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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

August 9, 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 Osborn Elementary School District's implementation status for the 10 audit recommendations presented in the performance audit report released in April 2015. As the enclosed grid indicates:

- 4 recommendations have been implemented, and
- 6 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: Ms. Patricia Tate, Superintendent
Governing Board
Osborn Elementary School District

OSBORN ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued April 2015

12-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Efficient practices kept food service costs low	
No recommendations	
FINDING 2: Transportation efficiency improved, but better oversight still needed	
1. The District should continue to review its bus routes to determine if it can make additional changes to improve route efficiency.	<p>Implemented at 6 months</p> <p>The District has increased its monitoring of ridership on its bus routes and has taken steps, such as closing stops that had no riders for 3 consecutive weeks, to help make its routes more efficient. As a result, the District's bus route efficiency improved from 64 percent of seat capacity in the audit year to a more efficient 75 percent of seat capacity in fiscal year 2015.</p>
2. The District should develop and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage.	<p>Implementation in process</p> <p>District officials stated that they are continually reviewing bus route efficiencies, but the District has not yet begun calculating and tracking performance measures such as cost per mile and cost per rider. In June 2016, the District hired a new business manager, who plans to address this recommendation. Auditors will review this recommendation again at the 18-month followup.</p>
3. The District should accurately calculate and report to the Arizona Department of Education the miles driven and riders transported for state funding purposes.	<p>Implementation in process</p> <p>The District implemented a method for tracking and reporting route mileage and ridership, and it reported a reasonable number of riders in fiscal year 2016. However, the District incorrectly reported estimated miles rather than actual miles for fiscal year 2016. Auditors will review this recommendation again at the 24-month followup once the District's fiscal year 2017 100-day mileage and rider counts have been submitted to the Arizona Department of Education for funding purposes.</p>

Recommendation	Status/Additional Explanation
4. The District should ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with district policy and the State's <i>Minimum Standards</i> .	<p>Implementation in process</p> <p>The District has implemented new methods for tracking bus repairs and preventative maintenance. However, auditors reviewed maintenance records for five district buses and found that for three of the buses, preventative maintenance was not completed every 6,000 miles as district policy requires. Auditors will review this recommendation again at the 18-month followup.</p>
5. The District should consider requiring that its van drivers meet the same requirements as bus drivers, which are specified in the State's <i>Minimum Standards</i> .	<p>Implementation in process</p> <p>The District's new business manager plans to examine the costs and feasibility of requiring the District's van drivers to meet the same requirements as bus drivers, as specified in the State's <i>Minimum Standards</i>. Auditors will review this recommendation again at the 18-month followup.</p>

FINDING 3: District has taken action, but more needed to address high plant operations costs

1. In light of the District's high plant costs, low building capacity usage, and continued decline in student enrollment, the District should consider selling or leasing Montecito Elementary School and should review the use of space at each of its other schools to determine ways to further reduce excess space.	<p>Implemented at 6 months</p> <p>The District is leasing some of the space at Montecito Elementary School to a nearby hospital, and district officials stated that they plan to use rooms at the school to house a new preschool program. Additionally, the District now reviews its building capacity usage at each school at least annually to determine if space can be closed to save money on heating and cooling costs. Since fiscal year 2012, the audit year, the District's plant operations costs have decreased by 11 percent per square foot and 8 percent per pupil, bringing them much closer to peer district averages.</p>
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FINDING 4: Some computer controls need strengthening

1. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities and ensure that no employees are able to complete a transaction without an independent review.	<p>Implementation in process</p> <p>The District's new business manager plans to review employees' access to the accounting system to ensure that access is appropriate. Auditors will review this recommendation at the 18-month followup.</p>
2. The District should eliminate its generic accounting system accounts or establish better controls over them, such as disabling them when not receiving vendor support.	<p>Implemented at 6 months</p>
3. The District should implement stronger password requirements for its computer network and systems related to password length and complexity.	<p>Implemented at 6 months</p>

Recommendation**Status/Additional Explanation****OTHER FINDING 1: District incurred finance and late charges because of untimely payments**

1. The District should ensure that it submits all required forms and makes all payments in a timely manner to avoid finance charges, late fees, and penalties.

Implementation in process

The District is reviewing its invoice payment process and is considering changes to the process to help ensure that all payments are made in a timely manner. Additionally, in June 2016, district administrators received training on credit card procedures, which included the importance of turning in receipts and approving credit card invoices immediately to ensure timely credit card payments. Auditors will review this recommendation again at the 18-month followup.