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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

June 30, 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 24-month followup of the Bicentennial Union High School District's implementation status for the 25 audit recommendations presented in the performance audit report released in March 2013. As the enclosed grid indicates:

- 18 recommendations have been implemented;
- 3 recommendations are in the process of being implemented; and
- 4 recommendations have not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the March 2013 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Byron Maynes, Superintendent
Governing Board
Bicentennial Union High School District

BICENTENNIAL UNION HIGH SCHOOL DISTRICT

Auditor General Performance Audit Report Issued March 2013

24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Poor payroll and purchasing controls increase risk of errors and fraud	
1. The District should ensure that it has current employment contracts with each of its employees that stipulate the terms of their employment with the District.	Implemented at 6 months
2. The District should ensure employees' contracts are based on Governing Board-approved salary schedules and policies.	Implemented at 6 months
3. The District should ensure that employee compensation is based on negotiated contracts and agreements prior to employees performing services.	Implemented at 6 months
4. The District should ensure that any additional compensation is for duties performed outside of an employee's regular contracted duties.	Implemented at 6 months
5. The District should require supervisors to thoroughly review time sheets and pay employees based on the number of hours actually worked.	Implemented at 24 months
6. The District should obtain Governing Board approval for its performance pay plan, retain documentation supporting performance payments, and ensure that payments made to eligible employees are consistent with its Governing Board-approved plan.	Implemented at 6 months
7. The District should ensure that it follows proper purchasing processes as outlined in the <i>Uniform System of Financial Records for Arizona School Districts</i> , including ensuring proper approval before purchases are made, ensuring that goods and services are received before payments are made, and ensuring that all supporting documentation is retained.	Implemented at 6 months
8. To help ensure it receives the best price for goods and services, the District should follow the competitive procurement requirements in the <i>Uniform System of Financial Records for Arizona School Districts</i> when purchasing goods and services.	Implemented at 18 months

Recommendation	Status/Additional Explanation
9. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process The District has corrected the classification errors noted during the audit. However, auditors found that the District made some additional errors that should be corrected.</p>

FINDING 2: District lacks sufficient computer controls to adequately protect sensitive information

1. The District should continue to review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without an independent review.	<p>Not implemented The District continues to grant some users full access to all functions within its accounting system. Granting full system access exposes the District to increased risk of errors and fraud because it provides users the ability to initiate and complete transactions without an independent review.</p>
2. The District should require users to create network passwords and require users to change initially assigned passwords for all systems at first logon.	<p>Not implemented The District's network now requires a password, and users are required to change their network passwords at first logon. However, the District still does not require all users to change their system passwords at first logon.</p>
3. The District should implement and enforce password requirements related to password length, complexity, and expiration.	<p>Not implemented The District has implemented password length, complexity, and expiration requirements for its network. However, the District still does not require adequate password length and expiration requirements for its systems.</p>
4. The District should install antivirus software on its computers and servers to safeguard its sensitive information and protect against costly damage or interruption.	<p>Implemented at 6 months</p>
5. The District should ensure that its servers and computers are using currently supported operating system software.	<p>Implemented at 6 months</p>
6. The District should develop and implement a formal process to ensure that terminated employees are promptly removed from its student information system.	<p>Implemented at 24 months</p>
7. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies. Additionally, backup tapes should be stored in a secure offsite location.	<p>Implemented at 24 months</p>

Recommendation	Status/Additional Explanation
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FINDING 3: District did not meet state transportation safety requirements and needs to strengthen controls in its transportation program

1. The District should ensure that documentation pertaining to driver certifications is maintained and that drivers meet all requirements as specified in the State's <i>Minimum Standards for School Buses and School Bus Drivers</i> .	Implemented at 24 months
2. The District should create and implement a preventative maintenance policy and ensure that documentation pertaining to bus preventative maintenance and repairs is maintained.	Implementation in process The District has implemented a 15,000-mile preventative maintenance policy for its buses and is now maintaining documentation supporting when preventative maintenance is performed. It also now has a process to track when buses require preventative maintenance services. However, auditors reviewed preventative maintenance services for four of the District's buses and found that one of the buses exceeded the 15,000-mile preventative maintenance schedule by more than 1,000 miles.
3. The District should evaluate and implement additional controls over its fuel inventory, restrict access to fuel pumps, and ensure proper accounting of all fuel use.	Implemented at 24 months

FINDING 4: Improved oversight of food service program needed to reduce \$26,000 shortfall

1. The District should prepare accurate food production records and use these records to minimize waste from excess food production.	Implemented at 24 months
2. The District should consider additional food production controls, such as having classroom teachers submit expected lunch counts, to help reduce overproduction and waste.	Implemented at 24 months
3. The District should move its point-of-sale system and cashier to a more appropriate location for recording meals and improve its process to ensure that it accurately counts and charges for meals served.	Implemented at 6 months

Recommendation	Status/Additional Explanation
4. The District should enforce its Governing Board-approved policy regarding the maximum meal credit balances that students can accrue and not allow staff to accrue balances.	<p>Implementation in process</p> <p>Students no longer accrue account balances because the District now participates in a special provision of the National School Lunch Program, whereby it provides free meals to all district students. Staff account balances are currently substantially less than during the audit because the District now only allows staff to accrue balances up to \$5. However, extending credit to staff is unallowable under the <i>Uniform System of Financial Records for Arizona School Districts (USFR)</i>. The District intends to comply with the USFR and eliminate staff credit in the upcoming school year.</p>

5. The District should ensure that food service employees pay for their meals or that their contracts indicate that they are provided meals free of charge as part of their compensation.	<p>Implemented at 6 months</p>
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OTHER FINDINGS: District may be able to improve efficiency and lower costs through 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>Not implemented</p> <p>Two separate elementary school districts have schools located near Bicentennial UHSD, with one within 1 mile of Bicentennial UHSD's high school. According to district officials, years ago, the districts shared employees in maintenance, food service, and the business office, but they did not feel it was beneficial to continue this practice, and therefore, the District does not plan to pursue additional opportunities in the future.</p>
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