

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2012, Salome Consolidated Elementary School District's student AIMS scores were lower than peer districts' averages in three of four areas tested—math, reading, and science. Although the District's per pupil costs were high in some operational areas, the District was reasonably efficient overall. The District's administrative operations were reasonably efficient, but it lacked adequate controls over its payroll, purchasing, cash collections, and computer network and systems. The District's plant operations were also reasonably efficient, and its food service costs were lower per meal than peer districts' averages, but it had to subsidize its food service program, in part, because of its participation in a special National School Lunch Program (NSLP) provision. The District's transportation program was also reasonably efficient with higher costs per mile but lower costs per rider. However, the District needs to improve controls over its fuel inventory and ensure that its bus drivers meet all certification requirements.



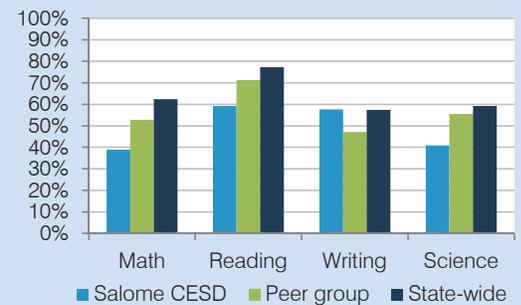
2014

Student achievement and operational efficiency

Student achievement—In fiscal year 2012, Salome CESD's student AIMS scores for math, reading, and science were lower than peer districts' averages, and its writing scores were higher. However, for very small districts such as Salome CESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. Salome CESD received an overall letter grade of D for fiscal year 2012 under the Arizona Department of Education's A-F Letter Grade Accountability System.

District was reasonably efficient—In fiscal year 2012, Salome CESD's transportation costs were lower per pupil than peer districts' on average, and although its administrative, plant operations, and food service costs were higher per pupil, these areas operated in a reasonably efficient manner overall. We did not find any overstaffing, unusually high salaries, or wastes of resources. However, we did identify several opportunities for improved procedures and controls.

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



Comparison of per pupil expenditures by operational area
Fiscal year 2012

	Salome CESD	Peer group average
Administration	\$2,650	\$2,472
Plant operations	2,323	2,126
Food service	1,151	756
Transportation	726	970

District had inadequate accounting and computer controls

Payroll and purchasing processes lacked proper separation of responsibilities—In fiscal year 2012, Salome CESD lacked adequate controls over its payroll and purchasing processes. One district employee performed all payroll and personnel functions with little or no supervisory review. The same district employee, with little or no supervisory review, was also responsible for completing all purchasing functions. Allowing an individual the ability to initiate and complete a transaction without an independent supervisory review could allow for the processing of false payments.

Some purchases lacked proper approval and support—The District had an increased risk of errors and fraud because it did not always require proper approval prior to purchases being made. Auditors reviewed 30 fiscal year 2012 purchases and found that 10 were made without prior approval. Additionally, for 16 purchases reviewed, the District paid the vendor without first having adequate supporting documentation to help ensure that items were received and billings were appropriate.

Adequate cash controls lacking—The District did not always issue cash receipts to student clubs at the time that cash was collected. As a result, the District could not ensure that all cash received was properly deposited.

Inadequate computer controls—Three users had full access to the Districts's accounting system that would allow them to complete transactions without an independent review and approval. The District's accounting system also had four generic accounts not assigned to specific users, making it difficult or impossible to hold anyone accountable if inappropriate activity occurred while using these accounts. Similarly, the District's student information system had three generic accounts. Additionally, the District had weak password controls over its accounting system and network. Passwords lacked complexity, minimum length, and expiration requirements. Moreover, some district computers used unsupported operating systems, and employees had the ability to install unauthorized software on computers making them more vulnerable to costly and malicious attacks.

Costs not accurately reported—In fiscal year 2012, the District did not always properly classify its expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its *Annual Financial Report* did not accurately reflect its costs, including both classroom and nonclassroom expenditures.

Recommendations

The District should:

- Implement proper controls over payroll, purchasing, and cash collections.
- Implement proper controls over its computer network and systems.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Participation in special NSLP provision contributed to subsidy

In fiscal year 2012, the District participated in a special provision of the NSLP whereby it provided free meals to all students, regardless of family income levels, in exchange for fewer administrative requirements. By participating, the District lost approximately \$8,600 in revenues that it otherwise would have collected had it charged meal prices similar to peer districts'. Additionally, the District did not appear to have reduced its costs by participating in the special provision. As a result, the District's participation in the special provision contributed to it subsidizing its food service program with \$30,750 that otherwise potentially could have been spent in the classroom.

Recommendation

The District should assess the costs and benefits of participating in the special NSLP provision.

District did not ensure bus drivers met certification requirements and did not have adequate controls over its fuel inventory

The District did not maintain evidence that its four drivers had received random drug or alcohol tests or completed refresher trainings in fiscal years 2012 and 2013. Additionally, the District did not implement adequate controls to safeguard its fuel inventory because it provided multiple employees unrestricted access to the fuel tanks and did not monitor fuel usage.

Recommendations

The District should:

- Implement procedures to ensure all bus driver certification requirements are met and documented.
- Safeguard its fuel inventory and ensure proper controls over its use.