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

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DEPUTY AUDITOR GENERAL

October 20, 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 12-month followup of the Elfrida Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in September 2013. As the enclosed grid indicates:

- 3 recommendations have been implemented;
- 7 recommendations are in the process of being implemented; and
- 2 recommendations are not 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. Victoria Brand, Superintendent  
Governing Board  
Elfrida Elementary School District

# ELFRIDA ELEMENTARY SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued September 2013 12-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud</b>	
1. The District should establish and implement procedures to review employee pay, including changes to pay rates, to help ensure that employees are paid correctly.	<b>Implemented at 12 months</b>
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	<b>Implementation in process</b> The District revised its purchasing process to require an independent review and approval of all purchases. However, auditors reviewed five fiscal year 2014 purchases and found that one was not approved prior to the purchase being made. Auditors will review this recommendation again at the 18-month followup.
3. The District should implement proper controls over its cash handling to ensure timely and accurate deposits and to prevent theft or loss.	<b>Implementation in process</b> For fiscal year 2014, the District revised its cash-collection procedures to require that it issue prenumbered receipts for each cash payment received. In addition, a second employee now verifies cash counts and prepares deposits. However, auditors reviewed five fiscal year 2014 cash receipts and found that the District did not prepare cash receipt summaries to reconcile cash collected to the amount deposited. As a result, it could not be determined whether two of the receipts reviewed, totaling \$21, had been deposited. Auditors will review this recommendation again at the 18-month followup.
4. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	<b>Implementation in process</b> The District made some minor changes to employees' access to the accounting system. However, the District's three administrative employees continue to have access that would allow each of them to complete transactions without an independent review. Auditors will review this recommendation again at the 18-month followup.
5. The District should implement and enforce stronger password controls, requiring its employees to periodically change their passwords and require more complex passwords.	<b>Implementation in process</b> The District made the appropriate corrections to its network password settings. However the District is still working to correct its student information system password requirements. Auditors will review this recommendation again at the 18-month followup.

Recommendation	Status/Additional Explanation
6. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for its accounting system.	<b>Implemented at 12 months</b>
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p><b>Implementation in process</b>  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 18 month follow-up.</p>

**FINDING 2: District needs to improve transportation recordkeeping and may be able to reduce costs**

1. The District should review its transportation staffing levels to see if they can be modified to produce cost savings.	<p><b>Not implemented</b>  District officials state they cannot modify transportation staffing levels because the District's two bus routes are long and operate in opposite directions. Therefore, the District cannot combine the routes to reduce the number of drivers it employs. However, as noted in the 2013 performance audit report, Elfrida ESD was the only district in its six-district peer group to employ a transportation position that did not regularly drive bus routes and, as noted below, auditors also recommended that the District consider cooperatively providing transportation with a neighboring district as a cost-saving method. However the District also stated it would not be implementing that recommendation.</p>
2. The District should accurately calculate and report miles driven and students transported for state funding purposes.	<p><b>Implementation in process</b>  In fiscal year 2014, the District began properly counting the number of students who actually rode the bus rather than the number of students who were eligible to ride. However, auditors determined that the District still reported its eligible riders rather than actual riders and thereby overreported its fiscal year 2014 ridership by 21 percent. Additionally, the District overreported its regular route mileage by 35 percent. Further, auditors noted that the District's reported route mileage for fiscal years 2012 and 2013 was substantially higher than its reported route mileage in prior fiscal years and its corrected route mileage in fiscal year 2014. Therefore, the District should review its mileage documentation for fiscal years 2012 and 2013 and work with the Arizona Department of Education to correct reported mileage errors for fiscal years 2012 through 2014. Auditors will review this recommendation again at the 18-month followup.</p>

Recommendation	Status/Additional Explanation
3. The District should examine the possibility of providing transportation cooperatively with other neighboring districts.	<p><b>Not implemented</b></p> <p>According to district officials, the District provided transportation services cooperatively with a neighboring district approximately 7 years ago. However, District officials stated that they discontinued doing so after 1 year in part because of discipline issues and the additional wear and tear on the District's buses. Therefore, according to district officials, the District does not want to provide transportation services cooperatively again. However, Elfrida ESD could avoid some of these past issues and still cooperatively provide other transportation services, such as administrative oversight and vehicle repair and maintenance.</p>

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**OTHER FINDINGS 1: District may be able to improve efficiency and lower costs through the use of cooperative agreements**

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.	<p><b>Implementation in process</b></p> <p>The District participates in some cooperative services with other districts. For example, the neighboring high school district provides music instruction to Elfrida ESD students. Further, district officials stated that, approximately 4 years ago, they informally offered to provide food services to two nearby districts, but those districts declined the offer. District officials stated that they would continue to seek cooperative opportunities with other school districts and with the County School Superintendent's Office. Auditors will review this recommendation again at the 18-month followup.</p>
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**OTHER FINDINGS 2: Some Classroom Site Fund monies not paid in accordance with governing board-approved plan**

1. The District should pay Classroom Site Fund monies in accordance with its governing board-approved plan.	<b>Implemented at 12 months</b>
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