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

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March 31, 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 6-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:

- 1 recommendation has been implemented, and
- 13 recommendations are in the process of being 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**  
**6-Month Follow-Up Report**

Recommendation	Status/Additional Explanation
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**FINDING 1: District had higher administrative costs and lacked adequate 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 and make any adjustments accordingly.	<b>Implementation in process</b> District officials stated that they eliminated several administrative positions through attrition in fiscal year 2015. However, the District's administrative costs had increased 9 percent per pupil between fiscal year 2011, the audit year, and fiscal year 2014, and the District's per pupil costs increased from being 36 percent higher than the peer districts' average in fiscal year 2011 to 46 percent higher in fiscal year 2014. As a result, despite the District's reductions in administrative positions in fiscal year 2015, the District had a similar number of administrative positions as it did in fiscal year 2011. District officials plan to continue to review administrative positions to see where administrative costs can be reduced. Auditors will review this recommendation again at the 12-month followup when the completed fiscal year 2015 accounting records are available.
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.	<b>Implementation in process</b> Between fiscal years 2011 and 2014, Chinle USD decreased its noninstructional travel costs by about \$16,000. However, the District still spent more than three times the peer districts' per pupil average for noninstructional travel in fiscal year 2014. District officials stated that they implemented new procedures for fiscal year 2015 requiring that individual departments be billed for their respective travel costs, which they believe will help control these costs. Auditors will review this recommendation again at the 12-month followup after fiscal year 2015 has ended to determine whether these changes resulted in savings in this area.

**Recommendation**

**Status/Additional Explanation**

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.

**Implementation in process**

District officials stated that they reviewed the list of district vehicles that are loaned to staff and determined that the District would provide a vehicle to any employee who is required to be on call for district emergencies. Currently, the District is providing vehicles to 21 employees, 2 more than in fiscal year 2011, the audit year. The District also has a large number of vehicles available at the District that can be used by staff for district business. District officials stated that they will continue to review the list of district vehicles that are loaned to staff, and auditors will review this recommendation again at the 12-month followup to determine whether the District has made any adjustments.

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**

District officials stated that they have not yet adopted policies and procedures governing the allowable use of district-provided vehicles, but they have placed mileage logs inside each of the vehicles. These logs are reviewed by transportation office staff when the vehicles are brought in for preventative maintenance to ensure that all mileage was documented. However, even though individuals are now required to document the purpose of their trips, the District is not yet determining whether mileage is appropriate. Auditors will review this recommendation again at the 12-month followup to determine whether the District has established policies and procedures governing the allowable use of district-provided vehicles and whether it is reviewing vehicle logs for appropriateness.

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.

**Implementation in process**

Since the audit year, the District has implemented limits within the fuel system for the amount of fuel individuals can pump. However, although the system is capable of producing a report identifying the vehicle and its odometer reading, the individual pumping fuel, and the amount and date of fuel pumped, the District is only reviewing these reports if individuals exceed their preset limits. At a minimum, the District should reconcile these reports to the vehicle mileage logs to ensure that fuel usage is reasonable. Auditors will review this recommendation again at the 12-month followup to determine whether the District is reviewing the fuel system reports for appropriateness of fuel usage.

**Recommendation****Status/Additional Explanation**

6. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.

**Implementation in process**

The District has provided training on the purchasing process, including the importance of ensuring that purchases are approved prior to being made. However, district officials stated that some purchases continue to be made without prior approval. Auditors will review this recommendation again at the 12-month followup.

7. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.

**Implementation in process**

District officials stated that they reviewed employees' access in the accounting system and made some adjustments. However, auditors reviewed the District's user access report for ten users with access to the accounting system and found that five of these users have more system access than they need to perform their job responsibilities, including having the ability to process a payment or pay an individual without an independent review or approval. District officials stated that they will continue to review employees' access to the accounting system. Auditors will review this recommendation again at the 12-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**

The District has implemented a process to have terminated employees' IT systems and network access removed when they leave district employment. However, auditors reviewed the District's accounting system user access report and found eight users who were no longer district employees but still had access to the systems or network. Further, there were still three generic accounts in the accounting system. District officials stated that they will continue to strive to ensure that terminated employees' IT systems and network access is promptly removed and that generic accounts are disabled. Auditors will review this recommendation again at the 12-month followup.

**Recommendation**

**Status/Additional Explanation**

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

1. The District should review the use of space at each of its schools and reduce excess building space or close a school.

**Implementation in process**

The District is in the process of reviewing the use of space at each of its schools, which has included inventorying its buildings and updating its square footage report with the School Facilities Board to exclude some demolished buildings. However, even after excluding this space, the District's square footage per pupil is still much higher than the peer districts' average. District officials stated that, although they will not consider closing a school, they will continue to review the use of space at each of its schools and attempt to reduce excess building space. Auditors will review this recommendation again at the 12-month followup to review any changes the District makes.

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.

**Implementation in process**

As discussed in the report, the District adopted a new rental rate schedule that increased rental rates by an average of 18 percent each year in fiscal years 2013, 2014, and 2015. District officials stated that they are being proactive in collecting rent from tenants and are trying to keep occupancy as close to 100 percent as possible. Further, district officials stated that, based on their calculations, they are now breaking even on these units and plan to review the rental rates again for fiscal year 2016. Auditors will review this recommendation again at the 12-month followup when the completed fiscal year 2015 accounting records are available to determine whether or not the District is subsidizing these units, and if it is, by how much and whether the District has determined the costs and benefits of doing so.

**FINDING 3: District did not meet bus driver certification and bus preventative maintenance requirements**

1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's *Minimum Standards*.

**Implementation in process**

The District recently transferred the responsibility of ensuring that bus driver certification requirements are met and documented to the District's Human Resources Department. Auditors will review this recommendation further at the 12-month followup after the District has had some time to implement this new procedure.

**Recommendation**

**Status/Additional Explanation**

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 *Minimum Standards*.

**Implementation in process**

The District recently integrated its fuel and fleet management systems, and its transportation department now receives alerts when a bus is nearing a preventative maintenance mileage interval. Because this was a recent change, auditors will review this recommendation further at the 12-month followup after the District has had some time to implement this new procedure.

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**OTHER FINDINGS: District did not follow all requirements for its English Language Learner program**

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1. The District should ensure that it corrects all deficiencies in its English Language Learner Program that are noted in its corrective action plan.

**Implementation in process**

The District currently has a corrective action plan in place to correct deficiencies in its English Language Learner Program. The Arizona Department of Education (ADE) will be conducting a followup on the District's implementation of its corrective action plan in the next few months. Auditors will review the results of ADE's evaluation as part of the 12-month followup.

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