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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

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 McNeal Elementary School District's implementation status for the 16 audit recommendations presented in the performance audit report released in December 2013. As the enclosed grid indicates:

- 9 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. Teresa Reyna, Superintendent
Governing Board
McNeal Elementary School District

MCNEAL ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2013

12-Month Follow-up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increase risk of errors and fraud	
1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Implemented at 6 months
2. The District should ensure that credit card balances are paid in a timely manner to avoid finance charges and late fees.	Implementation in process According to district officials, the District is taking steps to ensure that credit card bills are paid in a timely manner. However, the District still paid \$360 in late fees and finance charges to credit card companies during fiscal year 2015. Auditors will review this recommendation again at the 18-month followup.
3. The District should limit employee access to the accounting system so that one employee cannot complete transactions without an independent review.	Implemented at 6 months
4. The District should implement and enforce stronger password controls, requiring its employees to regularly change their passwords and requiring more complex passwords.	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 limit physical access to its computer server room so that only appropriate personnel have access. In addition, 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.	Implementation in process The District has moved its computer server to a secure location. However, the District is still in the process of ensuring that the new location is properly cooled to safeguard the equipment. Auditors will review this recommendation again at the 18-month followup.
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 12 months
8. The District should ensure expenditure descriptions within its accounting system adequately describe each transaction.	Implemented at 12 months

Recommendation**Status/Additional Explanation****FINDING 2: Food service program required \$23,000 subsidy**

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| 1. The District should implement a formal written policy for student meal charge sales and consider providing a substitute, less expensive meal, such as a sandwich, to students who are carrying unpaid meal balances above a predetermined amount. Further, the District should determine what other steps can be taken to collect unpaid meal balances and implement them. | Implementation in process
The District is working to implement formal, written policies for student meal charge sales, substitute lunches for students with unpaid balances, and methods for collecting unpaid meal balances for fiscal year 2016. Auditors will review this recommendation again at the 18-month followup. |
| 2. The District should consider increasing its student meal charges to reduce the amount of the food service program subsidy. | Implementation in process
The District plans to address student meal prices for fiscal year 2016, when it implements formal, written policies for its food service program. Auditors will review this recommendation again at the 18-month followup. |
| 3. The District should evaluate whether its policy of providing free meals to staff should be modified to produce cost savings. | Implemented at 6 months
Beginning in fiscal year 2013, the District discontinued providing free meals to staff. |
| 4. The District should maximize its cost savings by planning its menus to maximize its usage of USDA commodities. | Implemented at 6 months |
| 5. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures such as cost per meal and meals per labor hour, and take appropriate actions based on the results of the performance measures. | Implementation in process
The District is working to develop performance measures for its food service program. Auditors will review this recommendation again at the 18-month followup. |

FINDING 3: Two districts claim same route mileage for transportation funding

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| 1. The Legislature may want to consider whether the intent of A.R.S. §15-901 et seq was to allow districts to jointly operate transportation programs but still receive full transportation funding as if they were separately operating such programs. | Implemented at 6 months
Arizona Revised Statutes §15-923 was amended by Laws 2014, Chapter 226, section 9, to state that miles driven to transport eligible students may not be reported as daily route miles by more than one school district. |
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FINDING 4: Some Classroom Site Fund performance pay monies awarded for unmet goals

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| 1. The District should ensure that it pays eligible employees only for goals met in accordance with its Governing Board-approved performance pay plan and only upon successful completion of the goals. | Implementation in process
The District has not yet made any fiscal year 2015 performance payments. Auditors will review this recommendation again after it makes the fiscal year 2015 performance payments. |
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Recommendation

Status/Additional Explanation

OTHER FINDINGS: District may be able to improve efficiency and lower costs through 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

Although the District shares some minor plant operations and transportation resources with a neighboring high school district, it has not sought to establish an agreement to operate any substantial services cooperatively with another district. District officials stated that they would 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.
