



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Marana Unified School District

August • 2012
Report No. 12-09



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

August 6, 2012

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Marana Unified School District

Dr. Doug Wilson, Superintendent
Marana Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Marana 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.

This report will be released to the public on August 7, 2012.

Sincerely,

Debbie Davenport
Auditor General

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Marana USD's student achievement compared favorably to state-wide student achievement indicators but less favorably to its peer districts' averages. With respect to its operations, the District operated efficiently overall with similar or lower costs than peer districts. However, the District should improve its oversight and controls in several areas. For example, the District needs to improve some administrative procedures to reduce the risk of errors and fraud. Additionally, the District should improve controls over bus driver time, fuel usage, and reporting of riders. Finally, the District should ensure that only eligible employees are paid Classroom Site Fund monies and require that teachers actually attain their agreed-upon goals in order to receive additional performance pay.



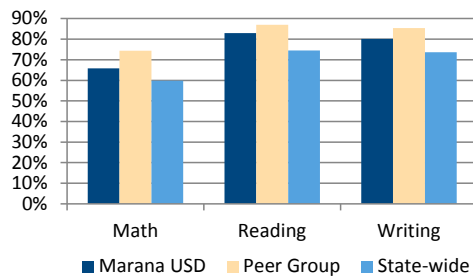
2012

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Lower student achievement and efficient operations

Student achievement higher than state averages but lower than peers'—In fiscal year 2010, Marana USD's student AIMS scores were higher than state averages but lower than peer districts'. Similarly, the District's 84-percent high school graduation rate was higher than the State's 78-percent average but lower than the peer districts' 92-percent average. Additionally, 4 of the District's 16 schools did not meet "Adequate Yearly Progress" for the federal No Child Left Behind Act.

Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010



District operated efficiently overall—In fiscal year 2010, Marana USD operated efficiently overall with similar or lower per-pupil costs than its peer districts in all areas other than transportation. Although the District had higher per-pupil transportation costs than peer districts, its transportation program was reasonably efficient with a slightly lower cost per rider and cost per mile. The District's total per-pupil spending of \$6,971 and classroom spending of \$3,866 were both similar to peer districts' spending.

Per-Pupil Expenditures by Operational Area Fiscal Year 2010

Operational Area	Marana USD	Peer Group Average
Administration	\$637	\$627
Plant operations	860	917
Food service	297	308
Transportation	508	326

Better oversight and controls needed to help reduce the risk of errors and fraud

District was not reimbursed for salary cost of individual on loan to university—Since fiscal year 2008, the District has paid the salary of an individual who had been a district teacher but who went to teach at a nearby university. However, the District was not reimbursed the \$41,000 yearly salary by the university in fiscal years 2010, 2011, and 2012.

District may have improperly included a nondistrict employee in state retirement system—In fiscal years 2005 through 2010 and potentially prior to this time period, the District paid the salary of an individual who had been a district teacher

but who went to work full-time for an education association. The District continued to include the individual in the Arizona State Retirement System, which may have been inappropriate.

District did not always maintain accurate employee leave balances—In fiscal year 2010, for 2 of 30 employee files we reviewed, the District neglected to deduct 16 and 25 hours of leave, respectively, that the 2 employees took during the year.

District granted overly broad access to accounting system—Auditors scanned

the District's user access report for all 150 users and found 7 users with access that would allow them to complete transactions without an independent review and approval.

Many purchases lacked proper approval—For 19 of 30 purchases we reviewed, the District was unable to show proper site-level approval. Additionally, 4 of the 30 purchases occurred prior to the creation and approval of a purchase order, in contrast to district policy and proper procurement practices.

District did not accurately report its costs—We identified classification errors totaling approximately \$3.7 million of the District's total \$86 million in current spending. When corrected, these changes decreased the District's reported instructional

expenditures by about \$1.1 million, or 1.3 percentage points.

Recommendations—The District should:

- Obtain payment for the teacher working at the university and determine whether the education association employee was eligible to participate in the Arizona State Retirement System.
- Ensure that it properly deducts employee leave balances.
- Limit employees' access to only those accounting system functions needed.
- Ensure that all purchases are approved prior to being made.
- Classify transactions in accordance with the Uniform Chart of Accounts for school districts.

Transportation program reasonably efficient, but District should improve controls over bus driver time, fuel usage, and reporting of riders

District paid bus drivers for hours not worked—The District paid each driver for 40 hours per week regardless of the number of hours worked. For fiscal year 2010, we found that nine of the ten drivers reviewed were paid for more hours than they actually worked. Additionally, we found that some drivers were paid overtime for trips or routes outside of their regular schedules even though they did not work 40 hours during the week.

