



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

April 16, 2013

The Honorable Chester Crandell, Chair
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair
Joint Legislative Audit Committee

Dear Senator Crandell and Representative Allen:

Our Office has recently completed a 24-month followup of the Balsz Elementary School District's implementation status for the 15 audit recommendations presented in the performance audit report released in March 2011. As the enclosed grid indicates:

- 13 recommendations have been implemented; and
- 2 recommendations are no longer applicable.

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 resulting from the March 2011 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bl
Enclosure

cc: Dr. Jeffrey Smith, Superintendent
Governing Board
Balsz Elementary School District

BALSZ ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued March 2011 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District did not sufficiently oversee costly transportation program	
1. The District should establish a written contract with its vendor and ensure that all services and related charges are clearly identified.	No longer applicable As of February 2012, the District is operating all transportation services in-house; therefore, a contract is no longer required.
2. The District should require the vendor to provide detailed billings so that it can carefully review vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its agreement.	Implemented at 6 months
3. The District should work with its transportation vendor to recover overpayments.	Implemented at 6 months The District recovered over \$107,000 from the vendor for prior overbillings.
4. The District should ensure that its formal contract prohibits the vendor from using district-owned buses without permission and establishes a penalty for doing so.	No longer applicable As of February 2012, the District is operating all transportation services in-house; therefore, a contract is no longer required.
5. The District should periodically review its district-owned bus maintenance files to ensure its buses are properly maintained and all requirements are met and documented in accordance with the Arizona Department of Public Safety's <i>Minimum Standards for School Buses and School Bus Drivers</i> .	Implemented at 18 months The District is now tracking all bus repairs and has implemented a preventative maintenance program.
6. The District should work with its vendors to accurately calculate and report miles driven and students transported for state funding purposes.	Implemented at 24 months The District is now accurately calculating and reporting miles driven and students transported.
7. The District should contact the Arizona Department of Education regarding needed corrections to its transportation funding report.	Implemented at 6 months

Recommendation**Status/Additional Explanation****FINDING 2: Decision to outsource merits further review based on significantly higher plant costs**

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| 1. Given the District's high and increasing plant costs, district officials should evaluate whether to continue to outsource its custodial, maintenance, and grounds operations when the District's current contract expires at the end of fiscal year 2011. | Implemented at 6 months
The District brought its maintenance back in-house and anticipates savings. Further, it rebid its custodial and grounds services and contracted with different vendors at a district-estimated savings of about \$375,000. |
| 2. If the District continues to outsource its plant operations in the future, it should ensure that its contract and billings have sufficient detail to enable the District to better monitor its costs. | Implemented at 18 months |

FINDING 3: Inadequate controls increased risk of errors and fraud

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| 1. The District should implement proper controls over its payroll processing to ensure adequate separation of responsibilities. | Implemented at 18 months |
| 2. The District should limit employees' access to only those accounting system functions needed to perform their work. | Implemented at 18 months |

FINDING 4: Some Classroom Site Fund monies spent incorrectly, and performance pay plan did not promote improved performance

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| 1. The District should ensure that only eligible employees receive Proposition 301 monies. | Implemented at 6 months |
| 2. The District should ensure that it pays Proposition 301 monies in accordance with its Governing Board-approved plan. | Implemented at 6 months |
| 3. The District's Proposition 301 plan or employment contracts should specify the amount or a range of amounts of performance pay each eligible employee can earn if performance criteria are met. | Implemented at 6 months |
| 4. To promote improved performance, the District should establish meaningful performance goals for activities or achievements. | Implemented at 6 months |