A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Whiteriver Unified School District

December • 2015
Report No. 15-216

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 9, 2015

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Whiteriver Unified School District

Dr. Rea Goklish, Superintendent
Whiteriver Unified School District

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Whiteriver 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 recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

STATE OF ARIZONA
OFFICE OF THE AUDITOR GENERAL

Whiteriver Unified School District

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2014, Whiteriver Unified School District's student achievement was lower than peer districts', on average, and its operational efficiency varied by area with some costs higher and some costs lower than peer districts' averages. The District's transportation program was reasonably efficient with a lower cost per mile and bus routes that filled buses to an average of 85 percent of seat capacity. Additionally, the District's food service program operated efficiently with a much lower cost per meal than peer districts', on average. However, the District's administrative cost per pupil was much higher than the peer districts' average because of higher staffing levels, and the District needs to strengthen controls over its computer network and systems. Further, the Districts' plant operations cost per pupil was higher than the peer districts' average primarily because the District maintained a large amount of excess building space, operating its schools at just 57 percent of capacity, on average, in fiscal year 2014.

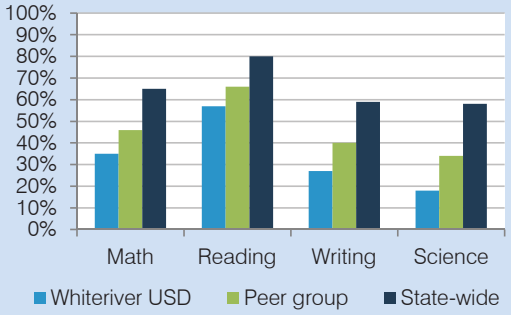
2015

December • Report No. 15-216

Student achievement lower and operational efficiency varied by area

Student achievement lower than peer districts'—In fiscal year 2014, Whiteriver USD's student AIMS scores in math, reading, and writing were lower, or slightly lower, than the peer districts' averages and its science scores were much lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of D. Seven of the 13 peer districts also received Ds, 8 peer districts received Cs, 2 received Bs, and 3 received As. Additionally, the District's 67 percent graduation rate was lower than the peer districts' 75 percent average and the State's 76 percent average.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2014



Operational efficiency varied by area—In fiscal year 2014, Whiteriver USD's operational efficiency varied by area. Compared to peer districts', Whiteriver USD's transportation program was reasonably efficient with a lower cost per mile and bus routes that filled buses to an average of 85 percent of seat capacity. Additionally, the District's food service program operated efficiently with a much lower cost per meal. However, the District's administrative cost per pupil was much higher than the peer districts' average primarily because the District had higher administrative staffing levels. The Districts' plant operations cost per pupil was also higher than peer districts', on average, primarily because the District maintained more square footage per pupil, which was not needed because the District's schools operated at just 57 percent of capacity, on average, in fiscal year 2014.

Comparison of per pupil expenditures by operational area
Fiscal year 2014

	Whiteriver USD	Peer group average
Administration	$1,174	$789
Plant operations	1,149	1,009
Food service	566	386
Transportation	513	406

Much higher administrative costs and inadequate computer controls

Higher costs and staffing levels—In fiscal year 2014, Whiteriver USD's administrative cost per pupil was 49 percent higher than peer districts', on average, primarily because it had higher administrative staffing levels. More specifically, Whiteriver USD employed one administrative full-time equivalent (FTE) position for every 85 students while the peer districts averaged one administrative FTE for every 95 students. Staffing levels were higher primarily at the district office level where the District employed more administrative support positions, such as administrative assistants and secretaries, per

student than the peer district averages. Also, the District employed certain administrative positions that most of the peer districts did not, such as a federal programs director. In addition to employing more positions, as part of its federal No Child Left Behind school improvement plan, the District chose to include additional pay for its principals. Whiteriver USD paid its principals an 18 percent higher average salary than the peer districts.

Inadequate computer controls—The District lacked adequate controls over its computer systems and network. More specifically, 5 of the District's 12 accounting system users had more access to the accounting system than they needed to perform their job duties. Further, the District's network and student information system had multiple user accounts that were linked to employees who no longer worked for the District. The District's network also had some unnecessary generic accounts not assigned to specific users, making it difficult or impossible to hold anyone accountable if inappropriate activity occurred while using these accounts. In addition, although the District's computer servers were located in locked rooms, the server rooms were accessible to non-IT staff, which increased the risk of network interruption due to intentional or accidental equipment damage. Finally, the District lacked a written, up-to-date, and tested disaster recovery plan for its network and critical systems. Having a written and properly designed 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:

- Review its administrative positions and related duties and determine and implement ways to reduce administrative costs;
- Implement proper controls over its computer systems and network; and
- Create and test a formal disaster recovery plan.

