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**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

April 18, 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 a 30-month followup of the Patagonia Elementary and Union High School Districts' implementation status for the 14 audit recommendations presented in the performance audit report released in September 2013. As the enclosed grid indicates:

- 12 recommendations have been implemented;
- 1 recommendation is in the process of being implemented; and
- 1 recommendation has 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 September 2013 performance audit.

Sincerely,

Vicki Hanson  
Director, Division of School Audits

VH:bh  
Enclosure

cc: Ms. Denise Blake, Superintendent  
Governing Board  
Patagonia Elementary School District  
Patagonia Union High School District

# PATAGONIA ELEMENTARY AND UNION HIGH SCHOOL DISTRICTS

## Auditor General Performance Audit Report Issued September 2013 30-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: Districts saved money by combining operations and sharing staff, but could reduce costs further</b>	
1. The District should review its administrative staffing levels to determine if savings can be achieved and if some of these monies can be redirected to the classroom.	<b>Implemented at 18 months</b> At the 18-month followup, the District had reduced its administrative staffing levels by 1.4 full-time equivalent positions, reducing the District's administrative costs by an estimated \$30,400, or \$200 per pupil.
2. The District should review its building capacity usage to determine whether the elementary school or unused sections of both the elementary and high schools can be closed to reduce costs.	<b>Implemented at 18 months</b> At the 18-month followup, the District had closed its K-2 elementary campus by moving its students to another campus and was in the process of converting space at the K-2 campus into leased space that would generate additional revenues for the District.
<b>FINDING 2: District lacked sufficient controls in multiple operational areas</b>	
1. As recommended by the <i>Uniform System of Financial Records for Arizona School Districts</i> , the District should prepare and retain in employee personnel files a current personnel/payroll action form or contract for each employee to document employment terms.	<b>Implemented at 18 months</b>
2. The District should ensure that all purchases are approved by appropriate supervisors prior to being made.	<b>Implemented at 18 months</b>
3. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<b>Implemented at 18 months</b>
4. 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 an independent review.	<b>Implemented at 18 months</b>
5. The District should implement and enforce password requirements related to password length and complexity.	<b>Implemented at 6 months</b>

Recommendation	Status/Additional Explanation
6. The District should develop and implement a process to ensure critical updates are installed on its computers.	<b>Implemented at 6 months</b>
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies. Additionally, backup tapes should be stored in a secure offsite location.	<b>Implemented at 18 months</b>
8. The District should implement controls over its process for securing, producing, and distributing facility keys, including establishing a distribution log, and creating and following a procedure for ensuring that keys are returned when an employee leaves district employment.	<b>Implemented at 18 months</b>
9. The District should create a formal preventative maintenance policy and schedule and ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its policy and the State's <i>Minimum Standards</i> .	<p><b>Not implemented</b></p> <p>During the 18-month followup, the District had implemented a new process to track when bus preventative maintenance services are due, but some of its buses still exceed its preventative maintenance schedule. Auditors reviewed maintenance files for 5 of the District's 11 buses and found that 2 of the 5 buses exceeded the District's 10,000-mile preventative maintenance schedule—one by 2,347 miles and the other by 2,874 miles. According to district officials, the District will continue to strive to ensure all buses receive systematic and timely preventative maintenance services.</p>
10. The District should implement a process to ensure that bus driver requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	<b>Implemented at 6 months</b>
11. The District should evaluate its controls over fuel inventory and ensure proper accounting of all fuel use.	<p><b>Implementation in process</b></p> <p>At the 18-month followup, the District had begun tracking and recording in a spreadsheet the dates and amounts of fuel pumped from and added to its tanks, fuel inventory levels, and miles per gallon by vehicle. More recently, the District identified some fuel inventory discrepancies, and as a result has further strengthened its controls. The District had its tanks inspected and repairs made to them to ensure the accuracy of their gauges and to minimize the loss of fuel through vaporization. The District also recently installed security cameras to record activity at its fuel tanks. The District should continue to monitor fuel inventory and continue to investigate discrepancies to ensure proper accounting of all fuel use.</p>

**Recommendation**

**Status/Additional Explanation**

**FINDING 3: Cooperatively providing transportation services likely saved the districts money, but raises funding questions**

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1. The Legislature may want to consider whether the intent of A.R.S. §15-901 et seq was to allow districts to jointly operate transportation programs but still receive full transportation funding as if multiple districts were separately running such programs.

**Implemented at 6 months**

Arizona Revised Statutes §15-923 was amended by Laws 2014, Chapter 226, section 9, to state that miles driven to transport eligible students may not be reported as daily route miles by more than one school district.

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