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OFFICE OF THE
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August 5, 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 St. David Unified School District's implementation status for the 12 audit recommendations presented in the performance audit report released in December 2014. As the enclosed grid indicates:

- 6 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,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Mark Goodman, Superintendent
Governing Board
St. David Unified School District

ST. DAVID UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2014 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 require supervisors to thoroughly review time sheets to help ensure that all employee pay amounts are accurate.	Implemented at 6 months
3. The District should establish and maintain effective internal controls to safeguard cash, including issuing receipts for all cash received and making deposits timely.	Implemented at 6 months
4. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and that each employee has only the access necessary to meet their job responsibilities.	Implementation in process The District reviewed and modified employee access to the accounting system. However, auditors reviewed the user access report for the three users with access to the accounting system and found that two employees still had more access to the accounting system than they needed to perform their job duties. Auditors will review this recommendation again at the 12-month followup.
5. The District should implement and enforce password requirements related to password length, complexity, and expiration.	Implemented at 6 months
6. The District should limit physical access to its IT server room so that only appropriate personnel have access.	Implemented at 6 months
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.	Implementation in process The District is in the process of developing a formal disaster recovery plan and testing procedures. Auditors will review this recommendation again at the 12-month followup.

Recommendation	Status/Additional Explanation
8. The District should classify all transactions in accordance with the <i>Uniform Chart of Accounts</i> for school districts.	<p>Implementation in process Auditors' review of the District's fiscal year 2015 accounting records found that although the District made some corrections when classifying its transactions, it continued to make errors similar to those found during the audit of fiscal year 2012. Auditors will review this recommendation again at the 12-month followup.</p>

FINDING 2: Improvements needed and some taken to lower District's high food service costs

1. The District should review its food service staffing levels to determine if changes can be made to produce cost savings.	<p>Implementation in process The District eliminated a part-time food service position during fiscal year 2015, which should result in a cost savings. Auditors will review this recommendation again when fiscal year 2015 accounting records are complete and the full impact of any cost saving measures can be analyzed.</p>
2. The District should continue to closely monitor its food service program to identify and implement any additional cost savings measures.	<p>Implementation in process In addition to eliminating the part-time position mentioned above, the District continues to look for additional cost saving measures. Auditors will review this recommendation again when fiscal year 2015 accounting records are complete and the impact of any cost saving measures can be analyzed.</p>

FINDING 3: Improvements needed for transportation program recordkeeping and oversight

1. As statute requires for state funding purposes and also to help it evaluate its transportation program's efficiency, the District should determine and report to the Arizona Department of Education the actual number of students transported.	<p>Implemented at 6 months</p>
2. The District should evaluate and implement additional controls over its fuel inventory to help ensure proper accounting of all fuel deliveries and usage.	<p>Implementation in process The District has improved controls over its fuel inventory by performing fuel level readings before and after the vendor fills its tank and maintaining fuel logs to record dates and the amounts of fuel pumped from its tanks to compare expected fuel inventory levels to actual fuel levels. However, auditors found that the District's fuel logs were inaccurate because of a broken fuel meter. The District replaced the broken fuel meter in June 2015. Auditors will review this recommendation again at the 12-month followup.</p>
