



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 23, 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 12-month followup of the Wenden Elementary School District's implementation status for the 25 audit recommendations presented in the performance audit report released in June 2015. As the enclosed grid indicates:

- 10 recommendations have been implemented;
- 12 recommendations are in the process of being implemented;
- 1 recommendation is no longer applicable; and
- 2 recommendations have 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:bh
Enclosure

cc: Ms. Gloria Dean, Superintendent
Governing Board
Wenden Elementary School District

WENDEN ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2015

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 controls over its payroll and purchasing processes to ensure proper separation of responsibilities.	<p>Implementation in process</p> <p>The District has made some improvements to its payroll and purchasing controls; however, the District has still not adequately separated payroll and personnel responsibilities. The District plans to make additional changes to ensure proper separation of responsibilities. Auditors will review this recommendation again at the 18-month followup.</p>
2. 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.	<p>Implementation in process</p> <p>The District now requires that additional duties be approved in advance of work being performed. However, auditors reviewed all payroll action request (PAR) forms for the six employees who were paid for additional duties in fiscal year 2016 and found that one employee's PAR did not indicate the amount the employee was to be paid for the additional duties. Auditors will review this recommendation again at the 18-month followup.</p>
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made and maintains supporting documentation for all expenditures.	<p>Implementation in process</p> <p>Although the District's procedures require that all purchases be approved with a purchase order prior to the purchases occurring, auditors reviewed ten fiscal year 2016 purchases and found that five lacked evidence of an approved purchase order prior to the purchases being made. The District plans to improve its procedures by the next followup. Auditors will review this recommendation again at the 18-month followup.</p>
4. The District should document that all goods and services have been received prior to payment or reimbursement.	<p>Implementation in process</p> <p>The District's procedures now require a receiving report to document that goods and services have been received prior to payment or reimbursement. However, in a sample of ten fiscal year 2016 purchases, auditors found that, for two purchases, the District paid for the items without evidence that it had received them. Auditors will review this recommendation again at the 18-month followup.</p>

Recommendation	Status/Additional Explanation
5. The District should strengthen its credit card review procedures to help ensure that all purchases are appropriate and for district purposes.	<p>Implementation in process The District's procedures now require that a supervisor sign all credit card receipts attesting that the purchases are appropriate. However, for two of five credit card purchases reviewed by auditors, there was no indication that a supervisor had reviewed the receipts for appropriateness. Auditors will review this recommendation again at the 18-month followup.</p>
6. The District should ensure that if it purchases items to be sold by student clubs or in a staff snack bar that it maintains supporting documentation such as student club purchase orders, sales documentation, and inventory records.	<p>Implemented at 12 months</p>
7. 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 employees have only the access necessary to meet their job responsibilities.	<p>Implementation in process Auditors reviewed the access levels for the District's six accounting system users and found that two of the users continue to have too much access. One user continues to have full access to all accounting system functions, and another has the ability to initiate and complete purchasing transactions without an independent review. Auditors will review this recommendation again at the 18-month followup.</p>
8. The District should limit student information system users' access to only information needed to perform their job responsibilities and develop and implement a formal process to ensure that terminated employees have their student information system access promptly removed.	<p>Implemented at 12 months</p>
9. 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 or training.	<p>Implemented at 12 months</p>
10. The District should require employees to change assigned passwords at first login so that passwords are known only to the employees who create them, and implement and enforce stronger password controls by requiring employees to create more complex passwords and to periodically change them.	<p>Implemented at 6 months</p>
11. 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 18-month followup.</p>

Recommendation	Status/Additional Explanation
12. The District should store backup drives in a secure location, separate from its server.	Implemented at 6 months
13. The District should ensure that its network-connected computers have currently supported operating systems installed.	Implemented at 6 months
14. The District should develop and implement a process to ensure critical updates are installed on its computers.	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 18-month followup.
15. 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.	Implemented at 6 months
16. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implementation in process Auditors reviewed fiscal year 2016 accounting records and found that although the District has corrected some classification errors, it continues to make many of the errors found during the audit. Auditors will review this recommendation again at the 18-month followup.

FINDING 2: District should assess ways to reduce its \$59,770 food service program subsidy and improve oversight of its food inventory

1. The District should assess the costs and benefits of its participation in any special NSLP provision, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.	Not implemented The District now participates in a new NSLP provision that, based on auditor analysis, likely will not substantially reduce the District's need to subsidize its food service program. District officials stated that the District will continue to participate in this new program despite the District's need to subsidize its food service program because they believe the benefits of providing free meals to all students outweigh the need to subsidize the program's losses with maintenance and operation monies.
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Recommendation	Status/Additional Explanation
2. The District should enforce its policies and procedures for collecting employee meal fees and documenting employee meals served.	<p>Implementation in process</p> <p>Since the audit, the District has developed a process that requires employees to purchase meal cards prior to meal service. During the 6-month followup, auditors observed that the District was not always following its new process. Because the District was on summer break during the 12-month follow-up review, auditors were unable to observe the District's meal service to determine whether the District is effectively following its process. Auditors will review this recommendation again at the 18-month followup.</p>
3. The District should ensure that its community meals program meets state statute.	<p>Not implemented</p> <p>The District has not made any changes to its community meals program to ensure that it complies with Arizona Revised Statutes §15-1158. At its August 8, 2016, meeting, the Governing Board voted 4-0 to continue its community meals program and not to implement the changes necessary for the District to comply with state statute.</p>
4. The District should ensure that it charges employees and community members meal prices that cover the cost of producing the meals.	<p>Implemented at 12 months</p>
5. The District should ensure that it follows proper procedures when disposing of surplus food.	<p>No longer applicable</p> <p>The District has begun taking monthly food inventories to better manage its food purchases and to minimize food waste and the need to dispose of surplus food. As a result, it does not appear that the District had surplus food during this follow-up period.</p>
6. The District should ensure that it adequately oversees its food inventory to reduce disposal of surplus food.	<p>Implemented at 12 months</p>

FINDING 3: District should strengthen controls over its transportation program

1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	<p>Implementation in process</p> <p>The District indicated that it is still in the process of developing procedures to ensure that its bus drivers meet certification requirements and expects to have the procedures implemented by the 18-month followup. Auditors will review this recommendation again at the 18-month followup.</p>
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Recommendation

Status/Additional Explanation

- 2. The District should thoroughly review all automotive garage invoices to ensure they comply with negotiated prices and hourly rates and determine whether costs are appropriate before paying them.

Implementation in process

The District developed new procedures to help ensure that it is properly invoiced by its vehicle repair and maintenance vendor according to negotiated prices. However, auditors reviewed all fiscal year 2016 automotive garage invoices and found that the District is not following its new procedures and continues to overpay for parts and services. District officials stated that they plan to make additional changes to the new procedures to ensure that the District is properly invoiced according to negotiated prices. Auditors will review this recommendation again at the 18-month followup.

OTHER FINDING: District may be able to improve efficiency and lower costs through the use of cooperative agreements

- 1. The District should continue to 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.

Implemented at 12 months

In fiscal year 2016, the District was able to reduce its number of bus stops by cooperatively providing transportation with a neighboring school district. Additionally, the District had an intergovernmental agreement in fiscal year 2016 with a neighboring school district to combine their basketball programs and share some of the associated costs. The District plans to have the same agreements in fiscal year 2017.
