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**OFFICE OF THE SUPERINTENDENT**

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August 22, 2012

Ms. Debra K. Davenport  
Auditor General  
Division of School Audits  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Vail Unified School District respectfully submits its response to the Performance Audit conducted by the Office of the Auditor General and the Division of School Audits for the 2010 Fiscal Year. The District would like to thank the Auditor General's staff and the leadership of Vicki Hanson, Manager, and John Ward, Audit Senior, for their professionalism, direction, and education with regard to this audit, and agree with the Audit's findings and recommendations.

**Student Achievement higher than peer district and state averages**

The Auditor's overview strongly highlights that our student achievement is higher than both our peer districts and state averages. In fiscal year 2010, 84 percent of the District's students met or exceeded state standards in math, 92 percent in reading, and 86 percent in writing. These scores were higher than the peer districts' averages and significantly higher than state averages.

The overview also indicates that the District operated efficiently overall with similar administrative costs as peer districts, lower transportation costs per-mile, and reasonably efficient Plant Operation and Food Service Programs.

The Vail School District remains committed to fiscal responsibility, transparency, and effective stewardship of taxpayers' funds. We value the Auditors General's input and collaboration in this process.

Please contact us if there are any questions regarding our response.

Sincerely,

Calvin Baker  
Superintendent

**Finding 1: District’s culture of innovation fosters collaboration and creative approaches to district operations.**

We greatly appreciate the content of this finding and its placement as the #1 finding. As noted, we are continually striving to find different and better ways of improving academics, parent satisfaction, and efficiency. And, we are committed to sharing our successes with others. We are proud, for example, that 70 districts and charter schools across Arizona are seeking to duplicate our academic successes through their partnership in Beyond Textbooks.

**Finding 2: Inadequate accounting and computer controls increased risk of errors, fraud, and unauthorized access to sensitive information.**

**The District agrees with this finding and has or will implement the recommendations.**

Recommendation 1: The District should establish a delayed payroll system in compliance with the Uniform System of Financial Records for Arizona School Districts to help ensure that employees are paid correctly based on actual time worked.

The District began an extensive search and evaluation process in January of 2011 to identify time carding systems and vendors who would be able to provide the district with a viable system to capture actual hours worked for district employees. This would allow the district to move away from the antiquated paper system it was using in 2009-2010, the period evaluated in this audit. The District was in the process of converting to the new system when staff members from the Auditor General’s Office arrived in September of 2011 to begin the audit process. The District selected a vendor that could provide a system to comply with the Uniform System of Financial Records and established a training and implementation schedule that would phase in the system a few schools or locations at a time. The phase-in began at the district office in November of 2011 and concluded with the transportation department in July of 2012. Employees are now paid on a bi-weekly basis for actual hours worked within the pay period. All appropriate leave and actual hours worked are captured and maintained by the system.

Recommendation 2: The District should implement proper controls over its payroll processing to ensure adequate separation of responsibilities.

The District has been modifying system access for all individuals using the integrated Payroll, Human Resource, General Ledger, and Purchasing and Payables system on an annual basis since the system was implemented. After discussions with staff from the Auditor General’s office, further changes have been made to restrict access of payroll employees. This will decrease or eliminate the risk of error and fraud. Time sheets have basically been eliminated except for some unusual circumstances subject to staff review. Separation of duties between Payroll and Human Resource staff has been more clearly defined and system access adjusted accordingly.

Recommendation 3: The District should continue to review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without an independent review.

The District has further restricted the access to our accounting system. We will continue to assure appropriate access levels with relation to job responsibilities are maintained.

Recommendation 4: The District should implement procedures to ensure that network passwords are known only to the employees who create them.

The District will craft and implement procedures to ensure that network passwords are known only to the employees who create them.

Recommendation 5: In addition to its recent implementation of password requirements related to length, the District should implement and enforce password expiration and complexity requirements.

During the summer of 2012, the District implemented a new password policy requiring that all user passwords contain at least 8 characters, one capital letter, and one number or symbol. All existing user passwords that did not conform to this policy were revised by the users in question to bring them to the new standard.

Recommendation 6: The District should limit physical access to its IT rooms so that only appropriate personnel have access.

