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September 5, 2019

The Honorable Rick Gray, Chair
Joint Legislative Audit Committee

The Honorable Anthony T. Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

We recently completed a 24-month followup of Palominas Elementary School District's implementation status for the 6 audit recommendations presented in the performance audit report released in June 2017. As the attached grid indicates:

- 4 recommendations have been implemented.
- 2 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 June 2017 performance audit.

Sincerely,
Vicki Hanson, Director
Division of School Audits

cc: Governing Board
Ms. Sherri Rosalik, Superintendent
Palominas Elementary School District

PALOMINAS ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2017

24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District needs to strengthen computer and building access controls	
1. The District should implement and enforce a password policy related to password expiration and periodically review employees' user accounts to ensure that password changes are in accordance with the policy.	Implemented at 12 months
2. The District should limit employees' access to its computerized accounting system to only those accounting system functions needed to perform their job duties, including transferring the business office employees' administrator-level access to someone outside of the business office.	Implemented at 12 months
3. The District should develop and implement a formal process to ensure that terminated employees have their computer network and systems access promptly removed.	Implemented at 18 months
4. The District should strengthen controls over its process for distributing and tracking building keys, including maintaining an up-to-date distribution log showing the areas and buildings each key can access and ensuring that it assigns keys according to its key assignment policy.	Implemented at 24 months

Recommendation

Status/Additional Explanation

FINDING 2: District should improve controls over transportation program

1. The District should evaluate and implement additional controls over its fuel inventory to help ensure proper accounting of all fuel usage, including implementing fuel logs for its diesel fuel pump, reconciling all fuel logs to fuel purchases, requiring employees to document vehicle fueling times and odometer readings, and investigating any discrepancies identified.

Not implemented

Although the District has implemented some additional controls over its fuel, its fuel inventory remains at risk for fraud, waste, and abuse because the District does not adequately control access to its fuel pumps. We reviewed district records for May 2019 through July 2019, during which time, according to district officials, employees needing to fuel district vehicles were supposed to check out fuel pump keys from a transportation or maintenance supervisor or, in some cases, from their school principal's administrative assistant, and then document their key use on logs. During the review period, we noted that employees used the District's unleaded fuel pump 91 times. However, on 58 of those occasions, there was no documented evidence that employees checked out the keys and were authorized to use them. Additionally, although the District is reconciling fuel logs to fuel pump meters, it is not investigating all discrepancies identified. For example, during the 3-month period we reviewed, the District identified an occasion when there was a 21-gallon difference between fuel pumped as recorded on the District's fuel logs and fuel pumped as recorded on the District's fuel pump meter. However, the District could not provide evidence that it reviewed and addressed the discrepancy as is required by its procedures.

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

Not implemented

The District has not adequately implemented procedures to help ensure it performs systematic preventative maintenance according to its 10,000-mile schedule. We reviewed the District's bus maintenance records as of July 31, 2019, for a sample of five buses and found that the District did not consistently follow its preventative maintenance schedule. Specifically, we found that as of July 31, 2019, two buses had traveled beyond the District's preventative maintenance schedule—one by more than 3,550 miles and another by more than 1,370 miles—without being serviced. Systematic preventative maintenance is important because it helps ensure passenger safety and helps extend buses' useful life.