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August 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 a 6-month followup of the Littleton Elementary School District's implementation status for the 8 audit recommendations presented in the performance audit report released in December 2015. As the enclosed grid indicates:

- 1 recommendation has 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,

Vicki Hanson  
Director, Division of School Audits

VH:lc  
Enclosure

cc: Dr. Roger Freeman, Superintendent  
Governing Board  
Littleton Elementary School District

# LITTLETON ELEMENTARY SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued December 2015 6-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: District lacked adequate controls to protect it from errors, fraud and misuse</b>	
<p>1. The District should ensure that it follows proper purchasing processes as outlined in the <i>Uniform System of Financial Records for Arizona School Districts</i>, including ensuring proper approval before making purchases.</p>	<p><b>Implementation in process</b> According to district officials, the District has implemented a new process to hold employees accountable for not following proper purchasing procedures, including issuing written notices to employees when they do not follow proper procedures. Auditors reviewed 10 fiscal year 2016 accounts payable transactions and found that 2 purchases lacked proper approval prior to the purchases being made. Auditors will review this recommendation again at the 12-month followup.</p>
<p>2. The District should implement and enforce stronger password requirements.</p>	<p><b>Implementation in process</b> The District has strengthened its student information system passwords by requiring them to be longer and be changed periodically. However, the District still needs to implement and enforce stronger network password requirements. Auditors will review this recommendation again at the 12-month followup.</p>
<p>3. The District should limit employees' access to the accounting system to only the access necessary to meet their job responsibilities to help ensure that no single employee can initiate and complete transactions without an independent review.</p>	<p><b>Implementation in process</b> Auditors reviewed accounting system access for the five employees identified during the audit as having too much access to the system and found that the District reduced three employees' access to an appropriate level. However, two employees continue to have more access to the accounting system than is necessary for them to meet their job responsibilities. Auditors will review this recommendation again at the 12-month followup.</p>
<p>4. The District should develop and implement a formal process to ensure that terminated employees have their computer network access promptly removed.</p>	<p><b>Implementation in process</b> The District has implemented new review procedures to remove terminated employees' computer network access. However, auditors found 14 network user accounts that were still linked to employees who no longer work for the District, including several employees who have not worked for the District for more than 1 year. Auditors will review this recommendation again at the 12-month followup.</p>

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

5. The District should eliminate unnecessary generic accounts on its IT network and systems and minimize and properly control any generic accounts that are considered necessary by disabling them when not in use.

**Implementation in process**

The District has implemented a new review process to identify and eliminate unnecessary generic accounts and disable generic accounts considered necessary when not in use. However, the District has not yet reviewed all of its generic accounts for appropriateness. Auditors will review this recommendation again at the 12-month followup.

6. The District should review its formal disaster recovery plan to ensure it is complete and test it periodically to identify and remedy deficiencies.

**Implemented at 6 months**

7. The District should review and limit employees' access to its buildings based on district policy.

**Implementation in process**

The District has revised its policy and reduced the number of employees with unlimited access to district facilities. Auditors reviewed the District's records showing employees' access levels and determined that the District is now following its policy. In addition, the District has begun using keyless entry fobs to help restrict building access. However, the District's computer server rooms are not yet part of its keyless entry system. Therefore, access to computer server rooms has not yet been restricted to only information technology staff. Auditors will review this recommendation again at the 12-month followup.

8. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

**Implementation in process**

Auditors reviewed fiscal year 2016 accounting data and determined that the District has improved its classification of transactions but continues to make some of the same classification errors noted during the audit. Auditors will review this recommendation again at the 12-month followup.