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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

March 2, 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 24-month followup of the McNeal Elementary School District's implementation status for the 16 audit recommendations presented in the performance audit report released in December 2013. As the enclosed grid indicates:

- 13 recommendations have been implemented;
- 1 recommendation is in the process of being implemented; and
- 2 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 December 2013 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Ms. Teresa Reyna, Superintendent
Governing Board
McNeal Elementary School District

MCNEAL ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2013 24-Month Follow-up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increase risk of errors and fraud	
1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Implemented at 6 months
2. The District should ensure that credit card balances are paid in a timely manner to avoid finance charges and late fees.	Not implemented According to district officials, the District continues to take steps to ensure that credit card bills are paid in a timely manner. However, the District still paid \$360 in late fees and finance charges to credit card companies during fiscal year 2015 and paid more than \$200 in such fees and finance charges during the first half of fiscal year 2016.
3. The District should limit employee access to the accounting system so that one employee cannot complete transactions without an independent review.	Implemented at 6 months
4. The District should implement and enforce stronger password controls, requiring its employees to regularly change their passwords and requiring more complex passwords.	Implemented at 6 months
5. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	Implemented at 6 months
6. The District should limit physical access to its computer server room so that only appropriate personnel have access. In addition, the District should ensure that its computer server is stored in a room that is properly cooled and ensure that a fire extinguisher is available nearby.	Implemented at 24 months
7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 12 months

Recommendation	Status/Additional Explanation
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8. The District should ensure expenditure descriptions within its accounting system adequately describe each transaction.	Implemented at 12 months
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FINDING 2: Food service program required \$23,000 subsidy

1. The District should implement a formal written policy for student meal charge sales and consider providing a substitute, less expensive meal, such as a sandwich, to students who are carrying unpaid meal balances above a predetermined amount. Further, the District should determine what other steps can be taken to collect unpaid meal balances and implement them.	<p>Implementation in process The District adopted a formal student meal charge policy in July 2015 that limits the amount of unpaid meal charges each student may accumulate. In addition, the District is working with families to collect outstanding unpaid meal balances and enforce the new policy. Since fiscal year 2011, the audited year, the amount of total unpaid student meal charges has been reduced by 69 percent.</p>
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2. The District should consider increasing its student meal charges to reduce the amount of the food service program subsidy.	<p>Implemented at 24 months The District has increased its student lunch prices from \$1.25 to \$1.40 per meal, which should help reduce the need to subsidize the food service program with monies that otherwise potentially could be spent in the classroom.</p>
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3. The District should evaluate whether its policy of providing free meals to staff should be modified to produce cost savings.	<p>Implemented at 6 months Beginning in fiscal year 2013, the District discontinued providing free meals to staff.</p>
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4. The District should maximize its cost savings by planning its menus to maximize its usage of USDA commodities.	Implemented at 6 months
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5. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures such as cost per meal and meals per labor hour, and take appropriate actions based on the results of the performance measures.	Implemented at 24 months
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FINDING 3: Two districts claim same route mileage for transportation funding

1. The Legislature may want to consider whether the intent of A.R.S. §15-901 et seq was to allow districts to jointly operate transportation programs but still receive full transportation funding as if they were separately operating such programs.	<p>Implemented at 6 months Arizona Revised Statutes §15-923 was amended by Laws 2014, Chapter 226, section 9, to state that miles driven to transport eligible students may not be reported as daily route miles by more than one school district.</p>
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Recommendation	Status/Additional Explanation
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FINDING 4: Some Classroom Site Fund performance pay monies awarded for unmet goals

<p>1. The District should ensure that it pays eligible employees only for goals met in accordance with its Governing Board-approved performance pay plan and only upon successful completion of the goals.</p>	<p>Implemented at 24 months</p>
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OTHER FINDINGS: District may be able to improve efficiency and lower costs through use of cooperative agreements

<p>1. The District should 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>	<p>Not Implemented The District has not established an agreement to operate any substantial services cooperatively with another district or the County School Superintendent’s Office.</p>
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