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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

June 8, 2015

The Honorable Judy Burges, Chair
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed an 18-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:

- 6 recommendations have been implemented;
- 5 recommendations are in the process of being implemented; and
- 1 recommendation is 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 18-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud	
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.	Implemented at 12 months
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Implemented at 18 months
3. The District should implement proper controls over its cash handling to ensure timely and accurate deposits and to prevent theft or loss.	<p>Implementation in process</p> <p>In fiscal year 2014, the District revised its cash-collection procedures to require the issuance of prenumbered receipts for each cash payment received. However, auditors reviewed 15 cash receipts selected from the District's January and February 2015 cash collection summaries and found that the District did not issue prenumbered receipts for six of these receipts. Auditors will review this recommendation again at the 24-month followup.</p>
4. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	Implemented at 18 months
5. The District should implement and enforce stronger password controls, requiring its employees to periodically change their passwords and require more complex passwords.	Implemented at 18 months
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.	Implemented at 12 months
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process</p> <p>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 24 month follow-up.</p>

Recommendation

Status/Additional Explanation

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

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1. The District should review its transportation staffing levels to see if they can be modified to produce cost savings.

Not implemented

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.

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2. The District should accurately calculate and report miles driven and students transported for state funding purposes.

Implementation in process

In fiscal year 2015, the District properly counted the number of students who actually rode the bus rather than the number of students who were eligible to ride. However, the District continues to inaccurately report miles driven and students transported for state funding purposes. Auditors determined that the District over-reported its route mileage in fiscal years 2012 through 2014, resulting in it being overfunded by \$138,295. In addition, for fiscal year 2015, the District over-reported its number of students transported by almost 100 percent and its regular route mileage by 22 percent. Although the over-reporting of riders did not affect the District's transportation funding, the over-reporting of miles would result in the District's transportation program being overfunded in fiscal year 2016 by more than \$56,000 if not corrected, since transportation funding is based primarily on miles reported in the prior fiscal year. Therefore, the District should work with the Arizona Department of Education to correct reported ridership and mileage errors for fiscal years 2012 through 2015 and the resulting overfunding for fiscal years 2013 through 2015. Auditors will review this recommendation again at the 24-month followup.

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3. The District should examine the possibility of providing transportation cooperatively with other neighboring districts.

Implementation in process

In March 2015, the District took a minor step by emailing officials at a neighboring school district regarding the possibility of cooperatively providing transportation services. Auditors will review this recommendation again at the 24-month followup to determine what action has been taken.

Recommendation

Status/Additional Explanation

OTHER FINDINGS 1: 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

In March 2015, the District took a minor step by emailing officials at a neighboring school district regarding the possibility of cooperatively providing food or transportation services. District officials stated that they would seek cooperative opportunities with other school districts and with the County School Superintendent's Office. Auditors will review this recommendation again at the 24-month followup.

OTHER FINDINGS 2: Some Classroom Site Fund monies not paid in accordance with governing board-approved plan

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1. The District should pay Classroom Site Fund monies in accordance with its governing board-approved plan.

Implemented at 12 months