



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Chino Valley Unified School District

June • 2013
Report No. 13-06



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

June 26, 2013

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Chino Valley Unified School District

Mr. Duane Howard, Superintendent
Chino Valley Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Chino Valley 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 plans to implement or implement in a different manner all of the 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

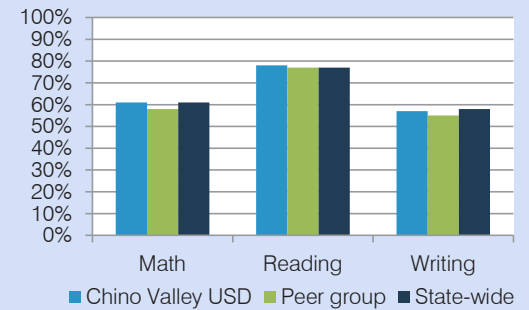
Our Conclusion

In fiscal year 2011, Chino Valley Unified School District's student achievement was similar to peer district and state averages, and its operational efficiencies were mixed with some costs higher and some costs lower than peer districts' averages. The District's per-pupil administrative costs were slightly higher than peer districts' because the District employed more administrative positions per pupil. The District's plant operations, food service, and transportation programs operated reasonably efficiently, with cost measures such as cost per square foot, cost per meal, and cost per mile that were similar to or lower than peer districts' averages. However, the District needs to improve controls over access to critical information systems and strengthen controls over its fuel purchase cards.

Similar student achievement and mixed operational efficiencies

Student achievement similar to peer districts'—In fiscal year 2011, Chino Valley USD's student AIMS scores were similar to both peer district and state averages. Additionally, under the Arizona Department of Education's A-F Accountability Letter Grade System, the District received an overall letter grade of C. Further, the District's 78-percent high school graduation rate was slightly lower than the peer districts' 84-percent average and equal to the 78-percent state average.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2011



Operational efficiencies were mixed

—In fiscal year 2011, Chino Valley USD's per-pupil administrative costs were slightly higher than peer districts', on average, because the District employed more administrative positions per pupil. However, the District's plant operations, food service, and transportation programs operated in a reasonably efficient manner. Plant operations costs per square foot and food service costs per meal were similar

Comparison of per-pupil expenditures by operational area
Fiscal year 2011

Per pupil	Chino Valley USD	Peer group average
Administration	\$803	\$736
Plant operations	830	917
Food service	411	351
Transportation	434	360

to peer districts' averages, and the District's transportation costs per mile and per rider were lower than peer districts' averages. However, the District needs to improve controls over its computer network and systems and over its fuel cards.

District's administrative costs were slightly higher than peer districts'

At \$803, Chino Valley USD's fiscal year 2011 per-pupil administrative costs were 9 percent higher than peer districts', on average, primarily because it employed more administrative positions per pupil. Specifically, the District employed one administrative full-time equivalent (FTE) position for every 84 students while the peer districts employed an average of one administrative FTE for every 96 students. Staffing levels were higher primarily at the district office level where the District employed more administrative support and noninstructional technology positions per student than the peer districts, on average.

Recommendation

The District should review its administrative staffing levels and determine if they can be modified to produce cost savings.



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District lacks sufficient computer controls to protect sensitive information

The District has weak controls over user access to its network and accounting and student information systems. For example, some employees have more access to the accounting system than they need to perform their job duties. In addition, 5 district employees have administrator-level access to the District's network and systems, allowing them to make changes to computer network settings. Typically only one or two information technology employees have this type of access. Additionally, 12 employees have administrator-level access to the District's student information system, which houses critical and sensitive student data. Despite having numerous employees with broad access to its network and systems, the District does not review and monitor logs of user activity to determine whether any unauthorized activity or changes to critical systems or applications occurred.

Recommendations

The District should:

- Review and reduce the number of employees with overly broad access to its network and systems, including reducing the number of employees with administrator-level access.
- Monitor and review users' activities on critical systems.

