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DEPUTY AUDITOR GENERAL

May 26, 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 Tolleson Elementary School District's implementation status for the 13 audit recommendations presented in the performance audit report released in August 2015. As the enclosed grid indicates:

- 4 recommendations have been implemented;
- 8 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: Dr. Lupita Hightower, Superintendent
Governing Board
Tolleson Elementary School District

TOLLESON ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued August 2015

6-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District had higher administrative costs and lacked adequate controls to protect it from errors and fraud	
1. The District should review its administrative positions and related duties and salaries to determine how it can reduce administrative costs.	<p>Implemented at 6 months</p> <p>District officials stated that they continuously look for ways to reduce administrative costs without negatively impacting the District. Between fiscal years 2012 (the audit year) and 2015, the District's student population grew by 249 students, or almost 10 percent, and district officials project continued growth. Because of this growth and because Tolleson ESD's administrative costs remained relatively stable while some of the peer districts' costs increased substantially, Tolleson ESD's fiscal year 2015 administrative cost per pupil was comparable to the peer districts' average.</p>
2. The District should implement proper controls over its payroll process to ensure proper separation of responsibilities.	<p>Implementation in process</p> <p>The District has made some changes to separate payroll and personnel responsibilities. However, the employee performing payroll duties is still responsible for changing employee pay rates, which is a personnel function. Auditors will review this recommendation again during the 12-month followup.</p>
3. The District should ensure that it requires independent review and approval for all of its purchases prior to the purchases being made.	<p>Implementation in process</p> <p>The District now conducts regular trainings for employees involved in the purchasing process and has begun issuing written violations to employees who do not follow proper purchasing procedures. Despite these efforts, district officials stated that some purchases are still being made without the appropriate prior approval. Auditors will review this recommendation again during the 12-month followup.</p>
4. The District should implement and enforce stronger password requirements.	<p>Implemented at 6 months</p>

Recommendation

Status/Additional Explanation

5. The District should limit employees' access to its computerized accounting system to only those accounting system functions needed to perform their work.

Not implemented

District officials stated that they have reviewed and modified employee access to the District's accounting system. However, auditors reviewed accounting system access for the four employees identified as having too much access to the system during the audit year and found that, although the District limited access for one employee, two employees continue to have full access to the system, and one employee still has more access than is necessary to meet their job responsibilities. Further, district officials stated they have no plans for further reducing access for the two employees with full access to the accounting system.

6. The District should develop and implement a formal process to ensure that terminated employees have their network and system access promptly removed.

Implementation in process

The District is in the process of evaluating its options for promptly removing terminated employees' network and system user accounts and plans to have a new system in place by the end of fiscal year 2016. Auditors will review this recommendation again at the 12-month followup.

7. The District should eliminate or disable unnecessary generic user accounts in its network and systems.

Implementation in process

The District has eliminated any unnecessary generic user accounts in its student information system and is working to eliminate unnecessary network generic accounts. Auditors will review this recommendation again at the 12-month followup.

8. The District should review its formal disaster recovery plan to ensure it is complete and test it periodically to identify and remedy deficiencies.

Implementation in process

The District is in the process of reviewing and making changes to its formal disaster recovery plan. Auditors will review this recommendation again at the 12-month followup to ensure the District's plan is complete and that the District is testing it periodically.

9. The District should implement controls over its process for producing, distributing, and tracking building keys, including maintaining a complete and up-to-date distribution log, establishing a process for determining the access level given to employees, and implementing a user agreement outlining the rules and policies an employee must follow regarding the use of district keys.

Implementation in process

The District has implemented new procedures for determining the access level given to employees and distributing keys, including having employees sign an agreement acknowledging the receipt of keys. However, the District is still in the process of implementing additional controls, such as developing and maintaining a complete and up-to-date distribution log. Auditors will review this recommendation again at the 12-month followup.

10. The District should establish a written agreement with the service provider who is leasing space at a district school that outlines each party's responsibilities.

Implemented at 6 months

Recommendation

Status/Additional Explanation

FINDING 2: District may be able to lower transportation costs by improving bus route efficiency

1. The District should closely review its regular education bus routes to determine how it can improve route efficiency and adjust its bus routes accordingly.

Implementation in process

The District purchased routing software to help it adjust its bus routes to improve route efficiency. Auditors will review this recommendation again at a later followup after the District has implemented the software and made any appropriate route adjustments.

2. The District should develop and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage to help evaluate and improve the efficiency of its transportation program.

Implementation in process

The District now collects the data necessary to develop transportation performance measures. Auditors will review this recommendation again at the 12-month followup after the District has begun analyzing these performance measures and using them to help evaluate and improve its transportation program's efficiency.

3. The District should accurately calculate and report to the Arizona Department of Education the riders transported for state funding purposes.

Implemented at 6 months