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May 7, 2020

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

The Honorable Rick Gray, Vice Chair
Joint Legislative Audit Committee

Dear Representative Kern and Senator Gray:

We recently completed a 24-month followup of Holbrook Unified School District's implementation status for the 12 audit recommendations presented in the performance audit report released in December 2017. As the attached grid indicates:

- 8 recommendations have been implemented.
- 2 recommendations are in the process of being implemented.
- 2 recommendations are no longer applicable.

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 December 2017 performance audit.

Sincerely,
Vicki Hanson, Director
Division of School Audits

cc: Governing Board
Dr. Robbie Koerperich, Superintendent
Holbrook Unified School District

HOLBROOK UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2017 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: District lacked a delayed payroll process to pay some hourly employees and needs to strengthen computer controls	
1. The District should establish a delayed payroll process for all hourly employees as required by the <i>Uniform System of Financial Records</i> to help ensure that they are appropriately paid.	Implemented at 6 months
2. The District should implement and enforce stronger password requirements.	Implemented at 12 months
3. The District should limit employees' access to its accounting system to only those accounting system functions needed to perform their job duties, including transferring the business office employee's administrator-level access to someone outside of the business office.	Implemented at 12 months
4. The District should develop and implement a formal process to ensure that terminated employees have their computer network and system access promptly removed.	Implemented at 18 months
5. The District should ensure that its information technology (IT) contingency plan is complete and test it periodically to identify and remedy any deficiencies.	Implemented at 18 months

Recommendation

Status/Additional Explanation

FINDING 2: District’s excess building space and higher custodial staffing resulted in higher costs

1. The District should evaluate excess building space at its schools and determine and implement ways to reduce it.

Implementation in process

As discussed in the audit report, in fiscal year 2014 (the audit year), the District operated its schools at 63 percent of designed capacity. According to district officials, the District has closed about 7,000 square feet of unused space at one of its elementary schools since fiscal year 2014 and plans to close an additional 6,000 square feet of unused space at this school for fiscal year 2021. These closures would result in the District operating its schools at 67 percent of their designed capacity for fiscal year 2021, assuming no change in the District’s number of students. Because the District’s funding is based primarily on its number of students and not on its amount of square footage, the District should continue to work on addressing this issue to allow it to free up dollars that could be spent on instruction or other district priorities.

2. The District should review its plant operations custodial staffing levels and determine and implement ways to reduce plant operations costs.

Implementation in process

Between fiscal years 2014 (the audit year) and 2019 (the most recent year for complete data), the District reduced its custodial staffing by three full-time equivalent positions. However, according to district officials, the District increased custodial payrates because of the passage of Arizona’s new minimum wage law in 2016. The decrease in staffing combined with the increase in payrates resulted in salary and benefits savings of over \$20,000. District officials stated that no further custodial staffing changes were made in fiscal year 2020, but they plan to reduce custodial staffing in the future by not filling custodial positions as they become vacant. District officials stated that they plan to utilize this method to reduce custodial staffing to the extent possible without compromising the cleanliness of schools.

FINDING 3: District should strengthen some controls over its transportation program

1. The District should ensure that school bus preventative maintenance is conducted in a systematic manner in accordance with its policy and the State’s *Minimum Standards for School Buses and School Bus Drivers*.

Implemented at 12 months

Recommendation	Status/Additional Explanation
<p>2. The District should work with the Arizona Department of Education (ADE) regarding any needed corrections to its transportation funding reports and corresponding adjustments to its expenditure budgets until all errors that the misreported mileage may have caused are fully corrected.</p>	<p>Implemented at 24 months The District worked with ADE to correct its transportation funding reports and make all necessary adjustments to its expenditure budgets. The District's misreported mileage in fiscal year 2014 caused the District to be overfunded by \$43,897, which it repaid to ADE in March 2020.</p>
<p>3. The District should ensure that it accurately reports its miles and riders for state funding purposes</p>	<p>Implemented at 6 months</p>
<p>FINDING 4: Majority of desegregation tax levy spending appears unrelated to administrative agreement requirements, and tax levy monies unchanged despite substantial decline in English language learner population</p>	
<p>1. The District should ensure that it spends its desegregation monies on only those activities that directly support the requirements outlined in its administrative agreement.</p>	<p>No longer applicable As discussed in the next recommendation, district officials determined that the District uses its federal Impact Aid monies instead of levying local property taxes for desegregation purposes. Therefore, the District does not have a desegregation tax levy. However, for transparency purposes and to be in compliance with the Uniform Chart of Accounts for school districts, which is prescribed to establish consistent expenditure reporting, the District should classify expenditures as desegregation expenditures only when they are incurred solely as a result of complying with the District's administrative agreement. District officials indicated they have been following this guidance when classifying the District's fiscal year 2020 expenditures and plan to continue doing so.</p>
<p>2. The District should determine whether its desegregation tax levy should remain at its current level given the substantial decrease in its English language learner (ELL) student population and the much lower costs of its peer districts that are required to provide the same opportunities to their ELL students.</p>	<p>No longer applicable District officials determined that the District uses its federal Impact Aid monies instead of levying local property taxes for desegregation purposes. Therefore, the District does not have a desegregation tax levy.</p>