District spent more on plant operations primarily for excess building space

In fiscal year 2014, Whiteriver USD's plant operations cost per square foot was 12 percent lower than the peer districts' average, but its cost per pupil was 14 percent higher because it maintained a large amount of exess building space. As a result, the District spent more of its available operating dollars for plant operations, leaving it less money to spend in the classroom. Whiteriver USD's schools operated at just 57 percent of capacity, on average, in fiscal year 2014. Maintaining more building space is costly to the District because the majority of its funding is based on its number of students, not the amount of square footage it maintains. Had Whiteriver USD maintained a similar amount of school building space per student as its peer districts averaged, it could have saved more than $513,000, monies that the District otherwise potentially could have spent in the classroom. To its credit, the District closed its existing high school in fiscal year 2012 and moved the students to its smaller alternative high school building to help reduce its excess space. However, given the large amount of remaining excess building space noted above, the District should continue to look for ways to further reduce its excess building space.

Recommendation

The District should continue to review the use of space at its schools and implement ways to reduce identified excess space.

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DISTRICT OVERVIEW

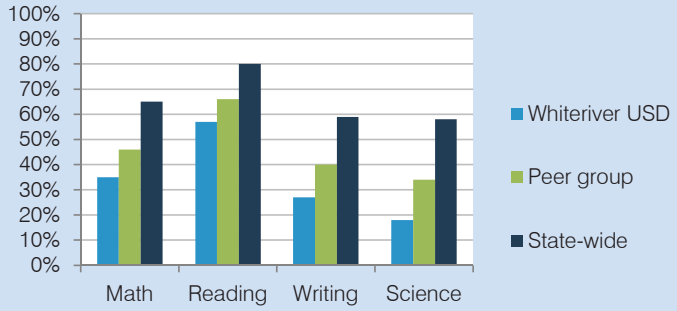
Whiteriver Unified School District is a medium-large sized, rural district located on the Fort Apache Indian Reservation in Navajo County. In fiscal year 2014, the District served 2,112 kindergarten through 12th-grade students at its five schools.

In fiscal year 2014, Whiteriver USD's student achievement was lower than peer district averages, and its cost-efficiency in operational areas was mixed, with some costs higher and some costs lower than peer districts' averages.[1] Specifically, the District's food service and transportation programs were reasonably efficient. However, the District's administration and plant operations were less efficient, with higher costs per pupil in both areas than the peer districts, on average.

Student achievement lower than peer districts'

In fiscal year 2014, 35 percent of the District's students met or exceeded state standards in math, 57 percent in reading, 27 percent in writing, and 18 percent in science. As shown in Figure 1, the District's scores in reading were slightly lower than the peer districts' averages, its math and writing scores were lower, and its science scores were much lower. Under the Arizona Department of Education's A-F Letter Grade Accountability System, Whiteriver USD received an overall letter grade of D for fiscal year 2014. Seven of the peer districts also received Ds, 8 received Cs, 2 received Bs, and 3 received As. Further, one of the District's schools was involved in a required No Child Left Behind (NCLB) school improvement process monitored by the Arizona Department of Education. In addition, the District's 67 percent graduation rate in fiscal year 2014 was lower than the peer districts' 75 percent average and the State's 76 percent average.

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2014 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2014 test results on Arizona's Instrument to Measure Standards (AIMS).

District's operational efficiency varied by area, and some improvements needed

As shown in Table 1 on page 2, and based on auditors' review of various performance measures, in fiscal year 2014, some of Whiteriver USD's operations were relatively efficient while other areas

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

needed improvement. In addition, the District spent $10,725 per pupil, which was over $3,000 higher than peer districts' average per pupil spending. Of this additional spending, only 23 percent went to the classroom, primarily for two reasons: (1) the District spent much more on instruction support services, such as teacher training to help improve student achievement, which was required as part of the NCLB school improvement process, and (2) the District operated less efficiently in administration and plant operations. Whiteriver USD was able to spend more per pupil than peer districts because it received more funding, primarily federal funding in the form of federal Impact Aid and federal grants.

