



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

March 24, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Chester Crandell, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Crandell:

Our Office has recently completed a 24-month followup of the Picacho Elementary School District's implementation status for the 13 audit recommendations presented in the performance audit report released in December 2011. As the enclosed grid indicates:

- 11 recommendations have been implemented, and
- 2 recommendations are in the process of being 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 December 2011 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Allen Rogers, Superintendent
Governing Board
Picacho Elementary School District

PICACHO ELEMENTARY SCHOOL DISTRICT

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

Recommendation	Status/Additional Explanation
FINDING 1: District lacked sufficient payroll and purchasing controls	
1. The District should implement proper controls over its payroll processing to ensure adequate separation of duties or alternatively establish an appropriate review process as a compensating control.	Implemented at 18 months
2. The District should ensure that payments for additional work are properly documented, approved prior to payment, and maintained in employee personnel files.	Implemented at 18 months
3. The District should require supervisors to thoroughly review time sheets and have the business manager verify the accuracy of a sample of time sheets to ensure that employees are accurately paid for the correct number of hours worked.	Implementation in process The District is now following its policy requiring that all time sheets be signed by an appropriate supervisor and reviewed by the business manager. However, auditors reviewed payroll records and found that some employees are being paid for estimated time rather than actual hours worked. Therefore, the District should continue adjusting its payroll process to ensure that all employees are accurately paid for the correct number of hours actually worked.
4. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made. Further, in order to help ensure it receives the best price for goods and services, the District should ensure that employees follow the competitive purchasing rules in the <i>Uniform System of Financial Records for Arizona School Districts</i> when purchasing goods and services.	Implemented at 24 months
FINDING 2: Food service program required a \$36,000 subsidy	
1. The District should evaluate its food service operations and determine if they can be modified to reduce staffing levels and produce cost savings.	Implemented at 6 months

Recommendation	Status/Additional Explanation
2. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures such as cost per meal and meals per labor hour and take appropriate actions based on the results of the performance measures.	Implemented at 18 months
3. The District should reassess the costs and benefits of participation in the NSLP's Provision 2 program, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.	<p data-bbox="873 468 1208 499">Implemented at 18 months</p> <p data-bbox="873 499 1521 892">The District conducted a cost analysis to determine the financial effects of participating in the NSLP's Provision 2 program. Although the analysis showed that the District could benefit financially by not participating in the Provision 2 program, the District decided to continue participating in the program. During fiscal year 2009, the audited year, the District subsidized its food service program with over \$36,000 in monies that otherwise potentially could have been spent in the classroom. However, according to district officials, the District has decided that providing free meals to all students is a more important goal for the District than the financial benefits of not participating in the program.</p>

FINDING 3: District did not meet state transportation safety requirements

1. The District should ensure that it conducts all required random drug and alcohol testing as specified in the <i>Minimum Standards</i> .	Implemented at 24 months
2. The District should ensure that bus preventative maintenance is conducted and documented as specified in the <i>Minimum Standards</i> .	Implemented at 24 months

FINDING 4: District performance pay plan needs improvement

1. The District's performance pay 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 24 months
2. To promote improved performance, the District should establish meaningful performance goals for activities or achievements.	Implemented at 24 months

Recommendation

Status/Additional Explanation

OTHER FINDING 1: District did not accurately report its costs

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Implementation in process

Auditors review of the District's year-to-date fiscal year 2014 detailed accounting transactions found that the District has corrected many of its transaction classification errors but continues to make some transaction classification errors similar to those found during the audit of fiscal year 2009. District officials stated they will work to ensure that all fiscal year 2014 transactions are classified in accordance with the Uniform Chart of Accounts, including correcting any classification errors already made in the fiscal year 2014 accounting records.

OTHER FINDING 2: District lost over \$6,600 in discounts from federal E-Rate program

2. The District should ensure that it is enrolled in the E-Rate program and receiving applicable discounts.

Implemented at 6 months

The District is now enrolled in the E-Rate program and has received discounts totaling almost \$40,000 for fiscal years 2010, 2011, 2012, and 2013.
