreement. Due to our small size and a current fleet of 3 buses, we have relied on memory and driver recommendation for routine maintenance. This formal plan will be implemented immediately to meet minimum standards to ensure a safe transportation program.

**Recommendation 3:** The District should accurately calculate and report to the Arizona Department of Education the actual number of riders transported for state funding purposes.

District Response: The District does agree with the finding and will implement the recommendation as follows: Beginning with the 2016-2017 school year the district will calculate the actual number of riders by taking attendance on each of the district's two bus routes for 25 of the first 100 days of school. This total will be averaged to calculate the actual rider number.