Controls over fuel cards should be strengthened

Because Chino Valley USD does not own its own fuel tank, it provides fuel cards to bus drivers and maintenance workers to obtain fuel from a local vendor's site. In fiscal year 2011, district employees charged a total of \$144,500 using the fuel cards. We noted several issues with fuel card use. Specifically:

- **Vehicles fueled not identified**—The vendor billing statements did not identify the vehicle that was fueled, making monitoring of fuel purchases more difficult. For instance, the District was unable to calculate miles per gallon for each vehicle as a reasonableness test of the fuel purchases.
- **No up-to-date and complete fuel card logs**—In fiscal year 2011, the District had a total of 79 fuel cards, but could not account for 24 cards because fuel card logs showing card assignments were not up-to-date or complete.
- **Personal identification numbers (PIN) not kept confidential**—PINs were required to purchase fuel. However, these PINs were pre-assigned to each card and were written on the envelope holding each card, potentially allowing PINs to be used by unauthorized users. Further, because each user did not create his/her own confidential PIN, the District could not be sure if the fuel cards were being used only by the assigned user.

We reviewed vendor billing statements for fiscal years 2011 and 2012 and identified some unusual fuel purchases, such as purchases that occurred on holidays or school breaks, and fuel cards that were used more than one time per day. In addition, we found some potentially inappropriate fuel purchases. Specifically, a district employee who was not a bus driver made fuel purchases totaling over \$4,700 after normal work hours, on holidays, and during school breaks. Further, we reviewed 2 weeks of the vendor's security system video footage and identified a plant operations worker using a district fuel card to fuel a nondistrict vehicle. Both individuals no longer work for the District, and district officials stated they have since strengthened fuel card controls.

Recommendations

The District should:

- Work with its fuel vendor to ensure billing statements identify the vehicle fueled.
- Maintain accurate and up-to-date fuel card logs and ensure PINs are confidential.
- Investigate unusual fuel purchases and review purchases for reasonableness.

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DISTRICT OVERVIEW

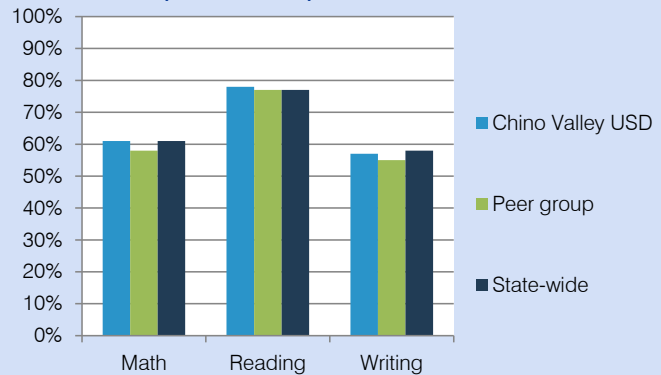
Chino Valley Unified School District is a medium-sized, rural district located 15 miles north of Prescott in Yavapai County. In fiscal year 2011, the District served 2,314 students in kindergarten through 12th grade at its four schools.

Chino Valley USD's fiscal year 2011 student achievement was similar to peer districts' and state averages, and its operational efficiencies were mixed with some costs higher and some costs lower than peer districts' averages.¹ Although the District's per-pupil administrative costs were high, its plant operations, food service, and transportation programs operated reasonably efficiently, with cost measures such as cost per square foot, cost per meal, and cost per mile that were similar to or lower than peer districts' averages. However, the District should improve its computer controls as well as controls over its fuel cards.

Student achievement similar to peer districts' and state averages

In fiscal year 2011, 61 percent of the District's students met or exceeded state standards in math, 78 percent in reading, and 57 percent in writing. As shown in Figure 1, the District's scores were similar to peer districts' and state averages. Further, under the Arizona Department of Education's A-F Accountability Letter Grade System, Chino Valley USD received an overall letter grade of C for fiscal year 2011.² In addition, the District's fiscal year 2011 78-percent high school graduation rate was slightly lower than the 84-percent peer district average and equal to the 78-percent state average.

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2011 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2011 test results on Arizona's Instrument to Measure Standards (AIMS).

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

² The Arizona Department of Education's A-F Accountability Letter Grade System assigns letter grades primarily based on academic growth and the number of students passing AIMS.

District's operational efficiencies were mixed

As shown in Table 1, in fiscal year 2011, Chino Valley USD spent \$3,224 per pupil in the classroom, 15 percent less than peer districts spent, on average. The District spent less per pupil in the classroom in part because it spent less per pupil overall and in part because some of its noninstructional costs were higher. The District spent less overall because unlike 15 of the 18 peer districts, it did not receive any Maintenance and Operations Fund Budget Override monies. The District also received and spent less federal monies than peer districts.

