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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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 an 18-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:

- 13 recommendations have been implemented;
- 4 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,

Vicki Hanson
Director, Division of School Audits

VH: lc
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 18-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 controls 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.	Implemented at 18 months
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 receipt 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 continues to explore its options to implement appropriate settings in its directory service system to help it limit employees' ability to install unauthorized software on district computers. Auditors will review this recommendation again at the 24-month followup.</p>
8. The District should store backup drives in a secure location, separate from its server.	<p>Implemented at 6 months</p>
9. The District should ensure that its computers have currently supported operating systems installed.	<p>Implemented at 12 months</p>
10. The District should develop and implement a process to ensure it installs critical updates on its computers.	<p>Implementation in process The District continues to explore its options to implement the appropriate settings in its directory service system to help it automatically install critical updates on district computers. Auditors will review this recommendation again at the 24-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>Implemented at 18 months</p>
12. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process Auditors reviewed fiscal year 2016 year-to-date accounting records and found that the District substantially improved its classification of transactions. However, the District still made some errors identified during the audit. Auditors will review this recommendation again at the 24-month followup.</p>
<p>FINDING 2: District should assess ways to reduce its \$30,750 food service program subsidy</p>	
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>Not implemented The District has decided that the benefit of providing free meals to all of its students outweighed the cost of subsidizing the food service program with monies that otherwise could have been used to meet other needs.</p>
2. The District should establish a system to properly track individual adult meals served and related payments collected.	<p>Implemented at 6 months</p>

Recommendation	Status/Additional Explanation
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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
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
3. The District should work with its fuel vendor to identify fueling dates and times on billing statements.	Implemented at 6 months

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 still sharing some instructional staff with a nearby district and is continuing to look for additional opportunities to cooperatively provide services with other districts or the County School Superintendent’s Office. Auditors will review this recommendation again at the 24-month followup.</p>
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