Inadequate controls over fuel inventory increases risk of theft—District officials are not monitoring fuel logs to ensure that fuel usage is appropriate. Auditors reviewed district documents from July 2011 to October 2011 and found that 648 gallons of unleaded gasoline were unaccounted for.

District incorrectly reported number of riders for

state transportation funding— In fiscal year 2010, the District incorrectly reported about 600, or 9 percent, more riders than they actually transported. Although this error did not affect the District's funding in this case, the District should report students actually transported in the future to ensure accurate funding.

Recommendations—The District should:

- Limit the amount of nonproductive time for which it pays its bus drivers, and monitor employee time to ensure it appropriately pays overtime.
- Review fuel logs to ensure fuel purchases are appropriate.
- Track and report the actual number of students transported.

District paid some Classroom Site Fund monies to ineligible individuals and for unmet goals

In fiscal year 2010, the District spent some Classroom Site Funds (CSF) monies inappropriately. The District paid CSF monies to nine ineligible individuals including two individuals who were not district employees during fiscal year 2010. Additionally, the District did not require teachers to actually meet their goals to earn performance pay.

Recommendations—The District should:

- Ensure that only eligible employees receive CSF monies.
- Require that teachers attain their agreed-upon goals in order to receive additional performance pay.

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DISTRICT OVERVIEW

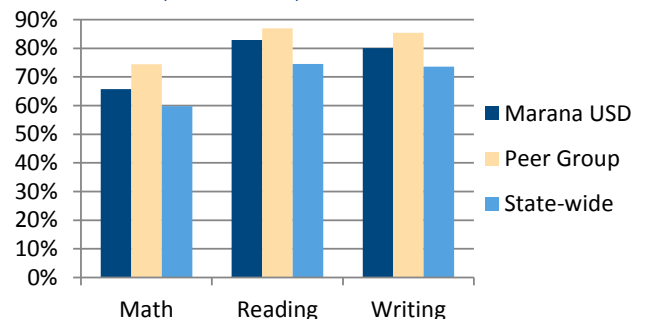
Marana Unified School District is located about 16 miles northwest of Tucson in Pima County. The District is geographically large, encompassing 547 square miles. In fiscal year 2010, the District served 12,384 students in preschool through 12th grade at its 16 schools, including 11 elementary schools, 1 intermediate school, 2 middle schools, and 2 high schools.

In fiscal year 2010, Marana USD's student achievement compared favorably to state-wide student achievement indicators but less favorably to its peer districts' averages.¹ With respect to its operations, the District operated efficiently overall with similar or lower costs than peer districts. However, the District should improve its oversight and controls in several areas. For example, the District needs to improve some administrative procedures to reduce the risk of errors and fraud, and implement formal information technology policies and procedures. Additionally, the District should improve controls over bus driver time, fuel usage, and reporting of riders. Finally, the District should ensure that only eligible employees are paid Classroom Site Fund monies and require that teachers actually attain their agreed-upon goals in order to receive additional performance pay.

Student achievement higher than state averages but lower than peers'

In fiscal year 2010, 66 percent of the District's students met or exceeded state standards in math, 83 percent in reading, and 80 percent in writing. As shown in Figure 1, these scores were higher than state averages but lower than the peer districts' averages in each of the areas. Additionally, 4 of the District's 16 schools did not meet "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act. One of the high schools and the two middle schools did not meet AYP because some students did not demonstrate sufficient academic progress. The other high school did not meet AYP because some students did not demonstrate sufficient academic progress, and its fiscal year 2009 graduation rate of 78 percent was below its 2010 AYP target rate of 80 percent. The District's fiscal year 2010 84-percent graduation rate was higher than the State's 78-percent average but lower than the peer districts' 92-percent average.

Figure 1: Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2010 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2010 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.

District operated efficiently overall with similar or lower costs than peer districts, but can make some improvements

As shown in Table 1 and based on auditors' review of various performance measures, in fiscal year 2010, Marana USD operated efficiently overall with similar or lower per-pupil costs in all areas other than transportation. Although the District had higher per-pupil transportation costs than peer districts, its transportation program was reasonably efficient with a slightly lower cost per rider and cost per mile than peer districts. The District's per-pupil transportation costs were higher because it transported a higher percentage of its students. The District's fiscal year 2010 total per-pupil spending of \$6,971 and classroom spending of \$3,866 were both similar to peer districts' spending. Despite similar or lower costs, the District had a number of controls issues that need to be addressed.

