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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 23, 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 6-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;
- 5 recommendations are in the process of being implemented; and
- 1 recommendation has not been 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. Patricia Tate, Superintendent
Governing Board
Osborn Elementary School District

OSBORN ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued April 2015

6-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 The District has increased monitoring 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 District officials stated that they now regularly review bus route efficiencies, and they plan to begin calculating and tracking performance measures such as cost per mile and cost per rider. Auditors will review this recommendation again at the 12-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 The District has now implemented a method for tracking and reporting route mileage and ridership, which should produce accurate mileage and rider counts for fiscal year 2016. Auditors will review this recommendation again at the 12-month followup once the District's fiscal year 2016 100-day mileage and rider counts have been submitted to the Arizona Department of Education for funding purposes.</p>
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 Minimum Standards.	<p>Implementation in process The District has improved its process for tracking repairs and preventative maintenance of its buses. However, auditors reviewed two of ten bus files and found that preventative maintenance was not completed every 6,000 miles as district policy required. Auditors will review this recommendation again at the 12-month followup.</p>

Recommendation	Status/Additional Explanation
5. The District should consider requiring that its van drivers meet the same requirements as bus drivers, which are specified in the State's Minimum Standards.	<p>Implementation in process The District plans to examine the costs and feasibility of requiring its van drivers to meet the same requirements as bus drivers, as specified in the State's Minimum Standards, and then present its findings to the district Governing Board for consideration.</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 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>Not implemented The District decided not to restrict accounting system access for the three users who were identified during the audit as having more access than needed to meet their job responsibilities. These three employees continue to have full access to the accounting system, including the ability to add new vendors, create and approve purchase orders, and pay vendors without an independent review. In addition, these employees also have the ability to add new employees, set employee pay rates, and process payroll payments. Granting employees system access beyond what is required for their job duties, especially full system access, exposes the District to a greater risk of errors, misuse of sensitive data, and fraud, such as processing false invoices or adding and paying nonexistent vendors or employees.</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**

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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

According to district officials, the District is taking steps to ensure that all invoices are paid in a timely manner. However, the District still paid \$1,453 in late fees and finance charges in fiscal year 2015. Auditors will review this recommendation again at the 12-month followup.
