



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 23, 2016

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed an 18-month followup of the Isaac Elementary School District's implementation status for the 8 audit recommendations presented in the performance audit report released in February 2015. As the enclosed grid indicates:

- 4 recommendations have been implemented, and
- 4 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Dr. Mario Ventura, Superintendent
Governing Board
Isaac Elementary School District

ISAAC ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued February 2015

18-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District reduced classroom spending and increased nonclassroom spending	
1. In light of the District's shift in spending away from the classroom and its inefficient operations highlighted in this report, the District should look for ways to reduce nonclassroom spending, especially in administration and plant operations, to allow it to direct more of its monies back into the classroom.	Implementation in process Since fiscal year 2012, the audit year, the District has increased its classroom spending from 51 percent in fiscal year 2012 to 53 percent in fiscal year 2016. However, the District still has made few reductions to its nonclassroom spending. According to district officials, they continually review district spending to see where they can make changes to move more resources into the classroom. Further, district officials stated that the District is undergoing a staffing reorganization in fiscal year 2017, which potentially could result in a reduction in nonclassroom spending. Auditors will review this recommendation again after the District's final fiscal year 2017 accounting records are available so that they can analyze the impact of the staffing reorganization and other actions the District takes to increase classroom spending.
FINDING 2: High administrative and plant operations costs despite closing two schools	
1. The District should review its administrative and plant operations staffing levels and employee benefit costs and determine if they can be reduced to produce cost savings.	Implementation in process The District's fiscal year 2016 administrative costs per pupil were similar to its fiscal year 2012 costs. In addition, the District's fiscal year 2016 plant operations costs per square foot and per pupil decreased only slightly from fiscal year 2012. To help lower these costs, district officials stated that the District is undergoing a staffing reorganization in fiscal year 2017. Auditors will review this recommendation again after the District's final fiscal year 2017 accounting records are available so that they can analyze the impact of the staffing reorganization on administrative and plant operations costs.
2. The District should review its plant operations purchased services costs, particularly its repair and maintenance costs, to determine if they can be reduced to produce cost savings.	Implemented at 6 months

Recommendation	Status/Additional Explanation
----------------	-------------------------------

FINDING 3: District needs to strengthen controls over computer network and systems

<p>1. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that employees have only the access necessary to meet their job responsibilities.</p>	<p>Implementation in process Auditors reviewed the District’s accounting system user access report for the eight users identified during the audit as having more access than needed to meet their job responsibilities and found that the District reduced seven users’ access to an appropriate level. However, one user still had more access than necessary. Auditors will review this recommendation again at the next followup.</p>
<p>2. The District should implement procedures to ensure that network passwords are known only to the employees who create them. Further, the District should implement and enforce stronger password controls by requiring users to create more complex passwords and periodically change them.</p>	<p>Implemented at 6 months</p>
<p>3. The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.</p>	<p>Implemented at 6 months</p>

FINDING 4: Despite efficient bus routes, District’s transportation program had high costs

<p>1. The District should review its transportation employee salaries and benefits and determine if they can be modified to produce cost savings.</p>	<p>Implementation in process According to the District’s transportation reports, between fiscal years 2012 (the audit year) and 2016, the District drove 28 percent fewer miles but transported 31 percent more riders. Despite traveling fewer miles, the District’s total transportation costs increased 10 percent during this time, which resulted in a 54 percent increase in the District’s cost per mile. District officials stated that the District performed a salary survey and found that its bus driver pay was in-line with neighboring districts’. Because of this and a current shortage of bus drivers, district officials stated that they do not plan on altering bus driver salaries or reducing driver benefits. However, they will continue to review the transportation program to determine possible cost savings.</p>
---	---

OTHER FINDINGS: District did not accurately report costs

<p>1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.</p>	<p>Implemented at 18 months</p>
--	--