Table 1: Comparison of Per-Pupil Expenditures by Operational Area Fiscal Year 2010 (Unaudited)

Spending	Marana USD	Peer Group Average	State Average
Total per pupil	\$6,971	\$7,166	\$7,609
Classroom dollars	3,866	4,025	4,253
Nonclassroom dollars			
Administration	637	627	721
Plant operations	860	917	914
Food service	297	308	366
Transportation	508	326	342
Student support	508	539	581
Instructional support	295	424	432

Source: Auditor General staff analysis of fiscal year 2010 Arizona Department of Education student membership data and district-reported accounting data.

Similar administrative costs—The District's \$637 administrative cost per pupil was similar to the peer districts' average of \$627. However, the District needs to improve some administrative procedures to reduce the risk of errors and fraud, and document formal information technology policies and procedures (see Finding 1, page 3, and Other Findings, page 13).

Slightly lower plant operations costs—Marana USD's plant operations costs were 6 percent lower per pupil and 5 percent lower per square foot than peer districts'. The District's costs were lower primarily in salaries and benefits, and higher in purchased services. One reason for this difference is likely the District's outsourcing of its custodial services. The District began outsourcing custodial services at three of its schools in fiscal year 2010, and outsourced custodial services at its other schools as well in fiscal year 2011.

Similar food service costs—In fiscal year 2010, Marana USD spent a similar amount as peer districts for food service, and its \$2.43 cost per meal was similar to the peer average of \$2.52 per meal.

Transportation program reasonably efficient, but some improvements needed—Although the District spent \$182, or 56 percent, more per pupil on its transportation program than its peers, the District's transportation program was reasonably efficient with slightly lower costs per mile and per rider. The District spent more per pupil because it transported a higher percentage of its students than peer districts—50 percent versus 35 percent. Despite reasonably efficient operations, the District should improve controls over bus driver time, fuel usage, and reporting of riders (see Finding 2, page 7).

FINDING 1

Better oversight and controls needed to help reduce the risk of errors and fraud

In fiscal year 2010, Marana USD's administrative costs were similar to peer districts' but the District needs to increase its oversight and improve its controls over certain operations to help reduce its risks of errors and fraud. For example, the District did not receive reimbursement for the salary of a district teacher who worked for a nearby university in fiscal years 2010, 2011, and 2012, and may have improperly included a nondistrict employee in the Arizona State Retirement System. The District also did not ensure employees' leave balances were accurate, properly limit access to its computerized accounting system, ensure proper approval for purchases, or accurately report its costs.

District was not reimbursed for salary cost of individual on loan to university

Since fiscal year 2008, the District has paid the salary and benefits of an individual who had been a district teacher but who went to teach at a nearby university through an inter-governmental agreement (IGA) formed between Marana USD and the university. Under the IGA, the university agreed to reimburse the District \$41,000 each year for the cost of hiring a substitute to replace the teacher. However, district officials could not provide any documentation demonstrating that the university reimbursed the District for fiscal years 2010, 2011, and 2012 and subsequently determined that the District was not reimbursed.

District may have improperly included a nondistrict employee in state retirement system

In fiscal years 2005 through 2010 and potentially prior to this time period, Marana USD paid the salary and benefits of an individual who had been a district teacher but who left the District to work full-time for an education association. Under the agreement between the District and the association, the individual continued to receive the exact pay and benefits previously received as a district employee, including participation in the Arizona State Retirement System (ASRS). In fiscal year 2005,

the District requested and received a letter from the Arizona Attorney General's Office that stated that the ASRS considered an individual on sabbatical leave to be a district employee, and that the District should continue to withhold and pay ASRS contributions for the individual. However, Arizona Revised Statutes §15-510 states that sabbatical leave is only authorized for a period of 1 year. Auditors contacted an ASRS official who stated that this arrangement does not appear to allow for this individual to continue under the state retirement system since employees of education associations are not eligible for state retirement benefits. According to district officials, the District discontinued its agreement with the education association at the end of fiscal year 2010. Although the association reimbursed the District for this individual's salary and benefits, due to the apparent conflicting information, the District should work with its legal counsel and the ASRS to determine whether the individual was eligible to participate in the state retirement system and, if not, what actions should be taken.

District did not always maintain accurate employee leave balances

In fiscal year 2010, for 2 of 30 employee files auditors reviewed, the District did not ensure that the employees' vacation leave balances were accurate. As district officials were gathering payroll documentation for auditors, they discovered that, in fiscal year 2010, these 2 employees had taken 16 and 25 hours of leave, respectively, that had not been deducted from their leave balances. In fiscal year 2012, the District implemented a new electronic time accounting system that district officials believe will eliminate these types of errors. Additionally, the District is working with the 2 employees to correct their leave balances. The District should ensure that its new time accounting system incorporates adequate controls to help ensure that this does not occur in the future.