Over the course of this school year, the District will design and install informational signs on all IT spaces. These signs will clearly designate the nature of the space, that access is restricted to IT personnel, and that any other use (such as storage) is prohibited.

Recommendation 7: The District should install anti-virus software on its Macintosh computers and servers to protect its sensitive information and protect against costly damage or interruption.

The District has installed Sophos Anti-Virus software on all district servers, as well as central and site administrators' laptops and workstations.

Recommendation 8: The District should review its formal disaster recovery plan to ensure that it is complete and test it periodically to identify and remedy deficiencies.

The District will revise and update the Disaster Recovery Plan by the end of the calendar year, designating specific personnel responsible for backup and recovery of data. Specific date to be backed up will be identified and a simulated off-site recovery event will be rehearsed.

Recommendation 9: The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

After detailed discussions with AG staff in early 2012 regarding proper classification of expenditures, the District has made changes to areas, such as student travel, equipment repair, staff training and travel, school achievement banners, and payroll coding. The District will continue to review and identify coding practices within the district. District staff tasked to review expenditure coding will take advantage of training opportunities to ensure on-going compliance with the Uniform Chart of Accounts and make appropriate changes when revisions are made to the Chart of Accounts.

**Finding 3: District should strengthen some controls in its transportation program.**

**The District agrees with this finding and has implemented the recommendations.**

Recommendation 1: The District should retain documentation supporting its ridership for state funding purposes and use its rider counts to calculate and monitor performance measures such as cost per rider and bus capacity utilization.

New documents for more accurate recording of rider counts have been developed. The frequency of rider counts has been increased with an emphasis on both morning and afternoon ridership. The Transportation Department will continue to combine routes from different schools to ensure maximum utilization of all vehicles and control costs.

Recommendation 2: The District should implement a process to ensure that bus driver requirements are met and documented in accordance with the State's "Minimum Standards".

In order to ensure that bus drivers receive on-going training and that they meet the State's "Minimum Standards" for bus driver requirements, the District has implemented the following actions: all driver records are maintained digitally. Every nine weeks drivers whose credentials need to be updated during the following nine-week period are notified verbally and in writing of those elements which need to be renewed. This nine-week period coincides with the regularly scheduled breaks to the District Calendar. It ensures all drivers have time to comply and gives staff the opportunity to make certain compliance occurs. The Transportation Department also conducts CPR and First Aid training as a regularly scheduled event during the scheduled break periods. Annual refresher training takes place during the week before school begins.

Recommendation 3: The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with district policy and State's "Minimum Standards".

The Transportation Department has implemented an enhanced computer based fleet maintenance program. Using software called Service Finder and linked to our routing programs, every vehicle in the District fleet is monitored for mileage, fuel consumption, repairs, and compliance with State of Arizona standards. Eighty-five buses in the District fleet were required to be inspected by the Department of Public Safety this year. The Department had a 100% pass rating on all vehicles with no deficiencies found. Preventive Maintenance cycles are documented and all services are now being conducted in a systematic and timely manner in accordance with district policy and State "Minimum Standards".

#### **Other Findings:**

**The District agrees with the finding and will implement the recommendation.**

Recommendation: The District should reimburse the Classroom Site Fund for amounts spent inappropriately in fiscal year 2010, work with the Arizona Department of Education to make the necessary corresponding adjustments to its expenditure budget, and ensure that only eligible employees receive Classroom Site Fund monies in the future.

The employees in question for 2010 were Certified Site Technology Coordinators and an Athletic Trainer. The District has corrected coding for these positions and will reimburse the Classroom Site Fund and make any necessary adjustments.

Recommendation: The District should reimburse the Extracurricular Activities Tax Credit Fund for the \$82,868 inappropriately spent in fiscal year 2010, work with the Arizona Department of

Education to make the necessary corresponding adjustments to its expenditure budget, and ensure that extracurricular tax credit monies are spent in accordance with statute in the future.

The District has taken steps to ascertain that tax credit monies are not spent on instructional programs. The District created a tax credit use form in February 2012 and has continued to make revisions to that form that accompanies all such requests for expenditure of tax credit funds. The form requires important questions be asked of the requestor and site administration approval to encourage reasonable understanding of the purpose for using tax credit funds for any extracurricular activity. The District will reimburse the Tax Credit fund and make any necessary adjustments.