Table 1: Comparison of per pupil expenditures by operational area Fiscal year 2014 (Unaudited)

Spending	Whiteriver USD	Peer group average	State average
Total per pupil	$10,725	$7,573	$7,578
Classroom dollars	4,801	3,914	4,073
Nonclassroom dollars			
Administration	1,174	789	757
Plant operations	1,149	1,009	923
Food service	566	386	405
Transportation	513	406	373
Student support	1,018	607	600
Instruction support	1,504	462	447

Source: Auditor General staff analysis of fiscal year 2014 Arizona Department of Education student membership data and district-reported accounting data.

Much higher administrative costs and some improvements needed—At $1,174 per pupil, Whiteriver USD's administrative cost per pupil was 49 percent higher than the peer districts' average. Whiteriver USD spent more on administration primarily because it employed more administrative positions than peer districts averaged. Additionally, the District needs to strengthen its computer controls (see Finding 1, page 3).

Excess building space led to high plant operations costs—Although Whiteriver USD's $4.83 plant operations cost per square foot was 12 percent lower than the peer districts' average, its cost per pupil was 14 percent higher primarily because the District maintained 27 percent more square footage per student. This additional square footage was likely not needed because Whiteriver USD operated most of its schools far below their designed capacities (see Finding 2, page 7).

Efficient food service program—Whiteriver USD's food service program operated efficiently with a $2.30 cost per meal that was 17 percent lower than the peer districts' $2.76 average. The District kept its cost per meal lower and maintained a self-sufficient program partly because it negotiated favorable terms with its food service vendor, including lower administrative and management fees than those its peer districts paid, on average. The District spent 47 percent more per pupil for food service than the peer districts averaged because it served 73 percent more meals per pupil.

Reasonably efficient transportation program—Whiteriver USD's $3.47 cost per mile was 7 percent lower than the peer districts' average, and its $657 cost per rider was 28 percent higher. The District's cost per rider was higher because it traveled 28 percent more miles per rider than the peer districts averaged. Overall, the District's transportation program was reasonably efficient. The District operated efficient bus routes, filling buses to an average of 85 percent of seat capacity, and auditors did not identify any routes that could be eliminated or combined to improve efficiency. Further, the District employed other practices to help improve efficiency, such as monitoring fuel usage.

FINDING 1

District had high administrative costs and inadequate computer controls

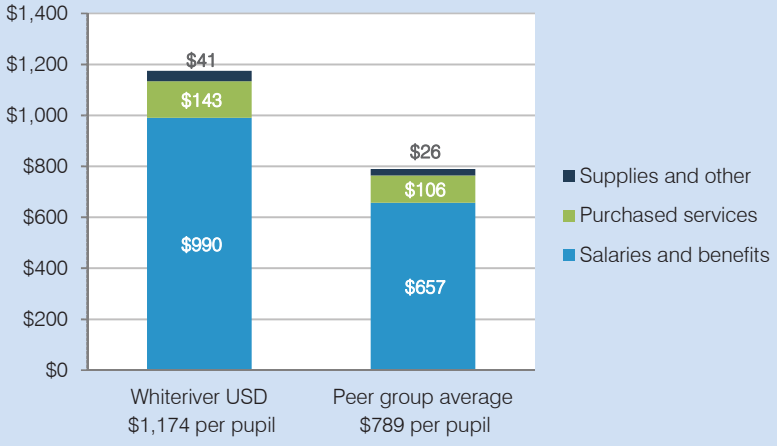
In fiscal year 2014, Whiteriver USD's administrative cost per pupil was 49 percent higher than peer districts', on average, primarily because it employed more administrative positions than the peer districts' averaged. Additionally, the District lacked adequate controls over its computer systems and network. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors and fraud.

District employed more administrative positions

In fiscal year 2014 Whiteriver USD spent $1,174 per pupil for administration, 49 percent more than the peer districts' $789 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] Had the District spent the same per pupil amount on administration in fiscal year 2014 as its peer districts averaged, it potentially could have saved more than $813,000, monies that otherwise potentially could have been spent in the classroom. As shown in Figure 2, Whiteriver USD's higher administrative costs occurred primarily in salaries and benefits.

