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AUDITOR GENERAL

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February 28, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Chester Crandell, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Crandell:

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

- 7 recommendations have been implemented;
- 3 recommendations are in the process of being implemented; and
- 2 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 December 2011 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Patrick O'Donnell, Superintendent
Governing Board
Superior Unified School District

SUPERIOR UNIFIED SCHOOL DISTRICT

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

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increase 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 review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review.	Implemented at 12 months
3. The District should implement stronger password controls, requiring its employees to create more secure passwords that contain a combination of alphabetic and numeric characters.	Implemented at 6 months
4. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies.	Implemented at 24 months
FINDING 2: Improvements needed to lower District's significantly higher transportation costs	
1. The District should review its transportation staffing levels and see if they can be modified to produce cost savings.	<p>Implementation in process In fiscal year 2013, the District reduced its transportation staffing levels, saving more than \$22,000 in salary and benefit costs. However, the District's cost per mile in fiscal year 2013 was still much higher than the peer districts' average. The District's costs were higher, in part, because of a substantial increase in its bus repair costs. Because the District's costs were still much higher than peer districts', on average, it should continue to review its transportation costs to determine how they can be further reduced.</p>
2. The District should review its bus routes for further cost savings and efficiency.	<p>Implementation in process The District eliminated one bus run to and from its elementary school in fiscal year 2013. However, because its transportation costs are still much higher than peer districts', it should continue to review its routes for further cost savings and efficiency.</p>

Recommendation	Status/Additional Explanation
3. The District should develop a checklist to document that its buses receive required preventative maintenance as specified in the State's <i>Minimum Standards</i> .	Implemented at 12 months
4. The District should ensure that it conducts all required random drug and alcohol testing as specified in the <i>Minimum Standards</i> .	Implemented at 24 months

FINDING 3: District should review plant operations staffing levels for further cost savings

1. The District should review its plant operations staffing levels and determine if they can be modified to produce cost savings.	<p>Implementation in process</p> <p>In fiscal year 2013, the District reduced its plant operations staffing level to 6.75 FTE, which is 1.25 FTE fewer than it employed in fiscal year 2010 and close to the peer districts' average. As a result, the District reduced its plant operations salary and benefit costs by over \$50,000. Further, the District's fiscal year 2013 \$5.95 cost per square foot was 39 cents lower than in fiscal year 2010. Although the District lowered its fiscal year 2013 cost per square foot, it was still 20 percent higher than the peer districts' average. Therefore, the District should continue to review its plant operations costs to determine how they can be further reduced.</p>
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FINDING 4: Some employees received performance pay despite goal not being met

1. The District should ensure that it pays eligible employees only for goals met in accordance with its governing board-approved performance pay plan.	Implemented at 6 months
2. The District should ensure that its performance pay plan clearly specifies the amount of performance pay each goal is worth and whether partial payment should be awarded for goals not achieved or not fully achieved.	<p>Not implemented</p> <p>The performance pay plan that the District's Governing Board approved for fiscal year 2014 does not specify the amount of performance pay each goal is worth and whether partial payment should be awarded for goals not achieved or not fully achieved. The District's new superintendent stated that he planned to make the necessary changes to the fiscal year 2015 performance pay plan.</p>

Recommendation

Status/Additional Explanation

OTHER FINDINGS: District did not accurately report its costs

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

Not implemented

Auditors review of the District's fiscal year 2013 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. According to district officials, staff have obtained additional training to help ensure that the District's fiscal year 2014 accounting transactions are classified in accordance with the Uniform Chart of Accounts.