**Table 1: Comparison of per-pupil expenditures by operational area
Fiscal year 2011
(Unaudited)**

Spending	Chino Valley USD	Peer group average	State average
Total per pupil	\$6,479	\$7,026	\$7,485
Classroom dollars	3,224	3,783	4,098
Nonclassroom dollars			
Administration	803	736	728
Plant operations	830	917	927
Food service	411	351	375
Transportation	434	360	352
Student support	494	528	571
Instruction support	283	351	434

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting data.

Slightly higher administrative costs—

At \$803 per pupil, Chino Valley USD's administrative costs were 9 percent higher than the peer districts' average of \$736 per pupil. The District's costs were higher because it employed more administrative positions per pupil than peer districts, on average. In addition, the District needs to strengthen its computer controls (see Finding 1, page 3).

Lower plant operations and maintenance costs—Chino Valley USD spent 9 percent less per pupil for plant operations than peer districts, on average, despite having a similar cost per square foot—\$5.82 compared to peer districts' average \$5.52. The District was able to spend less for plant operations per pupil because it operated and maintained 15 percent less square feet per pupil.

Food service program reasonably efficient—Chino Valley USD's food service costs per pupil were 17 percent higher than peer districts', on average, primarily because it served 17 percent more meals per pupil. Chino Valley USD's \$2.57 cost per meal was similar to the peer district average of \$2.60 per meal.

Transportation program operates reasonably efficiently—In fiscal year 2011, Chino Valley USD's per-pupil transportation costs were 20 percent higher than peer districts', on average, because it transported a larger percentage of its students than the peer districts, on average. The District's \$2.55 cost per mile was 13 percent lower than the peer districts' average cost, and its \$797 cost per rider was 14 percent lower than the peer districts' average. The lower costs were due primarily to the District's employing fewer transportation staff. The District was able to operate with fewer bus drivers, in part, because it reimbursed some parents for transporting their own children to a district bus stop or school. Because parents were typically reimbursed 44 cents per mile, this resulted in a lower cost per mile for the District. However, the District needs to strengthen its controls over fuel cards (see Finding 2, page 7).

FINDING 1

District had slightly higher administrative costs and lacks sufficient computer controls to adequately protect sensitive information

In fiscal year 2011, Chino Valley USD's per-pupil administrative costs were 9 percent higher than peer districts', on average, primarily because it employed more administrative positions per pupil than similarly sized districts. Additionally, the District has an increased risk of errors because it does not have adequate controls over its computer network and systems.

Higher staffing levels led to slightly higher administrative costs

As shown in Table 2, in fiscal year 2011, Chino Valley USD spent \$803 per pupil on administrative costs, 9 percent more than the peer districts' \$736-per-pupil average. As a result, the District spent more of its available operating dollars on administration, leaving it less money available to spend in the classroom.¹ If Chino Valley USD had spent only the peer district average, it potentially could have redirected over \$155,000 into the classroom. Costs were higher because the District employed more administrative positions than the peer districts, on average. Specifically, Chino Valley USD employed one administrative full-time equivalent (FTE) position for every 84 students while the peer districts averaged one administrative FTE for every 96 students. Staffing levels were higher primarily at the district office level where the District employed more administrative support and noninstructional technology positions per student than the peer district averages. At the school level, the District employed more assistant principal/dean of student positions per student than the peer districts, on average.

**Table 2: Comparison of per-pupil administrative costs by category
Fiscal year 2011
(Unaudited)**

Cost Category	Chino Valley USD	Peer group average
Salaries and benefits	\$684	\$618
Purchased services	93	94
Supplies and other	26	24
Total	<u>\$803</u>	<u>\$736</u>

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting data.

¹ Available operating dollars are those used for the District's day-to-day operations. For further explanation, see Appendix page a-1.

Inadequate computer controls increase the risk of errors, fraud, and loss of data

The District needs to improve controls over its computer network and systems. Although no improper transactions were detected in the fiscal year 2011 payroll and purchasing transactions auditors reviewed, these improvements are necessary to help prevent fraud and abuse, protect sensitive information, and ensure continuity of operations in a disaster.