The District's administrative costs were higher primarily because it employed more administrative positions than the peer districts, on average. Specifically, Whiteriver USD employed one administrative full-time equivalent (FTE) position for every 85 students while the peer districts averaged one administrative FTE for every 95 students. Staffing levels were higher primarily at the district office level where the District employed more administrative support positions, such as administrative assistants and secretaries, per student than the peer district averages. Also, the

Figure 2: Comparison of per pupil administrative costs by category Fiscal year 2014 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2014 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.

District employed certain administrative positions that most of the peer districts did not, such as a federal programs director.

In addition to employing more positions, the District also paid its principals a 18 percent higher average salary than the peer districts. Whiteriver USD paid higher principal salaries primarily because, as part of its federal No Child Left Behind school improvement plan, the District chose to include additional pay for its principals.

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

Whiteriver USD lacked adequate controls over its computer systems and network. Although no improper transactions were detected, these poor controls exposed the District to an increased risk of errors, fraud, and loss of data.

Broad access to accounting system—Auditors reviewed the District's user access report for the 12 employees with access to the accounting system and found that 5 employees had more access to the accounting system than they needed to perform their job duties. Three of these employees had full access to the accounting system, giving them the ability to perform all accounting system functions without an independent review and approval. No improper transactions were detected in the 30 payroll and 30 accounts payable transactions for fiscal year 2014 that auditors reviewed. However, granting employees system access beyond what is required to fulfill their job duties, especially full system access, exposes the District to a greater risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding and paying nonexistent vendors or employees. The District should review and further restrict its employees' access to the accounting system to ensure no single employee has the ability to initiate and complete a transaction without independent review and approval.

Inadequate procedures for removing access to critical systems—The District lacked a timely process for ensuring that only current employees had access to critical systems. Auditors found 43 network user accounts, 12 student information system user accounts, and 1 accounting system user account that were linked to employees or contracted service providers who no longer worked for the District. To reduce the risk of unauthorized access, the District should implement procedures to ensure the prompt removal of network and system access when a user is no longer employed by the District.

Generic network accounts—Auditors reviewed the District's network user access report and found 10 unnecessary, active generic accounts. Having generic accounts creates additional risk because they are not assigned to specific individuals and therefore makes it difficult or impossible for the District to hold anyone accountable if inappropriate activity were conducted using these accounts. The District should eliminate unnecessary generic accounts and minimize the number of generic accounts it maintains and establish proper controls over them, such as disabling them when not being used.

Physical access to computer server rooms were not limited—The District did not sufficiently protect its computer servers. Although the District's servers were located in locked rooms, the server rooms were accessible to custodial workers and other non-IT staff, which increased the risk of network interruption due to intentional or accidental equipment damage.

Lack of disaster recovery plan and backup testing could result in interrupted operations or data loss—Whiteriver USD 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 operation in the case of a system or equipment failure or interruption. The plan should include detailed information on how to restore systems 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 positions and related duties and determine and implement ways to reduce administrative costs.

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

3. The District should develop and implement a formal process to ensure that terminated employees have their IT systems and network access promptly removed.

4. The District should eliminate unnecessary generic accounts in its network and properly control any remaining generic accounts.

5. The District should limit physical access to its IT server rooms so that only appropriate personnel have access.

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

FINDING 2

District spent more on plant operations primarily for excess building space

In fiscal year 2014, Whiteriver USD's plant operations cost per square foot of $4.83 was 12 percent lower than the peer districts' average of $5.46. However, the District did not gain the full benefit of potential savings from this lower cost per square foot because it maintained a large amount of excess building space with 27 percent more square footage per student than the peer districts', on average. As a result, the District's plant operations cost per pupil was 14 percent higher than peer districts averaged, and it spent more of its operating dollars for plant operations, leaving it less money to spend in the classroom.

Higher plant costs per pupil because of excess space

As shown in Table 2, Whiteriver USD's plant operations cost per pupil was 14 percent higher than the peer districts' average despite having a lower cost per square foot. The higher per pupil plant costs were primarily caused by the District operating and maintaining much more building space per pupil than the peer districts' averaged. Had the District maintained a similar amount of school building square footage per pupil as the peer districts, it could have saved more than $513,000, monies that otherwise potentially could have been spent in the classroom. As shown in Table 2, Whiteriver USD operated and maintained 238 square feet per student, 27 percent more than the peer districts' average of 188 square feet per student and well above the State's applicable minimum standards for elementary, middle, and high school facilities of 80, 84, and 120 square feet per pupil, respectively, as established by Arizona Revised Statutes §15-2011.

