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September 24, 2019

The Honorable Rick Gray, Chair
Joint Legislative Audit Committee

The Honorable Anthony T. Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

We recently completed a 24-month followup of Tuba City Unified School District's implementation status for the 16 audit recommendations presented in the performance audit report released in July 2017. As the attached grid indicates:

- 6 recommendations have been implemented.
- 5 recommendations are in the process of being implemented.
- 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 July 2017 performance audit.

Sincerely,
Vicki Hanson, Director
Division of School Audits

cc: Governing Board
Dr. Risha VanderWey, Superintendent
Tuba City Unified School District

TUBA CITY UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued July 2017 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had higher administrative costs and lacked adequate accounting and computer controls	
1. The District should review its administrative positions and related duties and determine and implement ways to reduce administrative costs.	<p>Implementation in process</p> <p>Between fiscal year 2015 (the audit year) and fiscal year 2018 (the most recent year for complete data), the District eliminated six administrative positions for a cost savings of at least \$500,000, or over \$300 per pupil. Preliminary cost data for fiscal year 2019 shows continued cost savings as a result of eliminating these administrative positions. Despite these efforts, the District's administrative costs remain much higher than its peer districts' averages, and substantial changes are needed for the District's administrative costs to be in line with peer district costs. District officials indicated that they will continue to review administrative positions to reduce administrative costs.</p>
2. The District should implement proper controls over its payroll process to ensure proper separation of responsibilities.	<p>Implemented at 6 months</p>
3. To help ensure it receives the best price for goods and services, the District should follow procurement requirements found in the <i>Uniform System of Financial Records for Arizona School Districts</i> as well as its own procurement policies when purchasing goods and services.	<p>Implemented at 12 months</p>
4. The District should strengthen its controls over cash handling, including tracking all student fees to ensure it is receiving all cash that is collected, ensuring that receipts are issued for all cash collected, making timely deposits, and ensuring the separation of cash collection duties performed at the District's business office, including preparing and making bank deposits.	<p>Implementation in process</p> <p>The District has updated its procedures to better ensure that it receives all cash that is collected and that cash collection duties are appropriately separated. Additionally, the District is now issuing receipts for cash collected and has provided training to district and school staff on its new procedures. However, the District is still not always depositing cash in a timely manner. We reviewed 39 student activities cash collections from September 2018 and December 2018 and found that 12 collections were not deposited for more than 7 days after receipt, including 8 collections that were deposited more than 2 weeks after receipt.</p>

Recommendation	Status/Additional Explanation
5. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process</p> <p>We reviewed the District's fiscal year 2019 preliminary accounting data and determined that the District had corrected some classification errors but continued to make many of the same classification errors noted during the audit. According to district officials, the District's financial consultant continues to review all transaction classifications periodically to identify any incorrectly classified transactions and helps correct errors.</p>
6. The District should implement and enforce stronger password requirements related to password length, complexity, and expiration.	<p>Not implemented</p> <p>The District has not implemented network password requirements that meet industry standards.</p>
7. The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their work.	<p>Not implemented</p> <p>We reviewed the District's July 2019 accounting system user access report for the six district office users identified during the 18-month followup as having more access than was needed and found that all six users, including the District's financial consultant, continued to have more access than was necessary to meet their job responsibilities.</p>
8. The District should review and consider reducing the number of users with administrator-level access to its computer network and systems.	<p>Not implemented</p> <p>The District eliminated user accounts with unnecessary administrator-level access in its network. However, a business office employee still has administrator-level access to the District's accounting system, which increases the District's risk of fraud and errors because administrator-level access allows this user full control over system settings including the ability to grant herself full access to view and edit all accounting data in the system. To reduce this risk, the District should eliminate the business office employee's administrator-level access.</p>
9. The District should develop and implement a formal process to ensure that terminated employees have their computer network and systems access promptly removed.	<p>Implemented at 6 months</p>
10. The District should encrypt its wireless network.	<p>Implemented at 6 months</p>

Recommendation	Status/Additional Explanation
<p>11. The District should review its contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies. Additionally, the District should store backup drives in a secure location, separate from its server.</p>	<p>Not implemented</p> <p>During the 6-month follow-up process, district officials stated that the District was then storing backup drives in a secure location, separate from its server, and we confirmed with district officials during the 18-month follow-up process that they continued to do so. However, although the District developed a new information technology contingency plan since the audit, it does not contain several key elements, such as identification of all critical systems, the order in which systems should be restored, or testing procedures. Additionally, the District has not yet tested its plan.</p>

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

<p>1. The District should continue to review the use of space at each of its schools and determine and implement ways to reduce identified excess space.</p>	<p>Not implemented</p> <p>Although the District has made small changes since the audit, such as selling some unused modular units, moving some students between schools, and discussing with outside entities the possibility of renting unused district space, these changes have had very little impact on the District's large amount of excess space. Maintaining this large amount of excess space is costly to the District because most of its funding is based on its number of students, not its amount of square footage. If the District reduced its excess space and the costs associated with it, it could instead use this funding for instruction, such as increasing teacher pay, or other district priorities.</p>
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FINDING 3: District needs to improve transportation program oversight:

<p>1. The District should develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i>.</p>	<p>Implemented at 6 months</p>
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Recommendation	Status/Additional Explanation
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2. The District should develop and follow formal bus preventative maintenance policies that ensure the safe operation of its buses in accordance with the State's *Minimum Standards*.

Implementation in process

The District implemented a software program to help it track bus preventative maintenance, which should occur every 4,000 miles or every 4 months based on the District's policy. In July 2019, we reviewed maintenance files for 9 district buses and found that 5 of the 9 buses received preventative maintenance in accordance with the District's policy. According to district officials, several factors affected the District's ability to consistently meet its preventative maintenance policy, including a bus driver shortage that resulted in all mechanics having to drive morning and afternoon bus routes and leaving far less time for them to work on buses. According to district officials, in fiscal year 2020, the District has reduced the number of unfilled bus driver positions so that not all mechanics will have to drive bus routes in addition to working on buses. In addition, district officials stated that the District reconfigured some bus routes to reduce the number of routes run on unpaved roads in an effort to reduce the additional wear and tear on the District's buses.

3. The District should accurately calculate and report to the Arizona Department of Education (ADE) the actual number of riders transported for state funding purposes.

Implemented at 18 months

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

1. The District should ensure that it develops and follows an ADE-approved corrective action plan or ADE-approved alternative model that corrects all deficiencies in its ELL program.

Implementation in process

According to district officials, the District has now implemented the State's Structured English Immersion (SEI) model for ELL programs. In addition, the District was approved to receive state SEI monies from ADE in fiscal year 2020 to help pay for its ELL program. ADE plans to visit the District within the next month to review its ELL program and determine whether it meets the State's SEI requirements.