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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

March 17, 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 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, and
- 2 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the Districts 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. Denise Blake, Superintendent
Governing Board
Patagonia Elementary School District
Patagonia Union High School District

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# PATAGONIA ELEMENTARY AND UNION HIGH SCHOOL DISTRICTS

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

| Recommendation | Status/Additional Explanation |
|---|---|
| **FINDING 1: Districts saved money by combining operations and sharing staff, but could reduce costs further** | |
| 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. | **Implemented at 18 months**<br>The District reduced its administrative staffing levels by 1.4 full-time equivalent positions in fiscal year 2015. This staffing level reduction is expected to reduce the District's administrative costs by $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. | **Implemented at 18 months**<br>The District closed its K-2 elementary campus and is reviewing plans to lease the space to a nonprofit agency that would provide services to the community. |
| **FINDING 2: District lacked sufficient controls in multiple operational areas** | |
| 1. As recommended by the *Uniform System of Financial Records for Arizona School Districts*, 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. | **Implemented at 18 months** |
| 2. The District should ensure that all purchases are approved by appropriate supervisors prior to being made. | **Implemented at 18 months** |
| 3. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts. | **Implemented at 18 months** |
| 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. | **Implemented at 18 months** |
| 5. The District should implement and enforce password requirements related to password length and complexity. | **Implemented at 6 months** |

| Recommendation | Status/Additional Explanation |
|---|---|
| 6. The District should develop and implement a process to ensure critical updates are installed on its computers. | **Implemented at 6 months** |
| 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. | **Implemented at 18 months** |
| 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. | **Implemented at 18 months** |
| 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 *Minimum Standards*. | **Implementation in process**<br>The District has begun implementing a new process to track when bus preventative maintenance services are due. Auditors will review this recommendation again at the 24-month followup when the District has had the opportunity to perform additional preventative maintenance under its new process. |
| 10. The District should implement a process to ensure that bus driver requirements are met and documented in accordance with the State's *Minimum Standards*. | **Implemented at 6 months** |
| 11. The District should evaluate its controls over fuel inventory and ensure proper accounting of all fuel use. | **Implementation in process**<br>The District has improved controls over its fuel inventory by using a spreadsheet to record dates and amounts of fuel pumped from its tanks and to compare expected fuel inventory levels to actual fuel levels. The District also now tracks miles per gallon for buses and district vehicles as another way of monitoring fuel usage. However, auditors noted some instances when actual fuel levels in district tanks differed from expected fuel levels by 10 percent or more. When these material differences occurred, the District did not perform additional reviews to determine their reasons. Auditors will review this recommendation again during the 24-month followup. |

## 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**<br>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. |