Table 2: Comparison of plant operations efficiency measures Fiscal year 2014 (Unaudited)

Efficiency measures	Whiteriver USD	Peer group average
Cost per square foot	$4.83	$5.46
Cost per pupil	$1,149	$1,009
Square feet per pupil	238	188

Source: Auditor General staff analysis of fiscal year 2014 Arizona School Facilities Board square footage information, Arizona Department of Education student membership data, and district-reported accounting data.

Most schools operated far below designed capacities

The District's additional building space was likely not needed because most of its schools operated far below their designed capacities. As shown in Table 3 on page 8, in fiscal year 2014, four of Whiteriver USD's five schools operated below 65 percent of capacity, and the District overall operated at just 57 percent of capacity. In fact, although the District's schools had a total capacity of 3,679 students, the District's student population has been much lower for many years, ranging between 1,955 and

Table 3: Number of students, capacity, and percentage of capacity used by school
Fiscal year 2014
(Unaudited)

School name	Number of students	Designed capacity	Percentage of capacity used
Alchesay High School	503	844	60%
Canyon Day Junior High School	365	924	40
Cradleboard Elementary School	278	443	63
Seven Mile Elementary School	481	511	94
Whiteriver Elementary School	485	957	51
Total	**2,112**	**3,679**	**57%**

Source: Auditor General staff analysis of fiscal year 2014 student membership data obtained from the Arizona Department of Education and fiscal year 2014 building capacity information obtained from the Arizona School Facilities Board.

2,690 between fiscal years 2001 and 2014. Additionally, Whiteriver USD's student enrollment has decreased by 21 percent during that same period.

The District has already taken one step to reduce its excess space. Specifically, in fiscal year 2012, the District closed its existing high school building, which was designed to hold over 1,000 students, and moved the students to its smaller, 844-capacity alternative high school building. In fiscal year 2015, the District demolished the former high school building. However, in light of the District's higher-than-average plant operations costs and its remaining large amount of excess building space, the District should look for ways to further reduce its excess building space. Maintaining more building space per student is costly to the District since the majority of its funding is based on its number of students, not the amount of square footage it maintains.

Recommendation

The District should continue to review the use of space at each of its schools and determine and implement ways to reduce identified excess space.

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.

Some extra duty pay was not properly approved

Auditors reviewed payroll and personnel records for 30 employees who received payments in fiscal year 2014 and found that 1 of the 23 employees who received extra duty pay received three separate payments that did not have any supporting documentation showing that the additional duties and pay were approved prior to the services being rendered. Specifically, the employee earned a total of $17,110 in salaries and benefits for various duties, such as coordinating specific district programs, without documentation of prior approval for the additional pay. To help ensure that all pay is properly authorized and employees are paid correctly, the District should document additional duties and related pay in the employees' contracts or personnel/payroll action forms and ensure that these documents are properly approved prior to payment as required by the *Uniform System of Financial Records for Arizona School Districts*. This documentation should be maintained in employees' personnel files.

Recommendation

The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Whiteriver Unified 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 2014, 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 2014 summary accounting data for all districts and Whiteriver USD's fiscal year 2014 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. Whiteriver USD's student achievement peer group includes Whiteriver USD and the 20 other unified school districts that also served student populations with poverty rates greater than 36 percent in towns and rural areas. Auditors compared Whiteriver USD's student AIMS scores and graduation rate to those of its peer group averages. The same grade levels were included to make the AIMS score comparisons between Whiteriver USD and its peer group. AIMS scores were calculated using test results of the grade levels primarily tested, including grade levels 3 through 8 and 10 for math, reading, and writing, and grade levels 3 through 12 for science. Generally, auditors considered Whiteriver USD's student AIMS scores and graduation rate 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 Whiteriver USD and its peers, as well as the District's graduation rate, and Arizona Department of Education-assigned letter grade.[2]

To analyze Whiteriver USD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type,

[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.