Increased risk of unauthorized access to critical systems—Weak controls over user access to the District's accounting system and student information system increases the risk of fraudulent transactions, access to or manipulation of sensitive information, or other issues. Specifically:

- **Broad access to accounting system**—Auditors reviewed the District's user access report for the nine users with access to the accounting system and found that six district employees have more access to the accounting system than they need to perform their job duties. Five of these employees have the ability to perform all accounting system functions. Although no improper transactions were detected in the 30 employee payroll and personnel records and the 30 accounts payable transactions auditors reviewed, granting employees system access beyond what is required to fulfill their job responsibilities, especially full system access, exposes the District to increased risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding nonexistent vendors or employees. The District should review and further restrict its employees' access to the computerized accounting system to ensure no single employee has the ability to initiate and complete a transaction without independent review and approval.
- **Too many employees with administrator-level access are able to make changes to computer network settings**—Administrator-level access allows the user full control over network settings, including the ability to add new users and modify the level of access users have in the system. Typically, only one or two information technology (IT) employees have this type of access. However, at Chino Valley USD, four IT employees and one business office employee have this access. By allowing too many users to have this access level, the District increases its risk of security breaches because administrator accounts are typically targeted by hackers because of their high-level privileges. A compromised administrator account could result in unauthorized access to, and loss of, sensitive data or disruption of district operations. In addition, 12 district employees have administrator-level access to the District's student information system, which houses critical and sensitive student data.
- **Some employees can access the District's network remotely without unique user identification**—At least six district employees have the ability to access the District's systems and applications remotely using a Virtual Private Network (VPN). However, these employees do not each have their own usernames for VPN purposes. Instead, when each of these individuals accesses the District's network through the VPN, they use the district IT director's user name and password. Therefore, if inappropriate activity occurs during a

VPN session, it would not be tied to a specific user. Further, the District does not maintain documentation of all the employees who have been provided with VPN access.

- **District does not monitor user activity**—Despite having numerous employees with broad access to its systems and applications, the District does not review and monitor logs of user activity to determine whether any unauthorized activity or changes to critical systems or applications occurred. This includes monitoring the activities of administrative users, or users accessing critical systems or applications remotely. To reduce the risk of unauthorized activities going undetected, the District should develop and implement policies and procedures for monitoring and reviewing user activities on critical systems and applications.
- **Weak password requirements**—The District’s password requirements for access to its network and student information system needed strengthening. Network passwords were created by the District’s IT staff and were not required to be changed by users. Therefore, all network passwords are known by IT staff. In addition, the District had not established complexity requirements—that is, passwords do not need to be a minimum length or contain numbers or symbols—for its network or student information system. Further, users were not prompted to periodically change passwords. Common practice requires passwords to be at least eight characters, contain a combination of alphabetic and numeric characters, and be changed every 90 days. These practices decrease the risk of unauthorized persons gaining access to the computer network and systems. After auditors brought this issue to the District’s attention, the District strengthened its password requirements to require passwords to be a minimum length of 8 characters and contain numbers or symbols for complexity. However, the District’s IT staff still creates passwords, and users are required to change them only annually.

Lack of disaster recovery plan could result in interrupted operations or data loss—In fiscal year 2011, the District did not have a written, up-to-date, and tested disaster recovery plan even though it maintained critical student and accounting information on its systems and network. A written and properly designed disaster recovery plan would help ensure continued operations in the case of a system or equipment failure or interruption. The plan should include detailed information on how systems could be restored in such an event. As part of a disaster recovery plan, the District should also perform documented tests of its ability to restore electronic data files from data backups, which are important to ensure continuous accessibility to sensitive and critical data.

Recommendations

1. The District should review its administrative staffing levels and determine if they can be modified to produce cost savings.
2. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.

3. The District should review and reduce the number of users with administrator-level access to its network and student information system.
4. When granting employees the ability to access its computer network and systems remotely, the District should ensure that each employee uses a unique username and password. In addition, the District should maintain documentation of all employees who can access the District's computer network and systems remotely.
5. The District should establish and implement policies and procedures for monitoring and reviewing users' activities on critical systems.
6. In addition to its recent implementation of password requirements related to length and complexity, the District should ensure that passwords are known only to the employees who create them by requiring employees to change their passwords immediately after they are initially assigned. Further, employees should be required to change their passwords every 90 days.
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

FINDING 2

District needs to strengthen controls over fuel cards

Because Chino Valley USD does not own its own fuel tanks, it provides fuel cards to bus drivers to obtain fuel from a local vendor's site. In fiscal year 2011, district employees charged a total of \$144,500 using the fuel cards. Auditors noted several issues with fuel card use.

Fuel cards not adequately controlled or restricted—Fuel cards were assigned to each bus driver at the beginning of the school year and not returned to the District until the end of the school year or the end of a bus driver's employment with the District. Bus drivers who were assigned fuel cards could purchase only diesel fuel on their cards because the District owned only buses requiring diesel fuel. However, several issues indicate the cards were not adequately controlled.

