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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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April 22, 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 12-month followup of the Double Adobe Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in December 2013. As the enclosed grid indicates:

- 5 recommendations have been implemented, and
- 7 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: Ms. Tammi Wilson, Administrator
Governing Board
Double Adobe Elementary School District

DOUBLE ADOBE ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2013

12-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had much lower administrative costs, but 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 or alternatively establish an appropriate review process as a compensating control, such as having the head teacher, who works part-time in the business office, verify individual employee pay amounts and payroll total amounts on at least a sample basis and initial and date payroll documents as evidence of these reviews.	Implemented at 12 months
2. 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 developed a new process to help ensure that purchases costing over \$200 were approved prior to being made. However, the District inappropriately allowed purchases below \$200 to be made without prior approval. Auditors will review this recommendation again at the 18-month followup.
3. The District should implement proper controls over student activities cash receipts received at the district office by preparing and issuing duplicate, prenumbered, and numerically controlled cash receipt forms, and having a second employee reconcile, or review the reconciliations of, issued receipt amounts to actual deposits.	Implementation in process Although the District has assigned a second person the responsibility of reconciling the District's student activities account each month, the reconciliations cannot be completed properly because the District is still not issuing prenumbered receipts when it receives cash. Auditors will review this recommendation again at the 18-month followup.
4. The District should implement and enforce stronger password controls by requiring its employees to use more complex passwords and to periodically change them.	Implemented at 6 months
5. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	Implemented at 6 months
6. The District should ensure that its computer server is stored in a room that is properly cooled and ensure that a fire extinguisher is available nearby.	Implemented at 6 months

Recommendation	Status/Additional Explanation
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process The District has improved its classification of transactions but continues to make some of the same transaction classification errors noted during the audit. Auditors will review this recommendation again at the 18-month followup.</p>
8. The District should ensure expenditure descriptions within the accounting system adequately describe each transaction.	<p>Implementation in process The District is working to ensure that it adequately describes each transaction within its accounting system. Auditors will review this recommendation again at the 18-month followup.</p>

FINDING 2: District needs to improve transportation recordkeeping and fuel inventory controls

1. The District should accurately calculate and report miles driven and students transported for student transportation funding purposes.	<p>Implementation in process The District correctly reported the number of miles it drove for student transportation funding but did not correctly report the number of students transported because it included the number of students riding the district bus in the morning and the number of students riding in the afternoon. Therefore, riders were counted twice, resulting in the District overstating its reported number of students transported by about 100 percent. Although overreporting riders did not affect the District's transportation funding, the District should contact ADE and correct its reported ridership. Auditors will review this recommendation again at the 18-month followup.</p>
2. The District should continue to work with ADE regarding needed corrections to its transportation funding reports and corresponding adjustments to its expenditure budgets until all funding errors caused by the misreported mileage are fully corrected.	<p>Implemented at 6 months</p>
3. The District should implement proper controls over its fuel inventory, such as requiring a district employee to be present during vendor deliveries, requiring employees to document vehicle mileage and gallons pumped when fueling, and reconciling fuel usage to miles traveled and vendor billings for reasonableness.	<p>Implementation in process The District has improved controls over its fuel inventory by requiring a district employee to be present during vendor fill-ups and requiring employees to document when and how much fuel is pumped when fueling district vehicles. However, the District has not yet begun comparing fuel used to fuel purchased or miles driven. Auditors will review this recommendation again at the 18-month followup.</p>

Recommendation

Status/Additional Explanation

OTHER FINDINGS: District may be able to improve efficiency and lower costs through the use of cooperative agreements

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1. The District should look for ways to improve efficiency and lower costs, including the possibility of cooperatively providing services with other school districts or the County School Superintendent's Office.

Implementation in process

According to district officials, the District has not yet sought any cooperative agreements, but they plan to seek cooperative opportunities with other school districts and with the County School Superintendent's Office. Auditors will review this recommendation again at the 18-month followup.