District granted overly broad access to accounting system

Auditors scanned the District's user access report for all 150 users with access to the accounting system and found that three district users with business office responsibilities had full access to the system, giving them the ability to perform all accounting system functions without an independent review and approval. Additionally, the District had created a separate account with full access to all accounting system functions for a software consultant to provide training to district staff. However, after this training was completed, the District did not remove the account, and therefore, this individual or others with knowledge of this account could potentially use this account to access the system. Full access in the accounting system provides an employee the ability to add new vendors, create and approve purchase orders, and pay vendors. It also provides the ability to add new employees, set employee pay rates, and process payroll payments. Four additional accounting system users, who did not have full access to the accounting system, had complete access to both the human resources and payroll modules in the accounting system. This level of access would allow these employees to enter new

employees into the system, set or change pay rates, and authorize payments to employees without an independent supervisory review. Although no improper transactions were detected in the items auditors reviewed, access beyond what is required to fulfill job responsibilities exposes the District to increased risks of errors, fraud, and misuse, such as processing false invoices or adding nonexistent vendors or employees.

Many purchases lacked proper approval

The District did not always ensure that there was proper approval before purchasing goods and services. The District's procedure is for hard-copy purchase requisitions to be approved by school or department supervisors and then entered into the computerized accounting system by school or department secretaries. However, the purchase requisitions are not forwarded to the business office, and therefore, the business office is unable to verify that the purchases are approved before issuing purchase orders. In fact, the District was unable to provide signed requisitions for 19 of the 30 fiscal year 2010 purchases auditors reviewed. Additionally, 4 of the 30 purchases occurred prior to the creation and approval of a purchase order, in contrast to district policy and proper procurement practices. Further, an employee tuition reimbursement totaling \$2,532 was not supported with any documentation showing that the employee actually attended classes or received passing grades, which were district requirements for reimbursement. Although no inappropriate purchases were detected in the items auditors reviewed, the purchasing department should ensure prior supervisory approval before issuing purchase orders. Additionally, the District should prepare purchase orders and have them approved by an authorized supervisor prior to ordering goods or services, as required by the *Uniform System of Financial Records for Arizona School Districts*. This helps ensure that the District has adequate budget capacity and that expenditures are appropriate and properly supported.

District did not accurately report its costs

Marana USD did not consistently classify its fiscal year 2010 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 classification errors totaling approximately \$3.7 million of the District's total \$86 million in current spending.¹ When corrected, these changes decreased the District's reported instructional expenditures by about \$1.1 million, or 1.3 percentage points. The dollar amounts shown in the tables in this report reflect the necessary adjustments.

¹ Current expenditures are those incurred for the District's day-to-day operation. For further explanation, see Appendix page a-1.

Recommendations

1. The District should work with its legal counsel to obtain payment from the university for the district teacher who worked for the university in fiscal years 2010, 2011, and 2012.
2. The District should work with its legal counsel and the Arizona State Retirement System to determine whether the education association employee was eligible to participate in the state retirement system and, if not, what actions should be taken.
3. The District should ensure it provides employee benefits, including Arizona State Retirement System membership, only to qualified district employees.
4. The District should ensure that it properly deducts employee leave balances when employees use sick, vacation, and personal leave.
5. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.
6. The District should ensure that all purchases are approved at the school sites prior to issuing purchase orders and ensure that all purchase orders are approved prior to the purchases being made.
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

FINDING 2

Transportation program reasonably efficient, but District should improve controls over bus driver time, fuel usage, and reporting of riders

In fiscal year 2010, Marana USD's \$3.09 cost per mile was 7 percent lower than peer districts averaged, and its \$1,008 cost per rider was 3 percent lower. Despite its reasonably efficient transportation operations, the District could reduce costs further by implementing better controls over bus driver time and access to its fuel tanks. Additionally, the District should accurately report its number of riders for state funding purposes.

District paid bus drivers for hours not worked

Although the District required its bus drivers to complete daily logs that included hours worked, the District did not use these logs for payroll purposes. Instead, the District paid each driver for 40 hours per week regardless of the number of hours actually worked. For fiscal year 2010, auditors compared the hours recorded in ten drivers' daily logs to district payroll records for one pay period and found that nine of the ten drivers were paid for more hours than they actually worked. These excess hours ranged from 4.75 to 22.5 hours for the 2-week pay period. District officials stated that routes are designed to give every driver as close to 40 hours a week as possible. However, it appears that many of the drivers' schedules were not resulting in 40 hours a week.

