



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

October 1, 2014

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 6-month followup of the Double Adobe Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in December 2013. As the enclosed grid indicates:

- 4 recommendations have been implemented, and
- 8 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,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Ms. Tammi Wilson, Administrator
Governing Board
Double Adobe Elementary School District

DOUBLE ADOBE ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2013

6-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had much lower administrative costs, but inadequate accounting and computer controls increase risk of errors and fraud	
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, such as having the head teacher, who works part-time in the business office, verify individual employee pay amounts and payroll total amounts on at least a sample basis and initial and date payroll documents as evidence of these reviews.	Implementation in process The District has begun developing a new payroll review process to help ensure the propriety of payroll. Auditors will review this recommendation again at the 12-month followup.
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Implementation in process The District has begun developing a new process to ensure that all purchases are approved prior to being made. Auditors will review this recommendation again at the 12-month followup.
3. The District should implement proper controls over student activities cash receipts received at the district office by preparing and issuing duplicate, prenumbered, and numerically controlled cash receipt forms, and having a second employee reconcile, or review the reconciliations of, issued receipt amounts to actual deposits.	Implementation in process The District has revised its cash receipts procedures for fiscal year 2015. However, as of July 2014, the District had not yet received any cash payments to allow the new procedures to be tested. Auditors will review this recommendation again at the 12-month followup.
4. The District should implement and enforce stronger password controls by requiring its employees to use more complex passwords and to periodically change them.	Implemented at 6 months
5. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	Implemented at 6 months
6. The District should ensure that its computer server is stored in a room that is properly cooled and ensure that a fire extinguisher is available nearby.	Implemented at 6 months

Recommendation	Status/Additional Explanation
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process The District has improved its classification of transactions but continues to make some of the same transaction classification errors noted during the audit. Auditors will review this recommendation again at the 12 month follow-up.</p>
8. The District should ensure expenditure descriptions within the accounting system adequately describe each transaction.	<p>Implementation in process The District is working to ensure that it adequately describes each transaction within its accounting system. Auditors will review this recommendation again at the 12 month follow-up.</p>

FINDING 2: District needs to improve transportation recordkeeping and fuel inventory controls

1. The District should accurately calculate and report miles driven and students transported for student transportation funding purposes.	<p>Implementation in process The District plans to make changes to how miles and riders are counted and reported to help ensure accuracy. Auditors will review this recommendation after the District has submitted its fiscal year 2015 100-day route report to the Arizona Department of Education for funding purposes.</p>
2. The District should continue to work with ADE regarding needed corrections to its transportation funding reports and corresponding adjustments to its expenditure budgets until all funding errors caused by the misreported mileage are fully corrected.	<p>Implemented at 6 months</p>
3. The District should implement proper controls over its fuel inventory, such as requiring a district employee to be present during vendor deliveries, requiring employees to document vehicle mileage and gallons pumped when fueling, and reconciling fuel usage to miles traveled and vendor billings for reasonableness.	<p>Implementation in process The District has made several changes to its fuel inventory procedures for fiscal year 2015, such as requiring a District employee to be present during vendor deliveries and requiring employees to document gallons pumped when fueling. However, as of July 2014, the District had not yet received any vendor deliveries of fuel or recorded any fuel usage so its new procedures could not be tested. Auditors will review this recommendation again at the 12 month follow-up.</p>

Recommendation

Status/Additional Explanation

OTHER FINDINGS: District may be able to improve efficiency and lower costs through the use of cooperative agreements

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1. The District should look for ways to improve efficiency and lower costs, including the possibility of cooperatively providing services with other school districts or the County School Superintendent's Office.

Implementation in process

The District has not yet sought any cooperative agreements, largely due to the recent turnover in administrative staff. The District's new administrative staff plan to seek cooperative opportunities with other school districts and the Cochise County School Superintendent's Office. Auditors will review this recommendation again at the 12 month follow-up.