- **No restrictions on fueling days and times**—Bus drivers were not restricted as to the days or times when they fueled their buses.
- **Vehicles being fueled were not identified**—The District received billing statements from the vendor identifying the card number used; date, type, and amount of fuel purchased; and cost. However, the statements did not identify the vehicle fueled because this information was not input as part of the fueling process, and since the fuel cards were assigned to drivers not vehicles, there was no way to identify the vehicle fueled. As a result, the District was unable to review these statements to determine whether all fuel purchases actually were for district vehicles or were appropriate based on transaction details. For instance, the District was unable to calculate miles per gallon for each vehicle as a reasonableness test of the fuel purchases.
- **District did not maintain up-to-date and complete fuel card logs**—In fiscal year 2011, the District had a total of 79 fuel cards, but could not account for the location of 24 cards because it did not keep up-to-date and complete logs showing card assignments.
- **Personal identification numbers (PIN) were not kept confidential**—Although each card required a personal identification number (PIN) to purchase fuel, PINs were not adequately safeguarded. Specifically, PINs were pre-assigned to each card and were written on the outside of the envelope that holds each card. Because PINs were written on the card envelope, unauthorized users could potentially use the PIN. Further, because each driver did not create his/her own confidential PIN, the District could not be sure that the PINs and fuel cards were being used only by the assigned user.

Review of billings identified some unusual and potentially inappropriate purchases—Because of these poor controls, the fuel cards were susceptible to misuse. Therefore, auditors reviewed all of the vendor’s fiscal year 2011 and fiscal year 2012 biweekly billing statements to identify possible misuse. The following unusual purchases were noted:

- Ninety-eight purchases occurred on days when the District was not in session, such as holidays and the winter break.
- On 119 occasions, a fuel card was used to purchase fuel more than one time per day.

Although there could be reasonable explanations for these purchases, the District should develop procedures to review and investigate such purchases when they occur to determine if they are appropriate. Further, the District should review billing statements for purchases that are potentially inappropriate based on other factors such as the job duties of the person purchasing the fuel. For example, auditors identified numerous charges made by one transportation employee that appeared inappropriate based on his job responsibilities with the District. Specifically, the employee, who was not a bus driver, purchased fuel after normal work hours, on holidays, and other days that the District was closed. During fiscal years 2011 and 2012, these potentially inappropriate purchases totaled over \$4,700. In addition, auditors reviewed 2 weeks of video footage taken from the security system of the fueling station and identified a plant operations worker using a district fuel card to fuel a nondistrict vehicle. Neither of these two individuals works at the District any longer, and district officials stated that they have since strengthened fuel card controls.

Recommendations

1. The District should better track fuel card assignments by maintaining accurate, up-to-date logs.
2. The District should ensure that each employee assigned a fuel card has a confidential PIN and that PINs are no longer written on the fuel card holder envelopes.
3. The District should work with its fuel vendor to ensure the vendor’s billing statements identify each district vehicle fueled.
4. The District should strengthen its controls and oversight over fuel card purchases, including reconciling fuel receipts to the billing statements, investigating unusual purchases as soon as possible, and reviewing purchases for reasonableness.

OTHER FINDINGS

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

District did not accurately report costs

Chino Valley USD did not consistently classify its fiscal year 2011 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. Auditors identified errors totaling almost \$913,000 of the District's total \$14.9 million of operational spending.¹ The dollar amounts shown in the tables in this report reflect the necessary adjustments.

Recommendation

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

¹ Operational spending includes costs incurred for the District's day-to-day operation. For further explanation, see Appendix, page a-1.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Chino Valley Unified School District 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 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 2011, was considered.¹ 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.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2011 summary accounting data for all districts and Chino Valley USD's fiscal year 2011 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. Chino Valley USD's student achievement peer group includes Chino Valley USD and the 21 other unified school districts that also served student populations with poverty rates between 19 and 27 percent in towns and rural areas. Auditors compared Chino Valley USD's student AIMS scores to those of its peer group averages. Generally, auditors considered Chino Valley USD's student AIMS scores to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between Chino Valley USD and its peers, as well as the District's graduation rate, and its ADE-assigned letter grade.