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

and location. This operational peer group includes Whiteriver USD and 22 other medium to large unified school districts that also served between 2,000 and 7,999 students and were located in town and rural areas. To analyze Whiteriver USD's operational efficiency in transportation, auditors selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group includes Whiteriver USD and 16 other districts that also traveled less than 210 miles per rider and were located in town and rural areas. Auditors compared Whiteriver USD's costs to its peer group averages. Generally, auditors considered Whiteriver 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 Whiteriver 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 2014 administration costs and compared these to peer districts' and surveyed the peer districts to further evaluate staffing levels.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2014 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 438 individuals who received payments in fiscal year 2014 through the District's payroll system and reviewed supporting documentation for 30 of the 8,144 fiscal year 2014 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that were considered significant to the audit objectives and reviewed fiscal year 2014 spending 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 plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2014 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 2014 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 managed its transportation program appropriately and whether it 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 2014 transportation costs and compared them to peer districts'. To analyze the District's fuel purchases and usage, auditors reviewed vendor fuel invoices.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2014 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 Whiteriver Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

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WHITERIVER UNIFIED SCHOOL DISTRICT NO. 20

Dr. Rea Goklish
Superintendent

Bernadine Mitchell
Executive Assistant

December 2, 2015

Debra Davenport
Auditor General
State of Arizona
2910 N. 44th Street, Suite 410
Phoenix, Az 85018

RE: Response to Whiteriver Unified School District # 20 Fiscal Year 2014 Performance Audit

Dear Ms. Davenport,

Whiteriver Unified School District respectfully submits our response to the Performance Audit conducted by the Auditor General for fiscal year 2014. We appreciate the professionalism of your staff during the audit and their guidance in implementing recommendations to improve performance.

Attached is the District's response to each of the findings in the report. The District concurs with all audit findings will implement the recommendations provided by your office to ensure we are performing in the most effective and efficient manner.

Thank you for your courtesy and professionalism extended to our staff by your audit team.

Respectfully submitted,

Dr. Rea Goklish
Superintendent
Whiteriver Unified School District No. 20

Finding 1: District had high administrative costs and inadequate computer controls

District Response: The district concurs with this finding and has taken action through re-evaluation and attrition of positions. The district will continue to re-evalaute administrative support positions at the district office level. The district will also implement procedures to address computer controls as recommended.

Recommendation 1: The District should review its administrative positions and related duties and determine and implement ways to reduce administrative costs.

District Response: The district has implemented the recommendation through re-evaluation and attrition of positions at the district office level.

Recommendation 2: The District should review employees' access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and approval and that employees have only the access necessary to meet their job responsibilities.

District Response: The District has began implementation of the recommendation by reviewing employee access. The District will continue to review empoyee's access to the accounting system to ensure employees only have access to the system to complete their assigned job responsibilities and that no employee can complete a transaction without independent review and approval.

Recommendation 3: The District should develop and implement a formal process to ensure that terminated employees have their IT systems and network access promptly removed.

District Response: The District will implement the recommendation by creating a formal process to ensure that terminated employees have their IT systems and network access promptly removed.

Recommendation 4: The District should eliminate unnecessary generic accounts in its network and properly control any remaining generic accounts.

District Response: The District will implement this recommendation by evaluating and eliminating unnecessary generic accounts and properly control any remaining generic accounts to its network to ensure and maintain accountability.

Recommendation 5: The District should limit physical access to its IT server rooms so that only appropriate personnel have access.

District Response: The District will implement this recommendation by evaluating and limiting access to its IT server rooms to appropriate personnel.

Recommendation 6: The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

District Response: The District will implement this recommendation by creating a formal disaster recovery plan and will test the plan periodically to identify and remedy identified deficiencies.

Finding 2: District spent more on plant operations primarily for excess building space

District Response: The District concurs with this finding and has taken steps by reducing excess space and will continue to re-evaluate use of building space.

Recommendation: The District should continue to review the use of space at each of its schools and determine and implement ways to reduce identified excess space.

District Response: The District has implemented this recommendation by evaluating use of space to identify underutilized space and possible cost savings. The District will also work with the School Facilities Board to re-evaluate usable space within the District.

Other Findings: Some extra duty pay was not properly approved

District Response: The District concurs with this finding.

Recommendation: The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

District Response: The District will ensure that all additional duties and related payments are addressed in employment contracts and approved in advance of work being performed and maintained in employee personnel files.

ACCOUNTABILITY
INTEGRITY
MAKING A DIFFERENCE