



# McNeal Elementary School

DISTRICT No. 55  
P.O. Box 8  
3979 McNEAL ST.  
McNEAL, AZ 85617



December 6, 2013

(520) 642-3356  
FAX (520) 642-3356

Ms. Debra K. Davenport  
Auditor General  
Division of School Audits  
2910 North 44th Street, Suite 410  
Phoenix, Arizona, 85018

Dear Ms. Davenport:

McNeal Elementary School District respectfully submits its response to the Performance Audit for fiscal year 2011 conducted by the Auditor General, Division of School Audits. The District would like to thank the Auditor General staff and the leadership of Ann Orrico, manager, and Jennifer Wild, auditor, for their professionalism throughout the audit process. McNeal ESD values the time and attention your office devoted to reviewing the operations of the District and to providing a number of recommendations and findings that has and will cause McNeal ESD to continue to thoroughly evaluate future operations. In fact, before the start of your office's audit, McNeal ESD had identified a number of operational issues that directly related to recommendations in the report and had begun the process of evaluating and changing its process and procedures. McNeal Elementary believes that many of the anticipated changes in our operational processes will address several of the operational recommendations made within the report.

McNeal ESD is grateful that the report highlighted the fact that year-to-year changes in student populations can greatly impact year-to-year changes in student AIMS scores, not to mention the impact these scores have had on the overall letter grade of the District.

McNeal ESD welcomes the opportunity to improve by facing its challenges head on in order to become a more fiscally responsible and efficiently operated entity while at the same time remaining committed to the academic success of our student.

Attached is the District's response to the findings and recommendations as outlined in the preliminary report. You will find that the District agrees with the findings of the audit team and has already begun implementing some of the recommendations, and we are working towards addressing other areas of concern.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

Teresa A. Reyna  
Administrator

## **Finding 1: Inadequate accounting and computer controls increase risk of errors and fraud**

### **Recommendations:**

1. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.

**District response:** The District agrees with the finding and recommendation. The District has taken steps to ensure that purchase orders are filled out properly and approved prior to purchases being made. Purchase requisitions are given to the Superintendent for approval and verification of adequate funding availability, purchase order is requested from the Secretary/Bookkeeper, purchases are made by Superintendent, and the payments are processed by the Secretary/Bookkeeper.

2. The District should ensure that credit card balances are paid in a timely manner to avoid finance charges and late fees.

**District response:** The District agrees with the findings and recommendation. The District has made every effort to discontinue the use of credit cards except when absolutely necessary in an effort to eliminate any unwarranted expenses. In those cases when the credit cards are used, the District has made every effort to pay these bills in a timely manner in order to avoid the finance charges and late fees.

3. The District should limit employee access to the accounting system so that one employee cannot complete transactions without an independent review.

**District response:** The District agrees with the finding and recommendation. Of the two District employees that have access to the accounting system. It is *only* the Secretary/Bookkeeper that accesses the system and processes payments. It is the separation of duties that the District has in place that provides a check and balance system that allows for an independent review by the Superintendent of completed transactions.

4. The District should implement and enforce stronger password controls requiring its employees to regularly change their passwords and requiring more complex passwords.

**District response:** The District agrees with the findings and recommendation. The District has implemented a new system which requires changes in passwords and requires more complex passwords.

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 response:** The District agrees with the findings and recommendation. The District will be working with the County School Superintendents Office to come up with an agreement for the District and other districts in Cochise County.

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.

**District response:** The District agrees with the findings and recommendation. The building was built in 2003 with a grant provided by the School Facilities Board. Since that time the District has continued to work with both the insurance company and School Facilities to correct ongoing problems that include leaking windows, poor drainage away from the building foundation, and the proper functioning of the HVAC/ fire alarm system. The District is aware and concerned about possible damage to the computer network system that was placed in the same room as the hot water heater. The District has brought in building contractors to address the situation but the cost will be exorbitant. The District will be submitting a grant to School Facilities in an effort to obtain the funding needed to correct this situation.

7. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

**District Response:** The District agrees with the findings and recommendation. The District has made necessary adjustments to correct this issue.

8. The District should ensure expenditure descriptions within its accounting system adequately describe each transaction.

**District Response:** The District agrees with the findings and recommendation. The District did not have descriptions in the accounting systems but does maintain supporting documentation in the file. The District has made adjustments to its accounting practices to include additional descriptions within the accounting system.

## **Finding 2: Food service program required \$23,000 subsidy**

### **Recommendations:**

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.

**District Response:** The District agrees with the findings and recommendation. The District has been aware of the lack of a formal written policy that, if in place, would correct unpaid balances and outline collection procedures.

2. The District should consider increasing its student meal charges to reduce the amount of the food service program subsidy.

**District Response:** The District agrees with the findings and recommendation. The District has discussed a slight increase to the meal cost which is expected to take effect the next school year.

3. The District should evaluate whether its policy of providing free meals to staff should be modified to produce cost savings.

**District Response:** The District agrees with the findings and recommendation. The District originally put this policy into place due to the fact that *all* staff work their lunch hours, whether on the playground or in the cafeteria. In FY2011 of the 10 staff members, only 4 sometimes 5 employees

took advantage of this policy. However, the District does agree that these funds can be best served elsewhere and in FY2013 this policy was no longer in effect.

4. The District should maximize its cost savings by planning its menus to maximize its usage of USDA commodities.

**District Response:** The District agrees with the findings and recommendation. The District was made aware of a delay in communication from USDA for commodities in the beginning of FY2012 that contributed to a reduced amount of commodities being requested and/or used. Once this was corrected the second half of the year, the District began requesting commodities on a regular basis.

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.

**District Response:** The District agrees with the findings and recommendation. The District is aware of the need to establish policy and procedures to monitor the food service program.

### **Finding 3: Two districts claim same route mileage for transportation**

#### **Recommendations:**

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 multiple districts were separately running such program.

**District Response:** The District agrees with the finding and recommendation. In FY2011 the District paid \$257,178 from the Maintenance and Operations budget to the neighboring high school district out of a total budget of \$820,993 leaving the District with an actual operating budget of \$563,815. The District is aware that state equalization revenue reimburses the District for a portion of the tuition costs of which transportation is part of this expense but the remaining balance is covered by the taxpayers of the District. The District is also aware that the High School District is legally allowed to charge such costs for the education of the Districts high school students.

### **Finding 4: Some Classroom Site Fund performance pay monies awarded for unmet goals**

#### **Recommendations:**

1. The District should ensure that it pays eligible employees only for the goals met in accordance with its Governing Board approved performance pay plan and only upon successful completion of the goals.

**District Response:** The District agrees with the findings and recommendation. The District will ensure that all goals are met and performance salaries are disbursed in accordance to the performance plan.

**Other Findings: District may be able to improve efficiency and lower costs through the use of cooperative agreements**

**Recommendations:**

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 County School Superintendent's Office.

**District response:** The District agrees with the findings and recommendation. The District will seek out opportunities to establish cooperative agreements for services with other districts and the County School Superintendent's Office.