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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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DEPUTY AUDITOR GENERAL

November 17, 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 Salome Consolidated Elementary School District's implementation status for the 18 audit recommendations presented in the performance audit report released in October 2014. As the enclosed grid indicates:

- 17 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 October 2014 performance audit.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Mr. George Dean, Superintendent
Governing Board
Salome Consolidated Elementary School District

SALOME CONSOLIDATED ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued October 2014 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud	
1. The District should implement proper control over its payroll and purchasing processes to ensure proper separation of responsibilities or alternatively establish an appropriate review process as a compensating control.	Implemented at 12 months
2. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made and should document that all goods or services have been received prior to payment.	Implemented at 18 months
3. The District should implement proper controls over student activities cash receipts received at the district office by adhering to its procedures for preparing and issuing duplicate, prenumbered, and numerically controlled cash receipts forms.	Implemented at 6 months
4. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	Implemented at 12 months
5. The District should eliminate or minimize generic user accounts in its accounting and student information systems and properly control any generic accounts used for technical support from system vendors.	Implemented at 12 months
6. The District should require users to change assigned passwords at first login and implement and enforce stronger password controls by requiring users to create more complex passwords and to periodically change them.	Implemented at 12 months
7. The District should implement controls to limit employees' ability to install unauthorized software on district computers or develop a process to monitor computers for installation of unauthorized software.	Implemented at 24 months

Recommendation	Status/Additional Explanation
8. The District should store backup drives in a secure location, separate from its server.	Implemented at 6 months
9. The District should ensure that its computers have currently supported operating systems installed.	Implemented at 12 months
10. The District should develop and implement a process to ensure it installs critical updates on its computers.	Implemented at 24 months
11. The District should establish a written agreement with the La Paz County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	Implemented at 18 months
12. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 24 months

FINDING 2: District should assess ways to reduce its \$30,750 food service program subsidy

1. The District should assess the costs and benefits of participating in the special NSLP provision, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.	<p>Not implemented</p> <p>The District has decided that the benefit of providing free meals to all students outweighs the cost of subsidizing the food service program with monies that otherwise can be used to meet other needs.</p>
2. The District should establish a system to properly track individual adult meals served and related payments collected.	Implemented at 6 months

FINDING 3: District should strengthen its transportation program's controls

1. The District should implement a process to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	Implemented at 12 months
2. To help safeguard its fuel inventory and ensure proper controls over its use, the District should reconcile fuel consumption recorded on its fuel usage logs to vendor fuel invoices, restrict access to fuel pumps, and consider calculating and monitoring miles per gallon for each of its vehicles for reasonableness.	Implemented at 6 months
3. The District should work with its fuel vendor to identify fueling dates and times on billing statements.	Implemented at 6 months

Recommendation

Status/Additional Explanation

OTHER FINDINGS: District may be able to improve efficiency and lower costs through cooperative agreements

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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.

Implemented at 24 months

For fiscal year 2017, the District adopted intergovernmental agreements with a neighboring school district to cooperatively provide some transportation services, which has reduced Salome CESD's number of bus stops. Additionally, Salome CESD and the other district have combined their football programs to share the associated costs.