To analyze Chino Valley 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 19 other union high school or unified school districts that also served between 2,000 and 7,999 students and were located in town and rural areas. Auditors compared Chino Valley USD's costs to its peer

¹ 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.

group averages. Generally, auditors considered Chino Valley USD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Chino Valley USD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. 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 interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2011 administration costs and compared these to peer districts' and surveyed the peer districts to further evaluate staffing levels.
- 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's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2011 transportation costs and compared them to peer districts'. Further, auditors reviewed all of the District's fiscal year 2011 and fiscal year 2012 vendor fuel card statements and reviewed video footage from a 2-week period in June 2012 from the vendor's fuel station cameras.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 383 individuals who received payments through the District's payroll system and reviewed supporting documentation for 30 of the 11,840 accounts payable transactions in fiscal year 2011. After adjusting transactions for proper account classification, auditors reviewed fiscal year 2011 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 whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2011 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2011 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; 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 2011 expenditures to determine whether they were appropriate and whether the District properly accounted for them. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed. 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 Chino Valley Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE



Office of the Superintendent

June 17, 2013

Debra K. Davenport, C.P.A.
Auditor General
State of Arizona Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport,

The District has received your letter and draft preliminary report of the Chino Valley Unified School District performance audit dated June 11, 2013.

We want to thank your staff for their professionalism and interest in making Chino Valley USD a better and more efficient entity. Your office has helped the District work towards its continued goal of being good stewards of the public funds entrusted to the District.

Attached is the District's response to the findings and recommendations as outlined in the preliminary report. You will find that the District concurs with the findings of the audit team. In addition, the District has already implemented some of the recommendations and is working on implementing the remainder.

If you should have any questions regarding the responses provided by the District, please do not hesitate to contact us.

Sincerely,

H. Duane Howard
Superintendent

Cc: Governing Board

FINDING 1

The District had slightly higher administrative costs and lacks sufficient computer controls to adequately protect sensitive information.

Response

The District concurs with this finding and will implement the recommendations as outlined below.

Recommendation 1

The District should review its administrative staffing levels and determine if they can be modified to produce cost savings.

Response

The District has and will continue to implement this recommendation as stated. Since fiscal year 2011 the District has reduced its district office level administrative staff by three FTE's. In addition, since fiscal year 2011 two site based administrative positions have been reclassified to lower positions.

Recommendation 2

The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.

Response

The District will implement this recommendation as stated by reviewing the responsibilities of each employee that has access to the accounting system and modify the user roles within the accounting system to match those responsibilities.

Recommendation 3

The District should review and reduce the number of users with administrator-level access to its network and student information system.

Response

The District will implement this recommendation as stated by reviewing the responsibilities of each employee that has access to the network and student information system and modify the user roles to match those responsibilities.

Recommendation 4

When granting employees the ability to access its computer network and systems remotely, the District should ensure that each employee uses a unique username and password. In addition, the District should maintain documentation of all employees who can access the District's computer network and systems remotely.

Response

The District will implement this recommendation as stated.

Recommendation 5

The District should establish and implement policies and procedures for monitoring and reviewing users' activities on critical systems.

Response

The District will implement this recommendation as stated.

Recommendation 6

In addition to its recent implementation of password requirements related to length and complexity, the District should ensure that passwords are known only to the employees who create them by requiring employees to change their passwords immediately after they are initially assigned. Further, employees should be required to change their passwords every 90 days.

Response

The District will implement this recommendation with a modification. The District already requires employees to change their passwords upon initial logon to the network and other critical systems. The District has implemented a procedure to require employees to change their passwords every 180 days.

Recommendation 7

The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

Response

The District will implement this recommendation as stated.

FINDING 2

District needs to strengthen controls over fuel cards.

Response

The District concurs with this finding and has implemented the recommendations as outlined below.

Recommendation 1

The District should better track fuel card assignments by maintaining accurate, up-to-date logs.

Response

The District has implemented this recommendation as stated.

Recommendation 2

The District should ensure that each employee assigned a fuel card has a confidential PIN and that PINs are no longer written on the fuel card holder envelopes.

Response

The District has implemented this recommendation as stated.

Recommendation 3

The District should work with its fuel vendor to ensure the vendor's billing statements identify each district vehicle fueled.

Response

The District has implemented this recommendation as stated.

Recommendation 4

The District should strengthen its controls and oversight over fuel card purchases, including reconciling fuel receipts to the billing statements, investigating unusual purchases as soon as possible, and reviewing purchases for reasonableness.

Response

The District has implemented this recommendation as stated.

OTHER FINDINGS

District did not accurately report costs.

Recommendation

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

Response

The District has implemented this recommendation as stated.

