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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

July 9, 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 Ft. Thomas Unified School District's implementation status for the 16 audit recommendations presented in the performance audit report released in May 2013. As the enclosed grid indicates:

- 10 recommendations have been implemented;
- 3 recommendations have not been implemented; and
- 3 recommendations are no longer applicable.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 May 2013 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Shane Hawkins, Superintendent
Governing Board
Ft. Thomas Unified School District

FT. THOMAS UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued May 2013

24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had much higher administrative costs and lacked adequate accounting 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.	Not Implemented The District employed 1.5 fewer full-time equivalent positions in fiscal year 2014 than in fiscal year 2010, the audited year. However, the District's fiscal year 2014 administrative salaries and benefits costs per pupil were actually 6 percent higher than in fiscal year 2010 and still 33 percent higher than the peer districts' average. Further, in fiscal year 2015, the District added additional administrative positions, which will further increase its administrative costs. The District should review its administrative positions and related duties and salaries to determine how administrative costs can be reduced.
2. To reduce its administrative 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.	Implemented at 18 months During fiscal year 2014, the District limited the number of conferences and seminars that employees attended and reduced the number of employees attending them. As a result, the District's fiscal year 2014 administrative travel costs per pupil were 26 percent less than in fiscal year 2010.
3. 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
4. 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 12 months
5. The District should strengthen its controls and oversight over fuel card purchases, including ensuring receipts are submitted for all purchases, reconciling fuel receipts to the billing statements, and reviewing purchases for reasonableness.	Implemented at 6 months

Recommendation	Status/Additional Explanation
<p>6. To help ensure that all travel expenses are reasonable and allowable, the District should require travelers to submit proper documentation. Even when expenses are placed on the District's credit card, travelers should be required to submit supporting documentation, such as receipts and invoices, and the District should reconcile the receipts and invoices to the travel claims to ensure it is only paying for appropriate charges.</p>	<p>Implemented at 12 months</p>
<p>7. The District should require detailed invoices from all vendors, and it should carefully review vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its contract.</p>	<p>Implemented at 6 months</p>
<p>FINDING 2: Despite having high plant operations costs and excess space, District is building another school</p>	
<p>1. The District should review the use of space at each of its schools and determine ways to reduce identified excess space.</p>	<p>Not Implemented District officials stated that they have not identified ways to reduce excess space at each of the District's schools because they are expecting growth in student enrollment. However, such growth seems unlikely to be adequate to fill its schools. As stated in the performance audit report, the District's two main schools' have a cumulative capacity of 1,100 students. However, the District's student enrollment between fiscal years 2001 and 2010 averaged only 529 students and never went above 603 students. Further, the District's fiscal year 2015 enrollment was 528 students. Therefore, the District's schools continue to operate at roughly half their capacity. Despite this excess capacity, the District still plans to open a new elementary school in August 2015.</p>
<p>FINDING 3: Costly food service program required a \$96,000 subsidy</p>	
<p>1. The District should thoroughly review all vendor invoices monthly to ensure they comply with contract terms and determine whether costs are appropriate before paying them.</p>	<p>No longer applicable In an effort to reduce costs, the District has begun operating its food service program in-house.</p>
<p>2. The District should consider rebidding its food service contract to obtain more favorable terms, such as a contract based on cost per meal rather than a cost reimbursement contract. In addition, the District should ensure that a new contract clearly delineates all fees, such as administrative fees.</p>	<p>No longer applicable In an effort to reduce costs, the District has begun operating its food service program in-house.</p>

Recommendation	Status/Additional Explanation
3. If the District continues with a cost reimbursement type contract, it should work with its food service vendor to evaluate its food service operations and determine if they can be modified to reduce staffing levels and produce cost savings.	<p>No longer applicable In an effort to reduce costs, the District has begun operating its food service program in-house.</p>
4. The District should determine, along with its legal counsel, whether to pursue reimbursement from its food service vendor for the amount that actual costs exceeded the costs limits prescribed in the fiscal year 2010 contract addendum as well as the additional \$40,000 that the vendor guaranteed to the District.	<p>Implemented at 6 months</p>
5. The District should reassess the costs and benefits of participation in the NSLP's Provision 2 program, including the suitability of subsidizing the food service program with monies that otherwise potentially could have been spent in the classroom.	<p>Implemented at 6 months The District conducted a cost analysis to determine the financial effects of participating in the NSLP's Provision 2 program. Although the analysis showed that the District would lose money by providing free meals to students whose families did not qualify for free or reduced-price lunches, District officials chose to continue participating in the program believing that the benefits of providing free meals to all students outweighed the costs of participating in the program. Auditors noted that since fiscal year 2010, the percentage of the District's students eligible for the NSLP program has risen from 82 percent to over 88 percent in fiscal year 2014, making its participation in NSLP's Provision 2 program more appropriate</p>

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.	<p>Not Implemented Auditors reviewed the District's fiscal year 2014 and fiscal year 2015 year-to-date detailed accounting transactions and found that although the District has made some improvements when classifying transactions, it continued to make transaction classification errors similar to those found during the audit of fiscal year 2010.</p>
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OTHER FINDING 2: Some Classroom Site Fund monies paid to an ineligible employee, and some employees paid incorrect amounts

1. The District should ensure that only eligible employees receive Classroom Site Fund monies.	<p>Implemented at 6 months</p>
2. The District should ensure that it pays Classroom Site Fund monies in accordance with its Governing Board-approved plan.	<p>Implemented at 6 months</p>