In fiscal year 2010, the District also paid drivers a total of \$104,335 in overtime wages. According to district policy, any trips or routes outside of a driver's regular schedule are paid as overtime hours. Without accurately tracking drivers' actual time worked, the District cannot appropriately determine which drivers are eligible to be paid overtime or whether the 40 hours each driver is automatically paid would cover any additional trips. Auditors selected 5 of the 14 drivers who were paid overtime during one pay period and found that 4 of the 5 drivers were paid overtime even though their bus logs show that they did not work 40 hours during the week.

Inadequate controls over fuel inventory increases risk of theft

The District has five fuel tanks—one unleaded and two diesel tanks at the District's main transportation facility, and one unleaded and one diesel tank at the high school. Bus drivers and certain plant operations and information technology employees are issued fuel cards to fuel their buses and plant vehicles. In order to fuel their vehicles, employees must swipe their fuel card and enter the vehicle number and odometer reading. Although the District has software that generates fuel logs showing gallons pumped by each user and for which vehicles, district officials are not monitoring these logs to ensure that fuel usage is appropriate.

Auditors reviewed district fuel tank meter readings, fuel purchase invoices, and fuel pump logs from July 2011 to October 2011; and found that 648 gallons of unleaded gasoline were unaccounted for. After auditors brought this discrepancy to the District's attention, district officials had the vendor test the fuel tank gauges for accuracy and found the gauges to be accurate in their fuel level readings, ruling out the possibility of inaccurate fuel measurements. Further, according to district officials, the vendor stated that it would be possible for someone to remove the access hatches on the top of the fuel tanks and siphon fuel since the hatches are not locked. Because of this, district officials reported that they have since installed padlocks on these access hatches. However, the District should also assign an individual the responsibility of reviewing the fuel logs to help ensure that fuel purchases are appropriate and follow up with bus drivers or plant employees about questionable purchases, such as multiple purchases in one day by the same user or at odd times like late at night or on weekends.

District incorrectly reported number of riders for state transportation funding

In fiscal year 2010, the District incorrectly reported to the Arizona Department of Education the number of students eligible for transportation rather than the number of students actually transported as required by Arizona Revised Statutes §15-922. This resulted in the District's reporting about 600, or 10 percent, more riders than they actually transported. Although state transportation funding is primarily based on miles driven, the number of riders is also a factor in determining the per-mile rate that districts receive. Auditors determined that the District's reported rider count did not affect its per-mile funding rate. However, the District should report students actually transported in the future to ensure accurate transportation funding. Tracking accurate rider counts would also enable the District to calculate performance measures, such as bus capacity utilization and cost per rider, that would help it to evaluate the transportation program's efficiency.

Recommendations

1. The District should limit the amount of nonproductive time for which it pays its bus drivers, as well as monitor the time each employee works in order to ensure that it appropriately pays drivers for overtime.
2. The District should assign an individual the responsibility of reviewing the fuel logs to ensure that fuel purchases are appropriate and follow up on any questionable purchases.
3. The District should track and report the actual number of students transported as required by statute, retain these numbers, and use them to calculate performance measures to evaluate its transportation program's efficiency.
4. The District should contact the Arizona Department of Education regarding needed corrections to its transportation funding reports.

FINDING 3

District paid some Classroom Site Fund monies to ineligible individuals and for unmet goals

In fiscal year 2010, Marana USD spent some Classroom Site Funds (CSF) monies inappropriately.¹ The District paid CSF monies to nine ineligible individuals, including two individuals who were not district employees during fiscal year 2010. Additionally, the District did not require teachers to actually meet their goals to earn performance pay.

District paid CSF monies to nine ineligible individuals

According to the Attorney General's definition of a teacher, only those employed to provide instruction to students related to the school's educational mission are eligible for CSF monies.² However, in fiscal year 2010, Marana USD paid almost \$13,800 in CSF monies to nine ineligible individuals. Seven individuals provided professional development to other staff but did not instruct students, and the other two individuals were not even district employees in fiscal year 2010. As discussed in Finding 1, one of these individuals worked for an education association, and the other worked for a nearby university, and neither of them provided any instruction to Marana USD students in fiscal year 2010.

District did not require teachers to meet their goals to earn performance pay

In fiscal year 2010, the District paid teachers over \$1.1 million in performance pay. The District's plan required teachers to work together with their department or grade-level colleagues to identify student achievement goals that were then approved by a committee of teachers. However, district officials stated that teachers did not have to actually meet the goals to receive performance pay; they just had to be working toward the goals.

In fact, auditors reviewed the goals and documented results for all 122 of the District's departments and grade-level groups and found that although the District paid performance pay to all 122

¹ In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund (CSF) monies, may be spent only for specific purposes, primarily increasing teacher pay.

