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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

October 20, 2016

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 24-month followup of the Chinle Unified School District's implementation status for the 14 audit recommendations presented in the performance audit report released in June 2014. As the enclosed grid indicates:

- 7 recommendations have been implemented;
- 2 recommendations are in the process of being implemented; and
- 5 recommendations have not been 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 2014 performance audit.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Mr. Quincy Natay, Superintendent
Governing Board
Chinle Unified School District

CHINLE UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2014 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had higher administrative costs and lacked adequate controls to protect it from fraud and errors	
1. The District should review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced and make any adjustments accordingly.	Not implemented Although the District has slightly reduced the number of administrative positions it employs, its administrative staffing level per pupil is the same as it was during the audit year because its student enrollment has also decreased. Further, the District's fiscal year 2016 per pupil administrative costs were 12 percent higher than they were in fiscal year 2011, the audit year.
2. To reduce its travel costs, the District should limit the number of employees attending a given conference or seminar to the key staff members who need to attend.	Implementation in process The District implemented new procedures in fiscal years 2015 and 2016 to charge individual departments for their travel costs, limit the number of trainings that employees attend, and maximize the use of webinars and teleconferences. The District believed the new procedures would reduce its travel costs, and in fiscal year 2016, the District's travel costs were 25 percent lower than in the audit year. However, the District's fiscal year 2016 travel costs were still more than twice the peer districts' average in fiscal year 2015, the most recent year for which peer data is available. District officials indicated that they will continue to seek ways to lower travel costs.
3. The District should review the list of district vehicles that are loaned to staff to determine whether the employees need these vehicles based on their job responsibilities and make any adjustments accordingly.	Implemented at 18 months
4. The District should implement proper controls over district-provided vehicles by adopting policies and procedures governing allowable use, requiring that employees maintain mileage logs documenting the purpose of trips and related mileage, and reviewing the logs for appropriateness.	Implemented at 24 months

Recommendation	Status/Additional Explanation
5. The District should implement proper controls over fuel usage for district-provided vehicles by requiring that employees maintain fuel logs identifying the vehicle and its odometer reading, the individual pumping fuel, and the amount and date of fuel pumped.	Implemented at 18 months
6. 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
7. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.	<p data-bbox="873 625 1089 657">Not implemented</p> <p data-bbox="873 657 1521 867">Although the District reviewed employees' access in the accounting system and made some improvements, auditors found that four of the seven users sampled still had more access than necessary to perform their job responsibilities—access that would allow them to initiate and complete transactions without supervisor approval.</p>
8. The District should implement stronger password requirements related to password length, complexity, and expiration.	Implemented at 6 months
9. The District should develop and implement a formal process to ensure that terminated employees have their IT systems and network access promptly removed and that any generic accounts are disabled.	<p data-bbox="873 1035 1089 1066">Not implemented</p> <p data-bbox="873 1066 1521 1297">During the previous followup, the District implemented a process to have terminated employees' access to IT systems and the network removed when they left district employment. However, as noted during the previous followup, the process is not adequate. The District's process does not ensure that access is promptly removed and does not require any documentation or verification of removals.</p>

FINDING 2: District spent more on plant operations primarily for excess building space

1. The District should review the use of space at each of its schools and reduce excess building space or close a school.	<p data-bbox="873 1402 1089 1434">Not implemented</p> <p data-bbox="873 1434 1537 1766">The District has not reduced its excess building space and now operates at an even lower building capacity usage rate than it did in the audit year because its student enrollment has decreased by 285 students since fiscal year 2011. As a result, the District's schools operated at only 45 percent of designed capacity in fiscal year 2016, 4 percentage points lower than in the audit year. The District does not appear to have a comprehensive plan to reduce its excess building space, and district officials stated that they are not considering closing a school.</p>
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Recommendation	Status/Additional Explanation
2. The District should continue to evaluate its rental rates and, if the District continues to subsidize its employee housing, determine the costs and benefits of doing so.	<p>Not implemented</p> <p>Auditors reviewed the District's fiscal year 2016 accounting data and determined that the District continues to subsidize its employee housing substantially. In fiscal year 2016, the District subsidized employee housing with over \$737,000. The District was unable to provide any evidence that it has determined the costs and benefits of continuing to subsidize its employee housing program to such an extent.</p>

FINDING 3: District did not meet bus driver certification and bus preventative maintenance requirements

1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	Implemented at 18 months
2. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with district policy and the State's <i>Minimum Standards</i> .	<p>Implementation in process</p> <p>Auditors reviewed maintenance files for 10 of the District's 92 buses and found that the District continues to exceed its preventative maintenance schedules, as it did during the audit. Five of 10 buses reviewed exceeded the District's preventative maintenance schedule by 899 to 2,892 miles. The District has begun implementing a new process that requires a transportation supervisor to review odometer readings for each bus on a regular basis and to identify when buses are approaching their preventative maintenance intervals.</p>

OTHER FINDINGS: District did not follow all requirements for its English Language Learner program

1. The District should ensure that it corrects all deficiencies in its English Language Learner Program that are noted in its corrective action plan.	Implemented at 12 months
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