

The September 2018 Arlington Elementary School District performance audit found that the District withheld and paid more monies to the Arizona State Retirement System than required, incurred a financial loss on its preschool and daycare program, lacked adequate controls over its information technology systems, and did not regularly document bus maintenance and inspections. The District's status in implementing the recommendations is as follows:

Status of 10 recommendations

Implemented:	6
Not implemented:	4

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations from the September 2018 report.

Finding 1: District needs to strengthen accounting and computer controls

1. The District should include only those payments that meet the definition of "compensation" as outlined in Arizona Revised Statutes §38-711(7) when it calculates Arizona State Retirement System (ASRS) contributions to ensure that the District and its employees pay only the required contributions.

Implemented at 18 months—We reviewed fiscal year 2020 ASRS contributions and determined that the District included only the appropriate payments when calculating the contributions.

2. The District should work with the ASRS to correct errors in past contribution payments.

Implemented at 24 months—We reviewed all ASRS contributions the District made in fiscal years 2016 through 2018 and adjustments it made in fiscal years 2019 through 2021 and found that the District has made all necessary corrections to account for ASRS contribution errors it made in fiscal years 2016 through 2018.

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

Implemented at 18 months—We reviewed fiscal year 2020 expenditures and determined that the District had substantially corrected classification errors identified during the audit.

4. The District should monitor the cost savings from recent preschool and daycare program changes and continue evaluating and implementing options to minimize any future financial losses, including the possibility of increasing the fees charged.

Implemented at 6 months—The District reviewed its preschool and daycare programs and determined that it could reduce costs by offering daycare to only District staff and requiring they pay for all program days as opposed to only the days attended. As a result of these changes, District officials expect to limit future financial losses to approximately \$44,000 annually (from about \$170,000 in fiscal year 2017). They determined that these costs are acceptable given the benefits the programs provide, including daycare services for District staff and a reduction in the number of 1st grade students who are held back. It would be prudent for the District to work with its legal counsel to determine what, if any, documentation may be necessary to ensure the District complies with the Arizona Constitution's Gift Clause and ensure any monies used to subsidize its preschool and daycare programs are an allowable use of those funds.

5. The District should implement and enforce stronger password requirements for its computer network and accounting and student information systems.

Implemented at 18 months

6. The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring the business office employee's administrator-level access to someone outside the business office.

Not implemented—In our 18-month follow-up report issued in May 2020, we reported that the District's 3 users with access to the accounting system continued to have more access to the accounting system than they needed to perform their job duties. Although allowing such broad access exposes the District to an increased risk of errors and fraud, District officials stated during the 18-month followup and reiterated during this 24-month followup that they do not intend to limit access within the system.

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

Implemented at 6 months

Finding 2: District should improve controls over transportation program

1. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner and documented in accordance with its policy and the State's Minimum Standards.

Not implemented—Although the District's informal policy is to conduct preventative maintenance on District buses each summer, the District has not formalized this policy, the policy does not include a maximum mileage requirement, and the District is not maintaining sufficient documentation to demonstrate that it follows its policy. Without a maximum mileage requirement, buses could travel more than the manufacturers' recommended mileage between maintenance services. Further, although the District had documentation showing that most of its buses received preventative maintenance in the summer of 2020, the District did not have any documentation showing that the buses were serviced in 2019. The District should formalize a preventative maintenance policy that includes both a maximum time and maximum mileage requirement to ensure that it is conducting maintenance in a systematic and timely manner as required by the State's Minimum Standards and maintain sufficient documentation to demonstrate that it is following this policy. This is important because these standards are designed to help ensure the safety and welfare of school bus passengers, as well as extend the useful life of buses.

2. The District should develop and implement the use of checklists to document that its buses receive required preventative maintenance and pre-trip inspections as specified in the State's Minimum Standards.

Not implemented—Although the District developed and implemented the use of pre-trip inspection checklists, District officials stated that they do not intend to develop a preventative maintenance checklist until its current mechanic retires, which is not currently scheduled. Without using a preventative maintenance checklist or some other tool, the District cannot ensure that its mechanic consistently performs all necessary bus maintenance, which is important for helping to ensure its students' safety as well as to extend the useful life of its buses.

3. The District should accurately calculate and report to the Arizona Department of Education (ADE) the actual number of riders transported for State funding purposes.

Not implemented—District officials stated that they do not intend to follow ADE's guidance when calculating the actual number of riders transported for State funding purposes.