² Arizona Attorney General Opinion I01-014, July 21, 2001.

departments and groups, only 39 of these groups actually had documentation showing they had actually met their goals. Some groups were paid even though they fell far short of their goals. For example, one math department's goal was that 85 percent of students would demonstrate proficiency—70 percent or higher—on select grade-level math standards. However, only 24 percent of the department's students demonstrated proficiency, yet teachers in this department received the additional pay for performance. Awarding teachers performance pay when they do not meet the agreed-upon goals seems contrary to the goal of performance pay systems, which are to provide powerful incentives for improved outcomes. Paying performance pay to teachers who did not meet their goals likely diminishes the incentive that teachers have to produce improved student achievement outcomes, as they know that actual attainment is not required to receive additional pay.

Recommendations

1. The District should ensure that only eligible employees receive Classroom Site Fund monies.
2. The District should reimburse the Classroom Site Fund for monies spent for unallowable purposes in fiscal year 2010 and work with the Arizona Department of Education to make the necessary corresponding adjustments to its expenditure budget.
3. To promote improved performance, the District should require that teachers attain their agreed-upon goals in order to receive additional performance pay.

OTHER FINDINGS

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

District lacks many formal information technology policies and procedures

The District lacks many formal information technology (IT) policies and procedures, including those covering how and when terminated employees' system access is removed, disaster recovery, wireless security, data access, and controls over changes to the District's IT infrastructure. Adopting and documenting formal policies and procedures ensures that district employees share a common and accepted understanding of how to protect the District's IT network and data. The need for common procedures was illustrated when auditors observed different wireless settings at different school sites, including different encryption settings on the same campus, without any particular reason for doing so. This may place the District at increased risk of unauthorized access to its network.

Recommendation

The District should document formal information technology policies and procedures related to how and when terminated employees' access is removed, disaster recovery, wireless security, data access, and controls over changes to the District's IT infrastructure to ensure the security and integrity of its network and data.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Marana 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 current expenditures, primarily for fiscal year 2010, were 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 2010 summary accounting data for all districts and Marana USD's fiscal year 2010 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 analyze Marana 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 Marana USD and the nine other unified or union high school districts that also served between 8,000 and 19,999 students and were located in cities and suburbs. To compare districts' academic indicators, auditors developed a separate student achievement peer group using poverty as the primary factor because poverty has been shown to be strongly related to student achievement. Auditors also used secondary factors such as district type, size, and location to further refine these groups. Marana USD's student achievement peer group includes Marana USD and the 13 other unified districts that also served student populations with poverty rates less than 14 percent. Additionally:

- To assess the District's student achievement, auditors reviewed the Arizona's Instrument to Measure Standards (AIMS) passing rates, "Adequate Yearly Progress" for the federal No Child Left Behind Act, and high school graduation rates. AIMS passing rates were compared to the state-wide average and the average of the student achievement peer districts.
- 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

¹ Current expenditures are those incurred for the District's day-to-day operations. They exclude 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.

and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2010 administration costs and compared these to peer districts'.

- 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 2,277 individuals who received payments through the District's payroll system and reviewed supporting documentation for 30 of the 19,356 accounts payable transactions. Auditors also evaluated other internal controls that were considered significant to the audit objectives.
- 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 one pay period's pay records for 10 of the District's 115 drivers paid to ensure that employees were accurately paid and reviewed fuel tank meter readings, fuel purchase invoices, and fuel pump logs from July 2011 through October 2011. Auditors also reviewed fiscal year 2010 transportation costs and compared them to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2010 expenditures to determine whether they were appropriate and if the District properly accounted for them. Auditors also reviewed the District's performance pay plan and whether the 840 individuals who received Classroom Site Fund monies were eligible based on their job descriptions.
- 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 plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2010 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 2010 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.

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 Marana Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

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GOVERNING BOARD

Suzanne Hopkins, President
Maribel Lopez, Vice President
Tom Carlson, Member
John Lewandowski, Member
Dan Post, Member

ADMINISTRATION

Doug Wilson, Ed.D., Superintendent
Carolyn Dumler, Ed.D., Assistant Superintendent
Jan Truitt, Ed.D., Assistant Superintendent
Dan Contorno, Chief Financial Officer
Brett Kramer, Ph.D., Executive Director

July 24, 2012

Ms. Debbie Davenport, Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Enclosed is the Marana Unified School District #6 response to the Auditor General's Performance Audit Report. We are indebted to Vicki Hanson, Audit Manager, and her team for the time, effort, and professionalism displayed while on assignment at our District.

