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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

June 23, 2017

The Honorable Bob Worsley, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Worsley and Representative Kern:

Our Office has recently completed a 24-month followup of the Osborn Elementary School District's implementation status for the 10 audit recommendations presented in the performance audit report released in April 2015. As the enclosed grid indicates:

- 6 recommendations have been implemented, and
- 4 recommendations are in the process of being 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 April 2015 performance audit.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Ms. Patricia Tate, Superintendent
Governing Board
Osborn Elementary School District

OSBORN ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued April 2015 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Efficient practices kept food service costs low	
No recommendations	
FINDING 2: Transportation efficiency improved, but better oversight still needed	
1. The District should continue to review its bus routes to determine if it can make additional changes to improve route efficiency.	Implemented at 6 months
2. The District should develop and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage.	Implementation in process Although the District is now calculating transportation costs per mile and per rider, the District did not include all transportation expenditures in its calculations. Additionally, the number of riders and miles it used to calculate these performance measures were not accurate as discussed under the next recommendation. District officials stated that they will continue to improve performance measure calculations and ensure that the number of riders, miles, and expenditures used for calculating performance measures are accurate.
3. The District should accurately calculate and report to the Arizona Department of Education the miles driven and riders transported for state funding purposes.	Implementation in process The District has revised its process for calculating and reporting the number of miles driven and students transported for state funding purposes. However, for fiscal year 2017, the District incorrectly reported all miles its buses traveled instead of only those miles traveled to transport students to and from school. Additionally, the District did not accurately calculate its number of riders, which resulted in it double counting some riders and excluding others. District officials stated that they will review and improve the District's calculation methods to ensure riders and miles are accurately reported for funding purposes.

Recommendation	Status/Additional Explanation
4. The District should ensure that it conducts bus preventative maintenance in a systematic and timely manner and documents it in accordance with district policy and the State's <i>Minimum Standards</i> .	<p>Implementation in process</p> <p>The District implemented procedures designed to ensure that bus preventative maintenance is performed every 6,000 miles. However, auditors reviewed bus maintenance records for five district buses and found that all five buses drove more than 6,000 miles before being serviced. Additionally, the District's preventative maintenance checklist is missing critical items, such as tire and wheel inspections. District officials stated that they are working to improve the District's procedures to ensure that its buses receive preventative maintenance in a systematic and timely manner.</p>
5. The District should consider requiring that its van drivers meet the same requirements as bus drivers, which are specified in the State's <i>Minimum Standards</i> .	<p>Implemented at 24 months</p> <p>The District examined the feasibility of requiring its van drivers to meet the same requirements as bus drivers and determined that this would cost the District approximately \$6,300 annually. The District decided against adopting this measure because district officials felt that it would reduce the District's pool of van drivers, potentially creating driver shortages, in addition to increasing costs.</p>

FINDING 3: District has taken action, but more needed to address high plant operations costs

1. In light of the District's high plant costs, low building capacity usage, and continued decline in student enrollment, the District should consider selling or leasing Montecito Elementary School and should review the use of space at each of its other schools to determine ways to further reduce excess space.	Implemented at 6 months
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FINDING 4: Some computer controls need strengthening

1. The District should limit employees' access to only those accounting system functions needed to perform their job responsibilities and ensure that no employees are able to complete a transaction without an independent review.	Implemented at 24 months
2. The District should eliminate its generic accounting system accounts or establish better controls over them, such as disabling them when not receiving vendor support.	Implemented at 6 months
3. The District should implement stronger password requirements for its computer network and systems related to password length and complexity.	Implemented at 6 months

Recommendation**Status/Additional Explanation****OTHER FINDING 1: District incurred finance and late charges because of untimely payments**

1. The District should ensure that it submits all required forms and makes all payments in a timely manner to avoid finance charges, late fees, and penalties.

Implementation in process

The District has made some changes since the audit to reduce its late fees, such as requesting electronic billing statements from vendors to allow for timelier payments and to ensure payments are received by the vendor prior to the billing due date. However, auditors reviewed fiscal year 2017 accounting transactions and found that the District paid over \$800 in late fees. District officials stated that they are working to improve their procedures to eliminate late fees and charges.
