



Skull Valley Elementary School
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Where Students Come First

September 29, 2016

This is a response to the preliminary report draft of the Skull Valley School District performance audit for Fiscal Year 2014. The audit was useful to our district, because it helped us to evaluate our policies and procedures. In most instances, we agree with the findings and recommendations. Attached you will find the official response form.

Thank you,

Vicki Hilliker, District Administrator

Finding 1: Some accounting and computer controls need strengthening

District Response: The district agrees with the finding. Recommendations 1 & 2 will be implemented, and Recommendation 3 will be modified for implementation.

Recommendation 1: The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.

District Response: Prior to the audit, SVESD procedures for purchases and cash handling were not adequately controlled, according to the audit. Purchases were often made without a purchase order. Of course, there were no inappropriate purchases or even a hint that the purchases had not been approved, and our district has never exceeded its budget in any way. However, our office lacked the physical evidence of purchase orders showing independent authorization for purchases. After being advised by the auditors during the months of the audit, we began to utilize purchase orders more widely, and there is now an approval and purchase order for every qualifying purchase.

Recommendation 2: The District should implement proper controls over its cash receipts by preparing and issuing prenumbered cash receipts for all monies collected, properly safeguarding cash prior to deposit, and having a second employee reconcile or review the reconciliations of issued receipt amounts to actual deposits.

District Response: Cash is being handled much more carefully since our district's audit. The cash that is handled in our district usually is limited to lunch money (under \$50 per week) and fees for field trips (under \$100 per year). There was more money handled during the FY14 year for which we were audited because of a special trip in which families were involved, but that was an unusual circumstance. Since the audit, we have developed procedures to issue receipts for cash collections, keep cash in a locked storeroom or a locked cabinet, and have two staff members count cash before deposit and reconcile with issued receipts.

Recommendation 3: The District should implement and enforce password requirements related to password length, complexity, and expiration, and only the user should know his/her password.

District Response: During the audit, we discussed password requirements at length with the auditors. The district did not have password requirements for staff users. The auditors recommended that we enforce password requirements for length, complexity, and expiration. I believe that part of this concern is that student hackers have been known to access high school computers for nefarious purposes. The fact that we are a K-6 school, and that our students are always supervised makes that concern irrelevant, leaving only the concern about staff members accessing one another's files. Challenges to implementing the auditors' recommendations include the fact that we do not have an on-site IT person, where most districts have an IT department that keeps track of users and their passwords. We contract our IT services, so we generally have access to that person only about 7 or 8 days per year. It might seem reasonable that because we lack an IT department, the district administrator or designee be required to act in that capacity as the keeper and enforcer of passwords. However, our district administrator is part-time and is not always present on campus. In addition, the auditors had a problem with only one person on our staff knowing one other person's password. They were quite disturbed by the fact that the district administrator and her assistant shared passwords to their computers – in our district, we feel that this is a safety issue. When the part-time

administrator is not available, her assistant can, if necessary, access files. Another way to address the safety issue would be to duplicate sensitive information which is kept in the district administrator's computer files to the administrative assistant's computer, but that seems to defeat the purpose of security entirely. Redundant files on two computers would be considerably less secure than having one other staff member able to access the files. Another issue the auditors addressed was expiration of passwords. Our IT contractor believes, as do we, that having very short lives for complex passwords leads to writing them down, which is much less secure than memorized passwords. We are working on finding reasonable and workable solutions to these problems. Since the audit, we have strengthened our password requirements related to password length and complexity. In addition, we have begun developing requirements that are reasonable for a staff as small as ours.

Finding 2: Multiple districts claimed same route mileage for transportation funding after law change prohibited practice

District Response: The district agrees with the finding and the recommendation.

Recommendation 1: To ensure that no more than one school district reports the same transportation miles for funding purposes, the District should no longer report miles for funding purposes that other school districts drove to transport Skull Valley ESD middle and high school students.

District Response: Skull Valley ESD's audit was for the FY14 school year, the last year during which this practice was allowed. Our district contracted routes for our high school students for which we paid a per-student fee. Reason dictates that we would be allowed to claim the students and the miles when we were paying for their tuition and their transportation. I have a concern regarding the auditor's statement that neighboring districts cannot claim the same route miles; the fact is that neighboring districts' buses travel the same roads. There is one main road to Prescott from Yarnell, Kirkland, and Skull Valley. Driving three buses to Prescott means that three districts would claim the miles, although the miles would be for different students. Since our three districts all have to transport high school students to Prescott, those miles will be claimed for all of the students. In the past, the contracted district claimed those miles only for its students, and we claimed the miles only for our students. All of the students must travel the same road to get to the high school. Using three buses to drive this road seems to be a waste of taxpayer money, and therefore we chose to contract our transportation. This is the reason that claiming those miles was our standard practice in the past. Because this was legal and standard practice during the audit year, we were very surprised that this would be a finding in the audit. We were unaware of the rule change for the FY15 year, and the FY16 report was completed before we learned of the rule change, but the practice has now ceased and will not be repeated. There will be no overlaps in route mileage in the future.