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February 25, 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 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:

- 4 recommendations have been implemented;
- 20 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,

Ross Ehrick, CPA
Director, Division of School Audits

RE: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

6-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 The District is currently reviewing its processes and plans to fully implement proper separation of responsibilities by the next followup. Auditors will review this recommendation again at the 12-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 The District has developed a new process and now requires that additional duties are approved in advance of work being performed. Because the District has only had limited opportunities to implement its new process, auditors will review this recommendation again at the 12-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 Although the District's procedures require that all purchases be approved prior to the purchases occurring, auditors reviewed ten fiscal year 2016 purchases and found that four lacked evidence of prior approval. The District plans to improve its implementation of its procedures by the next followup. Auditors will review this recommendation again at the 12-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 The District has revised its procedures to 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 four purchases lacked evidence of a receiving report. Auditors will review this recommendation again at the 12-month followup.</p>
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 has revised its procedures to now require that a supervisor sign all credit card receipts attesting that the purchases are appropriate. However, for some statement periods, the District did not retain documentation necessary for auditors to verify that this procedure had been followed. Auditors will review this recommendation again at the 12-month followup.</p>

Recommendation

Status/Additional Explanation

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.

Implementation in process

The District has not recently made any purchases to be sold by student clubs or in a staff snack bar. Auditors will review this recommendation again at the 12-month followup.

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.

Implementation in process

The District has made some improvements to its accounting system user access levels by reducing one user's access to an appropriate level. However, two users continue to have the ability to initiate and complete transactions without an independent review. The District plans to revise access levels further by the next followup. Auditors will review this recommendation again at the 12-month followup.

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.

Implementation in process

The District has established a new process to help ensure appropriate student information system access. Although user access currently appears to be appropriate, no employees have terminated employment with the District since the new process has been established. Therefore, auditors will review this recommendation again at the 12-month followup or at a later follow-up date when the District's new process can be fully tested.

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.

Implementation in process

The District eliminated one generic account in its accounting system, but there are still two generic accounts with access to the system that can be eliminated or disabled. The District also maintains one generic account in its student information system that should be eliminated, disabled, or properly controlled if used for technical support. Auditors will review this recommendation again at the 12-month followup.

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.

Implemented at 6 months

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.

Implementation in process

The District is currently researching the best option to limit employees' ability to install unauthorized software on district computers and plans to implement this recommendation by the next followup. Auditors will review this recommendation again at the 12-month followup.

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 is currently researching the best option to help ensure critical updates are installed on district computers. Auditors will review this recommendation again at the 12-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' review of fiscal 2016 year-to-date accounting records found that although the District made some corrections when classifying its transactions, it continues to make errors similar to those found during the audit. Auditors will review this recommendation again at the 12-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 outweighs 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.

Implementation in process

The District has developed a new process that requires employees to prepurchase meal cards for their meal purchases. However, when auditors observed a lunch period, one of the six adults who were served a lunch did not pay for their lunch using a meal card or any other form of payment. Auditors will review this recommendation again at the 12-month followup to determine whether the District is enforcing its policies and procedures to ensure that employees pay for their meals.

3. The District should ensure that its community meals program meets state statute.

Implementation in process

The District is currently reviewing options to ensure that its community meals program meets state statute but has not yet made any changes to its program. The District is considering options such as providing identification cards to those who are eligible to participate in its program. Auditors will review this recommendation again at the 12-month followup.

4. The District should ensure that it charges employees and community members meal prices that cover the cost of producing the meals.

Implementation in process

The District has increased its prices for adult meals to \$3.75, which is 75 cents more than during the audit year. Despite the price increase, the adult meal prices are still not sufficient to cover the District's costs of producing those meals. In fiscal year 2015, the most recently completed fiscal year, the District's cost per meal was \$5.07. District officials indicated that they will review whether to further increase adult meal prices to fully cover related costs. Auditors will review this recommendation again at the 12-month followup.

5. The District should ensure that it follows proper procedures when disposing of surplus food.

Implementation in process

According to district officials, the District plans on eliminating the need to dispose of surplus food in the future because it has implemented new procedures to help ensure that its food inventory is efficiently used. However, the District did not maintain documentation to support these new procedures or their effectiveness. District officials indicated that they will begin keeping this documentation. Auditors will review this recommendation again at the 12-month followup.

Recommendation	Status/Additional Explanation
6. The District should ensure that it adequately oversees its food inventory to reduce disposal of surplus food.	<p>Implementation in process According to district officials, the District has implemented new procedures to help ensure that surplus food in its inventory is minimized or eliminated. However, the District did not keep documentation to support these new procedures or their effectiveness. District officials indicated that they will begin keeping this documentation. Auditors will review this recommendation again at the 12-month followup.</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 The District is in the process of developing procedures to ensure that its bus drivers meet certification requirements and plans to implement the procedures by the next followup. Auditors will review this recommendation again at the 12-month followup.</p>
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.	<p>Implementation in process The District recently developed new procedures to help ensure that it is properly invoiced according to negotiated prices, but has not yet made any purchases under the new procedures. Auditors will review this recommendation again at the 12-month followup.</p>

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.	<p>Implementation in process The District was able to reduce the number of bus stops in the 2015-2016 school year through a cooperative agreement with a neighboring school district. Additionally, the District cooperatively works with the same school district to provide transportation to extra-curricular events, where both districts' students are participating. The District 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 12-month followup.</p>
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