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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

February 28, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Chester Crandell, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Crandell:

Our Office has recently completed a 24-month followup of the Morenci Unified School District's implementation status for the 9 audit recommendations presented in the performance audit report released in August 2011. As the enclosed grid indicates:

- 8 recommendations have been implemented, and
- 1 recommendation has 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 August 2011 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Dr. Javier Abrego, Superintendent
Governing Board
Morenci Unified School District

MORENCI UNIFIED SCHOOL DISTRICT

Auditor General Performance Audit Report Issued August 2011 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Uncommon circumstances led to exceptionally low spending	
No recommendations	
FINDING 2: District had higher student achievement than peers and drew many students from outside its boundaries	
No recommendations	
FINDING 3: Inadequate accounting and IT controls increased District's risk of errors and fraud	
1. The District should implement procedures to ensure all purchases are properly reviewed and approved.	Implemented at 24 months
2. The District should ensure that adequate supporting documentation is prepared and maintained for credit card purchases.	Implemented at 12 months
3. The District should review employee access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review.	Implemented at 24 months
4. The District should implement and enforce password requirements related to password length, complexity, and expiration.	Implemented at 12 months
5. The District should create a formal disaster recovery plan and test it periodically to identify and remedy any deficiencies. Additionally, backup tapes should be stored in a secure offsite location.	Implemented at 24 months

Recommendation	Status/Additional Explanation
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FINDING 4: Improvements needed for transportation program reporting, record keeping, and preventative maintenance

1. The District should accurately calculate and report miles driven and students transported for state funding purposes.	Implemented at 24 months
2. The District should contact the Arizona Department of Education regarding needed corrections to its transportation funding report.	Implemented at 12 months
3. The District should ensure that bus preventative maintenance and inspections are conducted and documented as specified in the State's <i>Minimum Standards for School Buses and School Bus Drivers</i> .	Implemented at 24 months

OTHER FINDINGS: District did not accurately report its costs

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts.	<p>Not implemented</p> <p>Auditors review of the District's fiscal year 2013 detailed accounting transactions found that although the District made some corrections when classifying its transactions, it continued to make transaction classification errors similar to those found during the audit of fiscal year 2009 transactions. According to district officials, staff are obtaining additional training to help ensure that the District's fiscal year 2014 accounting transactions are classified in accordance with the Uniform Chart of Accounts. The District has also recently implemented a process for verifying that transactions are properly classified prior to their approval. Finally, district officials stated they plan to make adjusting journal entries to correct any classification errors made in fiscal year 2014 records.</p>
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