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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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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 12-month followup of the Salome Consolidated Elementary School District's implementation status for the 18 audit recommendations presented in the performance audit report released in October 2014. As the enclosed grid indicates:

- 11 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: Mr. George Dean, Superintendent
Governing Board
Salome Consolidated Elementary School District

SALOME CONSOLIDATED ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2014 12-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 implement proper control over its payroll and purchasing processes to ensure proper separation of responsibilities or alternatively establish an appropriate review process as a compensating control.	Implemented at 12 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 and should document that all goods or services have been received prior to payment.	Implementation in process The District has provided staff with additional training on various business procedures, including purchasing procedures. However, auditors reviewed ten fiscal year 2016 purchases and found that four of the ten purchases lacked prior approval. Auditors will review this recommendation again at the 18-month followup.
3. The District should implement proper controls over student activities cash receipts received at the district office by adhering to its procedures for preparing and issuing duplicate, prenumbered, and numerically controlled cash receipts forms.	Implemented at 6 months
4. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	Implemented at 12 months
5. The District should eliminate or minimize generic user accounts in its accounting and student information systems and properly control any generic accounts used for technical support from system vendors.	Implemented at 12 months
6. The District should require users to change assigned passwords at first login and implement and enforce stronger password controls by requiring users to create more complex passwords and to periodically change them.	Implemented at 12 months

Recommendation	Status/Additional Explanation
7. The District should implement controls to limit employees' ability to install unauthorized software on district computers or develop a process to monitor computers for installation of unauthorized software.	<p>Implementation in process The District has installed a directory service system on its network to help it control employees' ability to install unauthorized software on district computers but has not yet implemented the appropriate settings in the system to help ensure this control's effectiveness. Auditors will review this recommendation again at the 18-month followup.</p>
8. The District should store backup drives in a secure location, separate from its server.	Implemented at 6 months
9. The District should ensure that its computers have currently supported operating systems installed.	Implemented at 12 months
10. The District should develop and implement a process to ensure it installs critical updates on its computers.	<p>Implementation in process The District has installed a directory service system on its network to help it automatically install critical updates on district computers but has not yet implemented the appropriate settings in the system to help ensure this process is properly completed. Auditors will review this recommendation again at the 18-month followup.</p>
11. The District should establish a written agreement with the La Paz County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	<p>Implementation in process The District is working with the La Paz County School Superintendent's Office to establish a written agreement that outlines each party's responsibilities for the District's accounting system. Auditors will review this recommendation again at the 18-month followup.</p>
12. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process Auditors' review of the fiscal year 2016 year-to-date accounting records found that although the District made some corrections when classifying its transactions, it also continued to make errors similar to those found during the audit. Auditors will review this recommendation again at the 18-month followup.</p>

FINDING 2: District should assess ways to reduce its \$30,750 food service program subsidy

1. The District should assess the costs and benefits of participating in the special NSLP provision, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.	<p>Implementation in process The District now participates in a new NSLP provision that it believes will increase its food service revenues. However, auditors' review of the District's most recent analysis shows that participation in this new program may not eliminate or substantially reduce the District's need to subsidize its food service program. Auditors will review this recommendation again at the 18-month followup.</p>
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Recommendation	Status/Additional Explanation
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2. The District should establish a system to properly track individual adult meals served and related payments collected.	Implemented at 6 months
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FINDING 3: District should strengthen its transportation program’s controls

1. The District should implement a process to ensure that bus driver certification requirements are met and documented in accordance with the State’s <i>Minimum Standards</i> .	Implemented at 12 months
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2. To help safeguard its fuel inventory and ensure proper controls over its use, the District should reconcile fuel consumption recorded on its fuel usage logs to vendor fuel invoices, restrict access to fuel pumps, and consider calculating and monitoring miles per gallon for each of its vehicles for reasonableness.	Implemented at 6 months
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3. The District should work with its fuel vendor to identify fueling dates and times on billing statements.	Implemented at 6 months
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OTHER FINDINGS: District may be able to improve efficiency and lower cost through cooperative agreements

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.	<p>Implementation in process</p> <p>The District is now sharing more instructional staff with a nearby district and is continuing to look for additional opportunities to cooperatively provide other services with other districts or the County School Superintendent’s Office. Auditors will review this recommendation again at the 18-month followup.</p>
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