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STATE OF ARIZONA
OFFICE OF THE
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December 2, 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 12-month followup of the Maricopa Unified School District's implementation status for the 16 audit recommendations presented in the performance audit report released in October 2015. As the enclosed grid indicates:

- 7 recommendations have been implemented, and
- 9 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:bh
Enclosure

cc: Dr. Steve Chestnut, Superintendent
Governing Board
Maricopa Unified School District

MARICOPA UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2015

12-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud	
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.	Implemented at 6 months
2. The District should ensure that payments are made in a timely manner to avoid finance charges, late fees, and penalties.	Implemented at 6 months
3. The District should implement proper controls over its cash receipts, including adequately separating cash-handling responsibilities, issuing prenumbered cash receipts for all monies collected, and reconciling cash collections to issued receipts.	<p>Implementation in process</p> <p>The District has continued to improve controls over its cash collections process, including separating cash-handling responsibilities and issuing prenumbered cash receipts. However, the District should improve its reconciliation procedures to ensure that proper amounts were collected and deposited. Auditors will review this recommendation again at the 18-month followup.</p>
4. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.	<p>Implementation in process</p> <p>The District has limited accounting system access for six of the users identified during the performance audit as having too much access to the system. However, one user continues to have more access to the accounting system than needed, and the District is in the process of reviewing this user's access. Auditors will review this recommendation again at the 18-month followup.</p>
5. The District should review and eliminate unnecessary accounts with administrator-level access to its network and student information system, and establish better controls over vendor support accounts, such as disabling them when not receiving vendor support.	Implemented at 12 months
6. The District should review and eliminate unnecessary generic user accounts.	Implemented at 6 months

Recommendation	Status/Additional Explanation
7. The District should implement stronger password requirements related to password length, complexity, and expiration.	Implemented at 12 months
8. The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.	Implementation in process The District has implemented new procedures to ensure that terminated employees have their IT network and system access promptly removed. However, the procedures need to be improved as auditors found 31 network and 5 student information system user accounts that were still linked to employees who no longer work for the District. Auditors will review this recommendation again at the 18-month followup.
9. The District should create a comprehensive disaster recovery plan and test it periodically to identify and remedy any deficiencies.	Implementation in process The District has begun developing an IT disaster recovery plan, but auditors found it was missing many key components such as identification of critical system components and data backup and recovery procedures. Auditors will review this recommendation again at the 18-month followup.

FINDING 2: District officials could not demonstrate that \$1.3 million of desegregation expenditures addressed violation

1. The District should ensure there is a clear understanding of the OCR violation, identify the goals of its administrative agreement, ensure the program meets those goals, and ensure it is spending its desegregation dollars on those costs that directly support the goals of its program. Additionally, the District should develop a method to evaluate the success of its desegregation program and make modifications to the program as necessary to help ensure the program is meeting its goals.	Implemented at 6 months The District now has the available documentation related to its Office for Civil Rights violation and has determined that its violation was for discriminating against English language learner (ELL) students. From this documentation, the District has identified the goals it developed in 1993 to address the violation and has determined that its current ELL program meets these goals. However, all districts in Arizona are now required to comply with requirements for ELL students similar to Maricopa USD’s desegregation program’s goals through implementation of the Arizona Department of Education’s Structured English Immersion (SEI) Models. These requirements include identification and assessment of ELL students, teacher qualification requirements, classroom instructional methods and materials, reassessment of ELL students, and monitoring of reclassified ELL students. Similar to other Arizona districts, in fiscal year 2016, Maricopa USD received funding specifically for the purpose of implementing the SEI Models for its 210 ELL students. In addition to this funding, Maricopa USD also budgeted and spent approximately \$1.3 million, or about \$6,200 per ELL student, in desegregation monies to address the goals of its desegregation program. The District
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Recommendation**Status/Additional Explanation**

spent its desegregation monies on teacher salaries, which would be in alignment with its desegregation program's goals.

FINDING 3: District should review options to address excess building capacity

1. The District should evaluate the use of space at each of its schools and implement ways to reduce identified excess space.

Implementation in process

Since fiscal year 2012, the audit year, the District's student enrollment has increased by approximately 900 students, or about 17 percent. Although the District's student population has increased, it still has building capacity for approximately 2,700 additional students. District officials believe that student enrollment will continue to increase and project that schools will be filled to approximately 80 percent of designed capacity in fiscal year 2024. Auditors will continue to review and report on the District's growth and any actions taken during the follow-up process.

FINDING 4: District had much higher transportation costs and should strengthen controls

1. The District should review its transportation staffing levels to determine whether they can be modified to produce cost savings.

Implementation in process

The District has not made changes to its program that would result in significant cost savings, but it is continuing to review its students' needs and whether its staffing levels can be adjusted to produce cost savings. Because the District has continued to misreport miles driven and students transported, as discussed below, auditors were not able to calculate transportation efficiency measures such as cost per mile and cost per rider to evaluate the program's efficiency. Auditors will review any actions the District takes and the impact of these actions on the program's costs again at the 18-month followup.

2. The District should accurately calculate and report miles driven and students transported to ADE for state funding purposes.

Implementation in process

Auditors reviewed the information reported for fiscal year 2016 during the 6-month followup and found that the District made calculation errors in both the miles driven and students transported. The District has established additional processes to help ensure it calculates and reports accurate information. Auditors will review this recommendation again at the 18-month followup after the District has submitted its fiscal year 2017 100-day mileage and rider counts to the Arizona Department of Education.

3. The District should develop and follow formal preventative maintenance policies that ensure the safe operation of its buses in accordance with the State's *Minimum Standards*.

Implemented at 6 months

Recommendation**Status/Additional Explanation**

4. The District should evaluate and strengthen its controls over fuel inventory including reconciling the fuel logs to the fuel purchases, performing reasonableness tests to help ensure appropriate fuel use, and investigating irregularities.

Implementation in process

The District has improved procedures over fuel inventory by reconciling the fuel logs to the fuel purchases but needs to better review fuel use for reasonableness, such as calculating miles per gallon for each vehicle. Auditors will review this recommendation again at the 18-month followup.

5. The District should strengthen its controls and oversight over fuel card purchases, including better securing the fuel cards, reconciling fuel receipts to the billing statements, investigating unusual purchases as soon as possible, and reviewing purchases for reasonableness.

Implementation in process

The District is better securing its fuel cards and is reconciling fuel receipts to the billing statements. However, although the District receives a report from the vendor's system showing miles per gallon for each vehicle, the District is not reviewing this information for reasonableness or investigating irregularities. For example, auditors identified a vehicle that ranged from 7 to 54 miles per gallon and another that ranged from 10 to 21 miles per gallon, but there was no evidence to demonstrate that the District investigated these variances to determine whether there were any unusual purchases and whether the odometer readings entered and purchases made were reasonable. Auditors will review this recommendation again at the 18-month followup.