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STATE OF ARIZONA
OFFICE OF THE
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June 8, 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 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:

- 5 recommendations have been implemented, and
- 11 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. Steve Chestnut, Superintendent
Governing Board
Maricopa Unified School District

MARICOPA UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2015 6-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.	Implementation in process The District has implemented improved 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 12-month followup.
4. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities.	Implementation in process The District has made some improvements to its accounting system user access levels by reducing two users' access to an appropriate level. However, the District is still in the process of reviewing user access and five users continue to have more access than needed to perform their job duties. Auditors will review this recommendation again at the 12-month followup.
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.	Implementation in process The District eliminated two administrator-level accounts in its network and one administrator-level account in its student information system. However, there is still one administrator-level account with access to its student information system that should be eliminated. Auditors will review this recommendation again at the 12-month followup.
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.	<p>Implementation in process</p> <p>The District has implemented stronger password requirements for its computer network and accounting system. However, the District allows student information system passwords to be short and does not require them to be changed periodically. Auditors will review this recommendation again at the 12-month followup.</p>
8. The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.	<p>Implementation in process</p> <p>The District's technology and human resources departments are in the process of implementing formal procedures to ensure that terminated employees have their IT network and system access promptly removed. Auditors will review this recommendation again at the 12-month followup.</p>
9. The District should create a comprehensive disaster recovery plan and test it periodically to identify and remedy any deficiencies.	<p>Implementation in process</p> <p>The District is working on developing a formal disaster recovery plan and testing procedures. Auditors will review this recommendation again at the 12-month followup.</p>

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.	<p>Implemented at 6 months</p> <p>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</p>
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Recommendation

Status/Additional Explanation

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

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 700 students, or about 13 percent. District officials believe that student enrollment will continue to increase and have no current plans for reducing excess building capacity. As discussed in the audit report, the District was operating at 60 percent of its buildings' designed capacities. Although the District's student population has increased, it still has building capacity for approximately 3,000 additional students. Therefore, the District should evaluate ways to reduce its excess space. Auditors will review this recommendation again at the 12-month followup.

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 begun reviewing its transportation staffing levels but has not implemented changes that would produce cost savings. The District's fiscal year 2015 cost per mile and cost per rider remained much higher than its peer districts' averages. Auditors will review this recommendation again at the 12-month followup.

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

Implementation in process

The District has established a new process to calculate and report miles driven and students transported. However, auditors reviewed the information reported for fiscal year 2016 and found that the District made errors in both the miles driven and riders transported. 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 for funding purposes.

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 is currently reviewing its processes and plans to implement stronger controls over its fuel inventory. Auditors will review this recommendation again at the 12-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 now better secures its fuel cards and completes a reconciliation of fuel receipts to the billing statements. However, the District still needs to improve its process for reviewing purchases for reasonableness and investigating unusual purchases. Auditors will review this recommendation again at the 12-month followup.