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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

November 21, 2013

The Honorable Chester Crandell, Chair
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair
Joint Legislative Audit Committee

Dear Senator Crandell and Representative Allen:

Our Office has recently completed a 24-month followup of the Ajo Unified School District's implementation status for the 12 audit recommendations presented in the performance audit report released in June 2011. As the enclosed grid indicates:

- 11 recommendations have been implemented, and
- 1 recommendation is in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the June 2011 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Dr. Robert Dooley, Superintendent
Governing Board
Ajo Unified School District

AJO UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2011 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and IT controls increased risk of errors and fraud	
1. The District should implement proper controls over its payroll processing to ensure adequate separation of duties.	Implemented at 6 months
2. The District should establish a delayed payroll system in compliance with the <i>Uniform System of Financial Records for Arizona School Districts</i> to help ensure that employees are paid correctly.	Implemented at 12 months
3. The District should ensure that payments for additional work are properly documented, approved, and maintained in employee personnel files.	Implemented at 12 months
4. The District should limit employees' access to only those accounting system functions needed to perform their work and should remove all generic user accounts.	Implemented at 6 months
5. The District should implement stronger password controls, requiring its employees to create more secure passwords and to periodically change those passwords.	Implemented at 6 months
6. The District should establish and implement policies and procedures for logging and monitoring users' activities on critical systems and applications.	Implemented at 12 months
7. The District should create a formal process for disabling unused network connection outlets on district walls.	Implemented at 12 months
8. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies.	Implemented at 18 months

Recommendation	Status/Additional Explanation
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FINDING 2: Shift in classroom spending indicates possible supplanting

1. The District should ensure that CSF monies are used to supplement rather than supplant other monies spent on classroom instruction.

Implementation in process

As reported at the 18 month followup, the District's percentage of dollars allocated to the classroom in fiscal year 2012 was only 50.3 percent, 8 percentage points below its percentage for fiscal year 2009, the audited year, and almost 10 percentage points below its fiscal year 2001 percentage. Part of the drop in fiscal year 2012 was due to a special federal grant the District received and spent primarily for student support and instruction support. Even without these additional grant monies, the District's fiscal year 2012 classroom dollar percentage would have been only 55.3 percent. In fiscal year 2013, the District's classroom dollar percentage fell to 49.8 percent. However, the District continued to receive and spend special federal grant monies primarily for student support and instruction support. Without these additional grant monies, the District's fiscal year 2013 classroom dollar percentage would have increased to 56.6 percent. Although the District's classroom dollar percentage appears to be increasing if the special federal grant monies are not included, the District should continue to ensure that CSF monies are used to supplement rather than supplant other monies spent on classroom instruction.

2. The District should ensure that adequate documentation is retained to support all performance pay awards.

Implemented at 12 months

OTHER FINDING 1: District did not accurately report its costs

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Implemented at 6 months

OTHER FINDING 2: District allowed students to charge meal costs and accumulate significant unpaid balances

1. The District should formalize, by putting in writing, and follow its stated policy for student meal charge sales and provide a sandwich to students who are carrying unpaid meal balances above \$10. Further, the District should determine what other steps can be taken to collect unpaid meal balances.

Implemented at 6 months