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June 21, 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 Riverside Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in October 2015. As the enclosed grid indicates:

- 5 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,

Vicki Hanson
Director, Division of School Audits

VH: lc
Enclosure

cc: Dr. Jaime Rivera, Superintendent
Governing Board
Riverside Elementary School District

RIVERSIDE ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2015

6-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District lacked adequate accounting and computer controls to protect it from errors and fraud	
1. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.	Implemented at 6 months
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	<p>Implementation in process</p> <p>According to district officials, the District has implemented a policy to hold employees accountable for not following proper purchasing procedures, including issuing written notices to employees when they do not follow proper procedures. Auditors reviewed 10 fiscal year 2016 accounts payable transactions and found that all 10 transactions were properly approved before the purchases were made. However, auditors also reviewed 7 fiscal year 2016 credit card purchases and found that 3 purchases lacked proper approval prior to the purchases being made. Auditors will review this recommendation again at the 12-month followup.</p>
3. The District should limit employee access to the accounting system, including the removal of business office employees' administrator-level access to the system, so that one employee cannot complete transactions without an independent review.	<p>Implementation in process</p> <p>Auditors reviewed accounting system access for the three employees identified as having too much access to the system during the audit and found that the District reduced one employee's access to an appropriate level. However, two employees continue to have more access to the accounting system than is necessary for them to meet their job responsibilities. Further, one of these employees continues to have administrator-level access, meaning they have access to all settings within the accounting system. Auditors will review this recommendation again at the 12-month followup.</p>
4. The District should develop and implement a formal process to ensure that terminated employees have their IT network and system access promptly removed.	Implemented at 6 months

Recommendation	Status/Additional Explanation
5. The District should eliminate unnecessary generic user accounts in its network and systems and properly control any remaining generic accounts.	<p>Implementation in process The District eliminated some unnecessary generic user accounts in its network. However, the District is planning to continue reviewing its generic accounts, and auditors will review this recommendation again at the 12-month followup.</p>
6. The District should limit physical access to its IT server room so that only appropriate personnel have access.	<p>Implementation in process The District has made some improvements to better secure its IT server room, but it is still in the process of reviewing who has access to the room. Auditors will review this recommendation again at the 12-month followup.</p>
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.	<p>Implementation in process The District is in the process of creating a formal disaster recovery plan and testing procedures. Auditors will review this recommendation again at the 12-month followup.</p>

FINDING 2: District’s solar power system contracts unlikely to meet expectations for cost savings

1. The District, in consultation with its legal counsel, should work with its vendor to revise its three solar power system contracts to conform to the requirements of A.R.S. §15-213.01, including provisions that guarantee cost savings and provide the District with the ability to recover any losses due to higher electricity costs.	<p>Implementation in process The District has consulted with its legal counsel and begun negotiations with its solar power vendor. In addition, the District hired a third party vendor to perform an analysis of its solar power systems to obtain supporting documentation for ongoing negotiations with the solar power vendor. Auditors will review this recommendation again at the 12-month followup.</p>
2. Because the District loses money on every excess solar kilowatt hour produced by its solar power systems, the District should work with its solar power system vendor to either decrease the size of the systems, connect them to meters that have a usage level more in line with each system’s output, or find some other means to reduce the amount of excess solar power.	<p>Implementation in process As stated above, the District has begun negotiations with its solar power vendor and had a third party vendor perform an analysis of its solar power system to obtain supporting documentation for ongoing negotiations with the solar power vendor. Auditors will review this recommendation again at the 12-month followup.</p>

FINDING 3: District did not meet state transportation safety requirements and misreported miles and riders, resulting in overfunding

1. The District should ensure that it conducts all required random drug and alcohol testing as specified in the <i>Minimum Standards</i> .	Implemented at 6 months
2. The District should accurately calculate and report miles driven and students transported for state transportation funding purposes.	Implemented at 6 months

Recommendation**Status/Additional Explanation**

3. The District should contact ADE regarding needed corrections to its transportation funding reports and corresponding adjustments to its expenditure budgets and work with ADE until all funding errors caused by the misreported mileage are fully corrected.
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Implemented at 6 months