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June 25, 2019

The Honorable Rick Gray, Chair
Joint Legislative Audit Committee

The Honorable Anthony T. Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

We recently completed a 30-month followup of Bouse Elementary School District's implementation status for the 9 audit recommendations presented in the performance audit report released in September 2016. As the attached grid indicates:

- 5 recommendations have been implemented.
- 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 September 2016 performance audit.

Sincerely,
Vicki Hanson, Director
Division of School Audits

cc: Governing Board
Mr. Ron Fletcher, Superintendent
Bouse Elementary School District

BOUSE ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued September 2016 30-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Accounting and computer controls need strengthening	
1. The District should prepare and retain a current and accurate contract for each employee to document employment terms and ensure that employees are paid according to those terms.	Implemented at 18 months
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.	Implemented at 18 months
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Not implemented We reviewed a sample of 5 fiscal year 2019 purchases and found that for all 5 purchases, district employees made the purchases without evidence of prior approval.
4. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 30 months We reviewed fiscal-year-to-date 2019 expenditures and determined that the District had substantially corrected classification errors identified during the audit.
5. The District should prepare and issue duplicate, prenumbered cash receipts and have an employee not involved in collecting or depositing cash reconcile issued receipts to deposits.	Not implemented We reviewed supporting documentation for cash the District collected and deposited in November 2018 and February 2019 and determined that the District did not consistently issue duplicate, prenumbered receipts to student clubs when it accepted cash the clubs collected as district procedures require. The District also did not reconcile cash receipts to deposited amounts to ensure all cash received was deposited.
6. The District should limit employees' access to the accounting system to only the access necessary to meet their job responsibilities to help ensure that no single employee can initiate and complete a transaction without an independent review.	Not implemented The District continues to provide too much access to some accounting system users. We reviewed all 12 user accounts in the District's accounting system and found that 6 user accounts inappropriately provide its users with full access within the accounting system, allowing those users to initiate and complete payroll and purchasing transactions without an independent review.

Recommendation	Status/Additional Explanation
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7. The District should implement and enforce stronger password requirements related to password length and expiration.

Implemented at 12 months

OTHER FINDINGS 1: District incorrectly reported number of riders for state transportation funding

1. The District should accurately calculate and report to the Arizona Department of Education (ADE) the actual number of riders transported for state funding purposes.

Not implemented

According to district officials, the District paid parents to transport students to and from school in fiscal year 2019 instead of operating a school bus. However, the District did not submit a transportation report to ADE for fiscal year 2019 showing its contracted miles and riders as statute requires. Although the District missed the reporting deadline (January 2019), district officials indicated that they still plan to work with ADE to submit all required transportation information. This is important because districts' transportation funding is based on the prior year's reported miles and riders. Therefore, the District needs to report its fiscal year 2019 information to ensure accurate fiscal year 2020 funding.

OTHER FINDINGS 2: District may be able to improve efficiency and lower costs through cooperative agreements

1. The District should look for ways to improve efficiency and lower costs, including the possibility of cooperatively providing services with the County School Superintendent's Office.

Implemented at 30 months

Since the audit, the District has begun working with the La Paz County School Superintendent's Office to cooperatively purchase, with 2 other area school districts, speech therapy and psychological services for its students. According to district officials, cooperative purchasing makes these services more affordable for the District.