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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

March 3, 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 an 18-month followup of the Chinle Unified School District's implementation status for the 14 audit recommendations presented in the performance audit report released in June 2014. As the enclosed grid indicates:

- 6 recommendations have been implemented;
- 6 recommendations are in the process of being implemented; and
- 2 recommendations have not been implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Quincy Natay, Superintendent
Governing Board
Chinle Unified School District

CHINLE UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2014 18-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had higher administrative costs and lacked adequate controls to protect it from fraud and errors	
<p>1. The District should review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced and make any adjustments accordingly.</p>	<p>Implementation in process District officials stated that they are continuing to review administrative positions to determine where administrative costs can be reduced. Although the District has made a slight reduction in the number of administrative positions, its administrative staffing level per pupil is the same as it was during the audit year because its student enrollment has also decreased. Further, the District's fiscal year 2015 per pupil administrative costs were still much higher than peer districts' costs, on average, and 13 percent higher than they were in fiscal year 2011, the audit year. Auditors will review this recommendation again at the 24-month followup when the completed fiscal year 2016 accounting records are available.</p>
<p>2. To reduce its 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.</p>	<p>Implementation in process As reported in our 6-month follow-up report, the District implemented new procedures in fiscal year 2015 to begin charging individual departments for their travel costs. The District believed the new procedures would help control these costs, and in fiscal year 2015, the District's travel costs were 11 percent lower than in the audit year. However, travel costs were still more than three times what peer districts spent per pupil, on average. Auditors will review this recommendation again at the 24-month followup to determine whether the District's procedures help reduce their travel costs further, bringing them closer to the peer districts' costs.</p>
<p>3. The District should review the list of district vehicles that are loaned to staff to determine whether the employees need these vehicles based on their job responsibilities and make any adjustments accordingly.</p>	<p>Implemented at 18 months The District reduced the number of district vehicles on loan to employees from 19 in the audit year to 1 in fiscal year 2016.</p>

Recommendation**Status/Additional Explanation**

4. The District should implement proper controls over district-provided vehicles by adopting policies and procedures governing allowable use, requiring that employees maintain mileage logs documenting the purpose of trips and related mileage, and reviewing the logs for appropriateness.	Implementation in process The District has implemented new controls over district-provided vehicles. As part of its controls, the District now requires employees who use district-provided vehicles to complete logs that include miles traveled, destination, purpose of travel, travel dates, driver, and vehicle number. However, auditor review showed that the logs were not consistently being completed. Additionally, the District has not yet adopted policies governing the allowable use of its vehicles. Auditors will review this recommendation again at the 24-month followup.
5. The District should implement proper controls over fuel usage for district-provided vehicles by requiring that employees maintain fuel logs identifying the vehicle and its odometer reading, the individual pumping fuel, and the amount and date of fuel pumped.	Implemented at 18 months
6. 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
7. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.	Implementation in process Although the District reviewed employees' access in the accounting system and made some improvements, auditors still found that 7 of 14 users sampled have more access than they need to perform their job responsibilities, including two users who have full system access. District officials stated that they will continue to review employees' access to the accounting system. Auditors will review this recommendation again at the 24-month followup.
8. The District should implement stronger password requirements related to password length, complexity, and expiration.	Implemented at 6 months
9. The District should develop and implement a formal process to ensure that terminated employees have their IT systems and network access promptly removed and that any generic accounts are disabled.	Implementation in process Although the District has implemented a process to have terminated employees' access to IT systems and the network removed when they leave district employment, the process is not adequate to ensure that access is always removed in a timely manner. Auditors reviewed a list of the District's network user access accounts and found that three former district employees still had network access. District officials stated that they will continue to strive to ensure that terminated employees' IT systems and network access is promptly removed. Auditors will review this recommendation again at the 24-month followup.

Recommendation**Status/Additional Explanation****FINDING 2: District spent more on plant operations primarily for excess building space**

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| 1. The District should review the use of space at each of its schools and reduce excess building space or close a school. | Not implemented
The District has not reduced its excess building space and now operates at an even lower building capacity usage rate than it did in the audit year because its student enrollment has decreased by over 300 students since fiscal year 2011. As a result, the District's schools operated at only 45 percent of designed capacity in fiscal year 2015, 4 percentage points lower than in the audit year. The District does not appear to have a comprehensive plan to reduce its excess building space, and district officials stated that they are not considering closing a school. |
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| 2. The District should continue to evaluate its rental rates and, if the District continues to subsidize its employee housing, determine the costs and benefits of doing so. | Not implemented
The District's subsidization of its employee housing has increased by almost 29 percent since the audit year. Auditors reviewed the District's fiscal year 2015 accounting data, the most recently completed fiscal year, and determined that the District subsidized its employee housing with \$733,000 in fiscal year 2015. The District was unable to provide any evidence that it has determined the costs and benefits of continuing to subsidize its employee housing program to such an extent. |
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FINDING 3: District did not meet bus driver certification and bus preventative maintenance requirements

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| 1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> . | Implemented at 18 months |
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| 2. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with district policy and the State's <i>Minimum Standards</i> . | Implementation in process
The District implemented a new system to help ensure that it performs bus preventative maintenance in a systematic and timely manner. Despite the District's new system, auditors reviewed files for ten of the District's buses and found that five exceeded the District's 8,000-mile preventative maintenance schedule by 800 miles or more. Auditors will review this recommendation again at the 24-month followup. |
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Recommendation	Status/Additional Explanation
OTHER FINDINGS: District did not follow all requirements for its English Language Learner program	
1. The District should ensure that it corrects all deficiencies in its English Language Learner Program that are noted in its corrective action plan.	Implemented at 12 months The Arizona Department of Education determined in May 2015 that the District had corrected all English Language Learner program deficiencies noted in its corrective action plan.