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June 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 a 6-month followup of the Salome Consolidated Elementary School District's implementation status for the 18 audit recommendations presented in the performance audit report released in October 2014. As the enclosed grid indicates:

- 5 recommendations have been implemented, and
- 13 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: Mr. George Dean, Superintendent
Governing Board
Salome Consolidated Elementary School District

SALOME CONSOLIDATED ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2014 6-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 implement proper control over its payroll and purchasing processes to ensure proper separation of responsibilities or alternatively establish an appropriate review process as a compensating control.	Implementation in process The District has implemented new procedures to improve control over its payroll process; however, auditors noted that the District does not always follow its payroll procedures. In a sample of ten fiscal year 2015 payroll files reviewed, auditors noted that one district official was paid two stipends totaling \$3,500 without appropriate supervisors' required prior approval. Additionally, the District is currently reviewing its purchasing processes but has not yet implemented a proper separation of responsibilities. 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 and should document that all goods or services have been received prior to payment.	Implementation in process Auditors reviewed ten fiscal year 2015 purchases and found that one purchase lacked prior approval and two purchases lacked sufficient documentation that items had been received prior to payment. The District is in the process of providing additional training to staff regarding proper purchasing procedures. 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 adhering to its procedures for preparing and issuing duplicate, prenumbered, and numerically controlled cash receipts forms.	Implemented at 6 months
4. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	Implementation in process The District is reviewing employees' access to the accounting system but has not yet taken action. Therefore, several users continue to have the ability to complete transactions without an independent review. Auditors will review this recommendation again at the 12-month followup.

Recommendation**Status/Additional Explanation**

5. The District should eliminate or minimize generic user accounts in its accounting and student information systems and properly control any generic accounts used for technical support from system vendors.	Implementation in process The District has removed generic accounts from its student information system; however, it is still working with the La Paz County School Superintendent's Office, which hosts its accounting system, to eliminate or properly control generic accounts in that system. Auditors will review this recommendation again at the 12-month followup.
6. The District should require users to change assigned passwords at first login and implement and enforce stronger password controls by requiring users to create more complex passwords and to periodically change them.	Implementation in process The District now requires network users to create more complex passwords and to periodically change them; however, it has not yet implemented adequate password controls over its accounting system. The District plans to work with the La Paz County School Superintendent's Office, which hosts its accounting system, to strengthen these controls. Auditors will review this recommendation again at the 12-month followup.
7. The District should implement controls to limit employees' ability to install unauthorized software on district computers or develop a process to monitor computers for installation of unauthorized software.	Implementation in process The District has installed a directory service system on its network to assist it with controlling employees' ability to install unauthorized software on district computers but has not yet implemented the appropriate settings in the system to help ensure this control's effectiveness. Auditors will review this recommendation again at the 12-month followup.
8. The District should store backup drives in a secure location, separate from its server.	Implemented at 6 months
9. The District should ensure that its computers have currently supported operating systems installed.	Implementation in process The District is in the process of completing an inventory list, which will include each computer and its installed operating system, to help the District document and monitor that all of its computers are using currently supported operating systems. Auditors will review this recommendation again at the 12-month followup.
10. The District should develop and implement a process to ensure it installs critical updates on its computers.	Implementation in process The District has installed a directory service system on its network to assist it with automatically installing critical updates on district computers but has not yet implemented the appropriate settings in the system to help ensure this process is properly completed. Auditors will review this recommendation again at the 12-month followup.

Recommendation	Status/Additional Explanation
11. The District should establish a written agreement with the La Paz County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	<p>Implementation in process The District is working with the La Paz County School Superintendent's Office to establish written agreements that outline each party's responsibilities for the District's accounting system. Auditors will review this recommendation again at the 12-month followup.</p>
12. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process The District has corrected some expenditure classification errors noted during the audit; however, auditors found that the District still misclassifies some of the same expenditures. Auditors will review this recommendation again at the 12-month followup.</p>
<p>FINDING 2: District should asses ways to reduce its \$30,750 food service program subsidy</p>	
1. The District should assess the costs and benefits of participating in the special NSLP provision, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.	<p>Implementation in process The District is assessing the costs and benefits of participating in the special NSLP provision. Auditors will review this recommendation again at the 12-month followup.</p>
2. The District should establish a system to properly track individual adult meals served and related payments collected.	<p>Implemented at 6 months</p>
<p>FINDING 3: District should strengthen its transportation program's controls</p>	
1. The District should implement a process to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	<p>Implementation in process The District has not yet implemented a process to ensure that its drivers meet <i>Minimum Standards</i>. Auditors reviewed bus driver files and found that none of the District's drivers had evidence that they had completed a current annual drug test. The District intends to implement a process in the upcoming fiscal year. Auditors will review this recommendation again at the 12-month followup.</p>
2. To help safeguard its fuel inventory and ensure proper controls over its use, the District should reconcile fuel consumption recorded on its fuel usage logs to vendor fuel invoices, restrict access to fuel pumps, and consider calculating and monitoring miles per gallon for each of its vehicles for reasonableness.	<p>Implemented at 6 months</p>
3. The District should work with its fuel vendor to identify fueling dates and times on billing statements.	<p>Implemented at 6 months</p>

Recommendation

Status/Additional Explanation

OTHER FINDINGS: District may be able to improve efficiency and lower costs through 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 entered into an agreement with a neighboring district to share some instructional personnel and is currently looking for ways to share operational services, such as transportation. Auditors will review this recommendation again at the 12-month followup.
