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AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

March 3, 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 24-month followup of the Fountain Hills Unified School District's implementation status for the 11 audit recommendations presented in the performance audit report released in July 2012. As the enclosed grid indicates:

- 8 recommendations have been implemented;
- 1 recommendation is in the process of being implemented;
- 1 recommendation has not been implemented; and
- 1 recommendation is no longer applicable.

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 July 2012 performance audit.

Sincerely,

Ross Ehrick, CPA  
Director, Division of School Audits

RE:bh  
Enclosure

cc: Mr. Tom Lawrence, Superintendent  
Governing Board  
Fountain Hills Unified School District

# FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued July 2012 24-Month Follow-Up Report

| Recommendation | Status/Additional Explanation |
|----------------|-------------------------------|
|----------------|-------------------------------|

**FINDING 1: District has addressed some of its higher administrative costs, but can do more**

|                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <p>1. The District should continue to review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.</p> | <p><b>Implementation in process</b><br/>The District has reduced its total administrative costs by \$242,000 since fiscal year 2010, the audited year. However, its fiscal year 2014 administrative cost per pupil remained 36 percent higher than the peer districts' average, partly because the District's student enrollment has declined by 19 percent since fiscal year 2010. According to district officials, the District should realize some additional cost savings in fiscal year 2015 as a result of changes it made at the end of fiscal year 2014. For example, the District eliminated an administrative position at its high school. Because the District's administrative cost per pupil remains much higher than the peer districts' average, the District should continue to review its administrative costs to determine how they can be further reduced.</p> |
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**FINDING 2: With declining enrollment and high plant operations costs, District closed a school but did not realize all potential savings**

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| <p>1. The District should ensure that the thermostats at the vacant school are set at the recommended temperatures while the building is unoccupied.</p> | <p><b>Implemented at 12 months</b></p> |
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**FINDING 3: Despite reasonably efficient transportation program, District had to subsidize it by \$105,000**

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| <p>1. The District should ensure it applies to Maricopa County to receive funding for transporting students from unorganized territories.</p>                                      | <p><b>Implemented at 12 months</b><br/>The District received over \$75,000 in funding from Maricopa County for transporting students from unorganized territories during fiscal year 2013.</p>                                       |
| <p>2. The District should accurately report the data needed for state transportation funding to the Arizona Department of Education.</p>                                           | <p><b>Implemented at 12 months</b></p>                                                                                                                                                                                               |
| <p>3. The District should contact the Arizona Department of Education and correct its fiscal year 2010 transportation report and subsequent expenditure budgets, as allowable.</p> | <p><b>No longer applicable</b><br/>The District could not locate adequate documentation to sufficiently support the purpose of its unreported fiscal year 2010 miles and therefore is not seeking reimbursement for those miles.</p> |

**Recommendation**

**Status/Additional Explanation**

**FINDING 4: District reduced classroom spending and shifted monies to other operational areas**

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| 1. The District should look for ways to reduce nonclassroom spending, especially in administration and transportation, to allow it to direct more of its monies back into the classroom. | <b>Implemented at 18 months</b><br>The District reduced its spending in most operational areas and increased its transportation revenues by billing the county for transportation services provided. As a result, the District's fiscal year 2013 classroom dollar percentage was 3.4 percentage points higher than it was in fiscal year 2010, the audit year. The District should continue looking for ways to increase its efficiency to allow it to direct more of its monies back into the classroom. |
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**FINDING 5: District should strengthen its purchasing and computer controls**

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| 1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made. | <b>Implemented at 6 months</b> |
| 2. The District should limit employees' access to the student information systems for only those functions needed to perform their work.      | <b>Implemented at 6 months</b> |

**OTHER FINDING 1: District did not accurately report its costs**

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| 1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts. | <b>Not implemented</b><br>Auditors' review of the District's fiscal year 2014 detailed accounting transactions found that although the District made some corrections when classifying its transactions, it continued to make transaction classification errors similar to those found during the fiscal year 2010 audit. |
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**OTHER FINDING 2: District did not sufficiently oversee its food service contract**

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| 1. The District should ensure that any price increases follow the terms of its contract.                                                             | <b>Implemented at 6 months</b>  |
| 2. The District should carefully review vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its contract. | <b>Implemented at 12 months</b> |