We are pleased that there were a minimal number of areas where a recommendation was needed. We are always looking for ways to improve efficiency in our District so that additional funds will be available in the classroom. We are appreciative of the suggestions from your staff and have continued to utilize those suggestions, as well as evidence based best practices to improve our capacity to deliver the best education for our students.

Please do not hesitate to contact me if I can be of further assistance.

Regards,

Doug Wilson, Ed.D.
Superintendent

Finding 1: Better oversight and controls needed to help reduce the risk of errors and fraud.

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

Recommendation 1: The District should work with its legal counsel to obtain payment from the university for the district teacher who worked for the university in fiscal years 2010, 2011, and 2012.

Before incurring the expense of legal counsel, the district will attempt to collect past owed funds from the university directly. The university and district have had communication and it appears this will be accomplished without the use of legal counsel. If not, then legal counsel will be sought.

Recommendation 2: The District should work with its legal counsel and the Arizona State Retirement System to determine whether the education association employee was eligible to participate in the state retirement system and, if not, what actions should be taken.

The District worked extensively with its legal counsel in 2005 to ensure that a proper course of action was taken regarding this employee. Recent consultation with legal counsel confirms that telephone conferences between District legal counsel, AEA legal counsel, and the Assistant Attorney General centered on the arrangement as applying to multiple years, since the term for which the employee was elected was a multi-year terms. Nevertheless, the District will direct legal counsel to consult with the Arizona State Retirement System to determine whether or not any actions need to be taken.

Recommendation 3: The District should ensure it provides employee benefits, including Arizona State Retirement System membership, only to qualified district employees.

With the change in statute (15-504) in 2010, the District ended its agreement with AEA for this employee and will continue to ensure that only qualified District employees receive employee benefits.

Recommendation 4: The district should ensure that it properly deducts employee leave balances when employees use sick, vacation, and personal leave.

At the time of the audit we were in the process of changing from a paper form for tracking leave time to an electronic system for tracking time. Currently we are using Time Trak to track a support staff employee's time and attendance. If they are absent the school/department is required to enter the type of leave time the employee is using into the Time Trak system. At the end of the pay period Time Trak is uploaded into our accounting system (Visions) in order for the leave time to be deducted from the employee. If time is missing from an employee's timecard, the school/department is contacted to see what type of leave time should be used or if the employee does not have sufficient leave

balances, then should the employee be docked for time not worked. The school/department is then required to send payroll a revised timecard with the correct information. Certified/exempt staff is required to enter their absences into the I-Portal with the type of leave they will be using for their absence. Also, if they require a substitute, they must also enter it into the sub finder system (AESOP). At the end of the pay period, the information from the I-Portal and AESOP are compared by payroll. If there is a discrepancy, the school/department is required to revise and resubmit their information to payroll.

The payroll manager conducts random audits throughout the year. She also researches any discrepancies during the compilation of compensated absences.

The employees noted during the audit have had their leave time adjusted. The only exception is one employee who submitted their resignation prior to the adjusting of leave time. Documentation for these employees is available.

Recommendation 5: The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.

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 6: The District should ensure that all purchases are approved at the school sites prior to issuing purchase orders and ensure that all purchase orders are approved prior to the purchases being made.

While the District procurement process has been tested many times successfully through our annual independent audit, this issue has never surfaced. We do understand the ramifications of not having proper controls in place at the school level and will work on a system that insures compliance. The suggestion of having a principal approve purchases prior to submittal to purchasing department or simply having another person at the site receive the items will be implemented immediately.

Recommendation 7: The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts.

The District had already taken action to correct before this audit was complete.

Finding 2: Transportation program reasonably efficient, but District should improve controls over bus driver time, fuel usage, and reporting of riders.

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

Recommendation 1: The District should limit the amount of nonproductive time for which it pays its bus drivers, as well as monitor the time each employee works in order to ensure that it appropriately pays drivers for overtime.

In order to limit nonproductive time, scheduled hours have been reduced on 28 routes and extra assignments have been added to 26 others. Each route has been assigned a schedule of expected route hours for route sequences that occur. The District has installed mobile communications systems in all buses that will allow drivers to clock in and clock out. These clock times can then be transferred into the District Time Trak system for accurate reporting of hours worked.

Recommendation 2: The District should assign an individual the responsibility of reviewing the fuel logs to ensure that fuel purchases are appropriate and follow up on any questionable purchases.

Logs will be reviewed regularly from the records downloaded from the fuel pumps. In addition locks have been installed on all tanks lids.

Recommendation 3: The District should track and report the actual number of students transported as required by statute, retain these numbers, and use them to calculate performance measures to evaluate its transportation program's efficiency.

