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

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DEPUTY AUDITOR GENERAL

June 21, 2012

The Honorable Carl Seel, Chair  
Joint Legislative Audit Committee

The Honorable Rick Murphy, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Seel and Senator Murphy:

Our Office has recently completed a 24-month followup of the Madison Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in July 2010. As the enclosed grid indicates:

- 9 recommendations have been implemented;
- 1 recommendation is in the process of being implemented; and
- 2 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 2010 performance audit.

Sincerely,

Ross Ehrick, CPA  
Director, Division of School Audits

RE:bl  
Enclosure

cc: Dr. Tim Ham, Superintendent  
Governing Board  
Madison Elementary School District

# MADISON ELEMENTARY SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued July 2010

### 24-month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>CHAPTER 1: Administration</b>	
1. The District should review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced without negatively impacting student achievement.	<b>Implemented at 18 months</b> Between fiscal years 2008 and 2011, Madison ESD's administrative costs per pupil declined 4 percent primarily because of increases in student enrollment and secondarily because of minor reductions in administrative staffing.
2. The District should review access controls over its accounting system and develop guidelines to determine adequate user access.	<b>Implemented at 12 months</b>
3. The District should improve password controls over its accounting system by requiring user-defined passwords that are changed periodically.	<b>Implemented at 12 months</b>
4. The District should improve procedures over the rental of facilities, ensuring renters are charged the correct amount, charges are collected, and in-kind donations are properly documented and adequately cover facility rental fees.	<b>Implemented at 6 months</b>
<b>CHAPTER 2: Student transportation</b>	
1. The District should limit the amount of nonproductive time for which it pays its bus drivers and bus aides, or alternatively find other duties for these individuals to perform when they are not driving or riding.	<b>Implemented at 12 months</b>
2. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures such as cost per mile and cost per rider.	<b>Implemented at 12 months</b>

Recommendation	Status/Additional Explanation
3. The District should ensure it accurately calculates and reports the data used for state transportation funding.	<p><b>Not implemented</b></p> <p>The District continues to incorrectly report its route mileage for state transportation funding. An error in its fiscal year 2011 calculation resulted in the District's understating its reported route mileage for that year. In fiscal year 2012, similar to the audit year, the District over-reported its route mileage. After we identified the fiscal year 2011 error in a previous followup, the District filed a corrected route mileage report with the Arizona Department of Education, and it should now file corrected information for fiscal year 2012.</p>
4. The District should develop a process to ensure bus drivers maintain current certifications in accordance with DPS' Minimum Standards.	<b>Implemented at 6 months</b>

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### CHAPTER 3: Plant operation and maintenance

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1. The District should review its individual schools' square footage usage, as well as the necessity of leasing additional facilities, and determine ways to reduce identified excess space without negatively impacting student achievement.	<p><b>Not implemented</b></p> <p>The District operated its schools at 73 percent of capacity in fiscal year 2008, the year of the audit, leaving it with enough space for an additional 1,790 students. District officials stated that they expected future growth in student enrollment, and in fact the District's enrollment grew by about 600 students between fiscal years 2008 and 2012. However, instead of using its existing space, the District built a new 650-student-capacity school for fiscal year 2012. Had the District used its enrollment growth to utilize more of its existing space, it would have operated at 83 percent of capacity in fiscal year 2012. Instead, the District operated at 75 percent of capacity, leaving it with space for over 1,800 additional students in fiscal year 2012.</p>
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### CHAPTER 4: Proposition 301 monies

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1. The District should ensure that it pays eligible employees only for goals achieved in accordance with its Governing Board-approved performance pay plan.	<b>Implemented at 6 months</b>
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### CHAPTER 5: Classroom dollars

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1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<b>Implemented at 12 months</b>
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**Recommendation****Status/Additional Explanation**

2. The District should evaluate costs in noninstructional areas to determine if savings can be achieved and if some of these monies can be redirected to the classroom.

**Implementation in process**

Madison ESD has reduced its administrative spending since the audit but has not reduced its excess building capacity. Doing so could allow the District to redirect monies from plant operations to the classroom. In fiscal year 2011, Madison ESD spent 51.1 percent of its resources in the classroom, 3.5 percentage points less than it spent in 2008, the year of the audit, and 3.6 percentage points less than the State average in fiscal year 2011.

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