

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Slightly higher student achievement and reasonably efficient operations in most areas

Our Conclusion

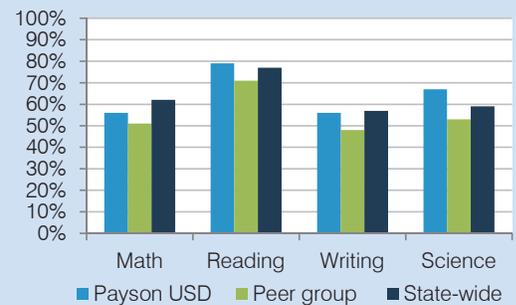
In fiscal year 2012, Payson Unified School District's student achievement was slightly higher than peer district averages, and the District's operations were reasonably efficient in most areas. The District's administrative costs were similar to the peer district average, but the District lacked adequate controls over user access to its computer network and systems. The District's plant operations cost per square foot was similar to the peer districts' average, but its cost per pupil was higher because it operated more building space per pupil. The District's transportation program costs were higher than peer district averages, but the program was reasonably efficient, with efficient bus routes and proper fuel usage monitoring. However, the District's food service program was less than efficient, with a higher cost per meal than the peer districts' average because of higher staffing costs and some food service vendor contract terms that were not favorable to the District. As a result, the District spent \$24,590 of its Maintenance and Operation Fund monies to subsidize its food service program.



2015

Student achievement slightly higher than peer districts'—In fiscal year 2012, Payson USD's student AIMS scores in math were similar to peer districts', and its reading, writing, and science scores were higher or slightly higher. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of C, as did most of its peer districts, and its 81 percent high school graduation rate was equal to the peer districts' 81 percent average and similar to the state average of 77 percent.

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



Reasonably efficient operations—In fiscal year 2012, Payson USD's operations were reasonably efficient in most areas. The District's administrative cost per pupil was similar to the peer districts' average, and its plant operations costs were mixed with a similar cost per square foot, but a higher cost per pupil because the District operated more square footage per pupil than the peer districts averaged. The District's transportation program costs were higher than peer district averages, but the program was reasonably efficient, with efficient bus routes and proper monitoring of fuel usage. However, the District's food service program was less than efficient, with a higher cost per meal because of higher staffing costs and vendor contract terms that were not favorable to the District.

Comparison of per pupil expenditures by operational area
Fiscal year 2012

	Payson USD	Peer group average
Administration	\$735	\$748
Plant operations	1,051	933
Food service	366	354
Transportation	395	369

District needs to strengthen computer controls

In fiscal year 2012, Payson USD lacked adequate controls over its computer network and systems, increasing the risk of unauthorized access to these critical systems. More specifically, the District's network password controls were weak, lacking adequate complexity. Additionally 2 of the District's 11 accounting system users had more access to the accounting system than they needed to perform their job duties. Also, the District lacked a timely process for ensuring that only current employees had access to critical systems. We found three student information system user accounts that were linked to employees or contracted service providers who no longer worked for the District. Finally, although the District had a disaster recovery plan, the plan was missing some key components. Having a complete and up-to-date disaster recovery plan would help

ensure continuous accessibility to sensitive and critical data in the event of a system or equipment failure or interruption.

Recommendations

The District should:

- Implement and enforce stronger password controls.
- Modify employee access to its accounting system to ensure that an employee cannot initiate and complete a transaction without independent review and approval.
- Implement a process for promptly removing terminated employees' network and system access.
- Ensure that its disaster recovery plan is complete.

High food service costs led to program subsidy of more than \$24,000

In fiscal year 2012, Payson USD's \$3.05 cost per meal was 19 percent higher than the peer districts' average, and its food service program was not self-supporting. To make up the difference between the program's revenues and high costs, the District had to subsidize the food service program with \$24,590 of Maintenance and Operation Fund monies that otherwise potentially could have been spent in the classroom

High salary and benefit costs and unfavorable contract terms—Payson USD's food service program costs were high primarily because of higher staffing costs and some vendor contract terms that were not favorable to the District. At \$1.41 per meal, the District's salary and benefit cost was 22 percent higher than the peer districts' \$1.16 average. The District had a cost reimbursement contract with a vendor to operate its food service program. Since this type of contract provides less incentive to operate as efficiently as possible, such as minimizing labor costs, the District should closely monitor its food service program costs through the fiscal year to ensure they are necessary and reasonable. Further, not all contract terms were favorable to the District. The contract required the District to pay vendor fees that were higher than the average fees paid by peer districts that also outsourced their food service programs. In addition, in fiscal year 2012, the District agreed to a contract renewal that no longer guaranteed profits to the District but rather only guaranteed that the food service program would break even. The District's fiscal year 2010 and fiscal year 2011 contracts with the vendor guaranteed annual profits of \$24,750.

District did not always enforce all contract terms—The District did not identify all of the refunds owed to it by its food service vendor. For fiscal years 2010, 2011, and 2012, Payson USD received vendor refunds totaling \$29,142. In fiscal year 2013, the District began working with the vendor to determine whether this was the full amount of refunds owed to it and together with the vendor, hired an independent Certified Public Accounting firm to assist in that determination. The firm determined that the amount owed to the District by the vendor was less than \$2,500. However, we reviewed the District's vendor contracts and food service program revenues and expenses and compared them to the vendor refunds for the three fiscal years and calculated that vendor refunds should have totaled \$63,815. After we brought this issue to the District's attention, the District obtained the remaining \$34,673 that it was contractually guaranteed to receive.

Recommendations

The District should:

- Monitor food service costs throughout the fiscal year.
- Consider rebidding its food service contract to get more favorable terms.
- Enforce all terms of its food service contract.