For our last report the actual number of riders on a selected date was submitted. In the future we will have access to reports generated from RFID technology to ensure the most accurate numbers are retained and used for evaluation.

Recommendation 4: The District should contact the Arizona Department of Education regarding needed corrections to its transportation funding reports.

The District has contacted their office and spoke to the staff regarding the Transportation Route Report. They did not require any changes to the report.

Finding 3: District paid some Classroom Site Fund monies to ineligible individuals and for unmet goals.

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

Recommendation 1: The District should ensure that only eligible employees receive Classroom Site Fund monies.

Beginning with the 2011-2012 school year, a new contract was created for certificated employees who are not eligible to receive classroom site funds. Instead of receiving a Prop 301 supplement, they receive an M&O supplement in lieu of Prop 301. If they qualify to receive Performance Pay per the District plan, they receive an equivalent amount paid from M & O funds. Any certificated employee who does not have a teaching certificate and/or does not spend at least 50% of their time with students receives this contract.

Recommendation 2: The District should reimburse the Classroom Site Fund for monies spent for unallowable purposes in fiscal year 2010 and work with the Arizona Department of Education to make the necessary corresponding adjustments to its expenditure budget.

The District will seek guidance from the Arizona Department of Education to remedy the situation.

Recommendation 3: To promote improved performance, the District should require that teachers attain their agreed-upon goals in order to receive additional performance pay.

The District agrees that teachers did not meet their goals in order to earn performance pay, but the teachers did meet the requirements of the approved plan. The statute does not require meeting the goals in order to qualify for performance pay. The State Board of Education was charged with establishing a Performance Pay Task Force to evaluate the performance based pay plans of each district in the state. The District's Performance Pay Plan was evaluated and approved by the Task Force as presented. Nevertheless, the District is committed to promoting improved performance and will work with the Performance Pay committee to make appropriate changes to the plan.

Other Findings: District lacks many formal information technology policies and procedures.

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

Recommendation: The District should document formal information technology policies and procedures related to how and when terminated employees' access is removed, disaster recovery, wireless security, data access, and controls over changes to the District's IT infrastructure to ensure the security and integrity of its network and data.

Deleting Accounts For Terminated Employees: When IT receives notification from HR that an employee has been terminated, the account is immediately disabled. We're in the process of creating a special Organizational Unit (OU) within Active Directory for these disabled accounts to reside for 30 days. After such time, and should that individual not be rehired, that account will be deleted.

Disaster Recovery: To prevent against the loss of widespread data as a result of sudden power loss, the MUSD IT Department installed a generator in July, 2012. To protect against heat accumulation in the server room, which would then place our hardware (and residing data) in harm's way, we will install an additional air conditioner system by September, 2012. Adding this new system to our existing A/C units will provide redundancy in the event that either A/C system should fail.

To protect against loss of data due to a fire in the server room, we currently have tapes taken from that location to a fire-safe vault in the Superintendent's office on the 15th of every month.

Considering fire, as well as water, over the next year or so, we intend to create redundant data storage, at a school to be determined on the east side of the freeway, that will receive copies of our data on a weekly basis over our WAN. At that same location, we also intend to have up to 5 idle servers that will be preloaded with the appropriate software to run our mission critical applications, including Visions, Synergy (Genesis), etc., should a catastrophe strike the District. Topology maps will be consulted in choosing a location that should be free of potential flooding conditions.

Wireless Access Points: We have begun deploying an enterprise 802.11 wireless system that will cover all 17 campuses by December, 2012. As a result, the existing wireless access points and routers that have been set up in an ad hoc manner over the years will be removed. All new access points will be from the same manufacturer with the same type of security encryption.

Data Access: Most of our data resides in two different areas – our storage area network (or SAN), as well as our file servers. Speaking first of our SAN, MUSD SQL servers, which processes data to eventually reside on the SAN, are only accessible by three IT managers. The SAN itself is only accessible by two IT managers.

Secondly, our file servers, which hold every employee's "Z Drive" data - a location where people can store their data on a server that will be backed up - are accessible by all members of the IT Department for troubleshooting purposes. Individuals outside the IT Department cannot access each other's data unless placed on a different drive specifically meant for sharing.

Controls over changes to the District's infrastructure: The only people who can participate in large virtual or physical infrastructure changes to our network are those within the Technology Department. The Director of Transportation has been granted Administrator rights to that department's servers, because as a former employee of the IT Department she is technically qualified to have those rights.

For virtual security, only those in this department have been granted domain administrator credentials. For physical security, only those in this department and several in Maintenance possess keys that can access IDF, MDF and LA cans that house important District infrastructure, including switches, routers, etc.

