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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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DEPUTY AUDITOR GENERAL

April 29, 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 30-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:

- 9 recommendations have been implemented;
- 2 recommendations are in the process of being implemented; and
- 1 recommendation has 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 September 2013 performance audit.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Ms. Vicki Brand, Superintendent
Governing Board
Elfrida Elementary School District

ELFRIDA ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued September 2013

30-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.	Implemented at 30 months
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. According to district officials, staff are obtaining additional training to help ensure that the District's fiscal year 2016 accounting transactions are classified in accordance with the Uniform Chart of Accounts for school districts.</p>

Recommendation

Status/Additional Explanation

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

1. The District should review its transportation staffing levels to see if they can be modified to produce cost savings.	<p>Not implemented</p> <p>At the 12-month followup, district officials stated that 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. As noted below, auditors also recommended that the District consider cooperatively providing transportation with a neighboring district as a cost-saving method.</p>
2. The District should accurately calculate and report miles driven and students transported for state funding purposes.	<p>Implemented at 30 months</p> <p>Since the last followup, the District has implemented a method for tracking and reporting mileage and ridership. Using this new method, the District accurately reported its fiscal year 2016 mileage to the Arizona Department of Education (ADE), but it did not accurately report its number of riders because of a mathematical error. However, the District's inaccurate reporting of riders will not affect its transportation funding. In addition, the District worked with ADE to correct reported mileage and ridership errors and resulting overfunding for fiscal years 2012 through 2015. As a result, ADE will reduce the District's state transportation funding by \$220,776 during fiscal years 2016 and 2017.</p>
3. The District should examine the possibility of providing transportation cooperatively with other neighboring districts.	<p>Implemented at 30 months</p> <p>Although the District has not established an agreement to operate transportation services cooperatively with another district, it communicated with neighboring districts multiple times to assess the feasibility of providing these services cooperatively. Ultimately, district officials made the decision that it was not in the best interest of their District.</p>

OTHER FINDINGS 1: District may be able to improve efficiency and lower costs through the use of cooperative agreements

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.	<p>Implementation in process</p> <p>The District is currently working to develop an agreement to provide bus maintenance services to a neighboring school district.</p>
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Recommendation**Status/Additional Explanation****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
