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October 11, 2018

The Honorable Anthony Kern, Chair  
Joint Legislative Audit Committee

The Honorable Bob Worsley, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Kern and Senator Worsley:

Our Office has recently completed a 24-month followup of the Page Unified School District's implementation status for the 13 audit recommendations presented in the performance audit report released in August 2016. As the attached grid indicates:

- 4 recommendations have been implemented;
- 5 recommendations are in the process of being implemented; and
- 4 recommendations have not been implemented.

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 August 2016 performance audit.

Sincerely,  
Vicki Hanson, Director  
Division of School Audits

cc: Governing Board  
Mr. Robert Varner, Superintendent  
Page Unified School District

**PAGE UNIFIED SCHOOL DISTRICT**  
**Auditor General Performance Audit Report Issued August 2016**  
**24-Month Follow-Up Report**

<b>Recommendation</b>	<b>Status/Additional Explanation</b>
<b>FINDING 1: District needs to strengthen controls over computer network and systems</b>	
1. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.	<b>Implementation in process</b> Auditors reviewed accounting system access for the three employees identified during the audit as having too much access to the accounting system and found that, although the District limited access for two employees, auditors determined that one employee continues to have more access than is necessary for them to meet their job responsibilities. The District is continuing to review accounting system access for this employee.
2. The District should review and eliminate unnecessary accounts with administrator-level access to its student information system.	<b>Implemented at 12 months</b>
3. The District should implement stronger password requirements related to password length, complexity, and expiration.	<b>Implemented at 18 months</b>
4. The District should develop and implement a formal process to ensure that terminated employees have their system access promptly removed.	<b>Implemented at 24 months</b>
5. The District should create a formal information technology (IT) contingency plan and test it periodically to identify and remedy any deficiencies.	<b>Implementation in process</b> The District has developed a formal IT contingency plan, but the plan is missing some key components, including identification of critical systems, order of system restoration, instructions for restoring systems, and testing procedures. The District has plans to modify and test its formal IT contingency plan.

**Recommendation**

**Status/Additional Explanation**

**FINDING 2: Insufficient district oversight of vendor may have led to high food service costs**

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| <p>1. The District should consider rebidding its food service contract to obtain a contract based on cost per meal rather than cost reimbursement. If the District continues to use a cost-reimbursement contract for its food service program, it should work with its vendor to monitor food service operations and costs, including monitoring staffing levels and meal production, throughout the fiscal year to help ensure operations are efficient.</p> | <p><b>Not implemented</b></p> <p>The District has decided to continue using a cost-reimbursement contract for its food service program but is not adequately monitoring food service operations and costs. For example, the District is not monitoring staffing levels to ensure they are reasonable or monitoring meal production to limit food waste. Further, the District's fiscal year 2017 cost per meal was 16 percent higher than its peer districts', on average, which was even higher than in the audit year.</p> |
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**FINDING 3: District should improve controls over its transportation program**

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| <p>1. The District should accurately calculate and report to the Arizona Department of Education the riders transported for state funding purposes.</p>  | <p><b>Implementation in process</b></p> <p>The District is now reporting the number of students actually transported rather than the number of students eligible for transportation. However, the number of riders the District reported to the Arizona Department of Education for fiscal year 2018 was not supported by its detailed driver logs. The District has made additional changes to its process for how it plans to calculate and report its riders for fiscal year 2019.</p> |
| <p>2. The District should maintain its records supporting the reported number of riders transported as required by the Arizona State Library, Archives, and Public Records retention schedule.</p>       | <p><b>Implemented at 6 months</b></p>   |
| <p>3. The District should strengthen its controls over fuel inventory including performing reasonableness tests and investigating any irregularities identified to help ensure appropriate fuel use.</p> | <p><b>Not implemented</b></p> <p>The District is now reconciling the manual fuel logs to the electronic fuel system reports but has not implemented a process to investigate and document any identified irregularities. Additionally, the District has not developed a process to better review fuel use for reasonableness.</p>   |
| <p>4. The District should work with its fuel card vendor to ensure the vendor's billing statements identify the employee purchasing fuel and the odometer reading at the time of purchase.</p>           | <p><b>Implementation in process</b></p> <p>The vendor's billing statements are now able to identify the employee purchasing fuel and the odometer reading at the time of purchase. However, auditors reviewed the August 2018 billing statement and found that most purchases did not identify the odometer reading. The District is investigating why the odometer readings were not included.</p>   |

Recommendation	Status/Additional Explanation
5. The District should strengthen its controls and oversight over fuel card purchases, including investigating unusual purchases as soon as possible and reviewing purchases for reasonableness.	<p><b>Implementation in process</b></p> <p>The District has implemented some basic reviews of fuel card purchases and is working on a process to better ensure the purchases' appropriateness and reasonableness.</p>
6. The District should evaluate the continued use of its 15-passenger vans for student transportation because of safety concerns.	<p><b>Not implemented</b></p> <p>At the District's 6-month followup, district officials stated that they will not purchase any new 15-passenger vans, but they stated that they plan to continue using their 15-passenger vans for student transportation.</p>
<b>OTHER FINDINGS: District did not accurately report its costs</b>	
1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p><b>Not implemented</b></p> <p>Auditors reviewed fiscal year 2018 accounting data and determined that the District continued to make many of the same classification errors noted during the audit. District officials stated that they are beginning to work on improving transaction classification in fiscal year 2019.</p>