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November 26, 2018

The Honorable Anthony Kern, Chair  
Joint Legislative Audit Committee

The Honorable Bob Worsley, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Kern and Senator Worsley:

Our Office has recently completed a 24-month followup of the Snowflake Unified School District's implementation status for the 12 audit recommendations presented in the performance audit report released in August 2016. As the attached grid indicates:

- 3 recommendations have been implemented;
- 4 recommendations are in the process of being implemented; and
- 5 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 August 2016 performance audit.

Sincerely,

Vicki Hanson, Director  
Division of School Audits

cc: Governing Board  
Mr. Hollis Merrell, Superintendent  
Snowflake Unified School District

# SNOWFLAKE UNIFIED SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued August 2016 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: Inadequate controls increased risk of errors and fraud</b>	
1. The District should strengthen its controls over sales and inventory at its bookstore to reduce its risk of errors and fraud.	<p><b>Not implemented</b></p> <p>In March 2018, the District installed a new software system to track bookstore sales and inventory. However, the District has not implemented recommended controls such as providing all customers a receipt to ensure transactions are entered into the cash register or reviewing voided transactions for appropriateness. Additionally, although the District has begun tracking inventory levels, the process lacks adequate separation of duties as the same person is responsible for processing bookstore sales, entering and updating inventory records, and performing inventory counts that are reconciled to the inventory records.</p>
2. The District should review employees' access to the accounting system and modify access to ensure that an employee cannot initiate and complete a transaction without independent review and approval and that employees have only the access necessary to meet their job responsibilities.	<p><b>Implementation in process</b></p> <p>Auditors reviewed accounting system access for the five employees identified during the audit as having too much access to the accounting system. Although the District restricted access for two employees, three employees continue to have more access than is necessary to meet their job responsibilities. The District plans to continue reviewing and reducing employees' accounting system access.</p>
3. The District should develop and implement a formal process to ensure that terminated employees have their information technology (IT) systems and network access promptly removed.	<p><b>Not implemented</b></p> <p>The District has not implemented a formal process to promptly remove terminated employees' system and network access.</p>
4. The District should eliminate unnecessary generic accounts in its network and properly control any remaining generic accounts.	<p><b>Implemented at 12 months</b></p>

**Recommendation****Status/Additional Explanation**

5. The District should create a formal IT contingency plan and test it periodically to identify and remedy any deficiencies.

**Implementation in process**

The District developed an IT contingency plan, but the plan is missing some key components, such as detailed recovery procedures, a complete contact list, and job duties in the event of an incident. District officials stated that they are in the process of modifying their backup procedures and plan to update, approve, and test the plan after the procedures have been finalized.

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**FINDING 2: Insufficient district oversight of vendor may have led to high food service costs**

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1. The District should thoroughly review its food service vendor invoices to ensure that amounts billed are accurate and in accordance with the terms of its contract.

**Implementation in process**

Earlier this year, the District began receiving additional details of some vendor charges, such as the types of services included in the vendor's administrative fee, and recently started receiving additional support for labor charges, which is the largest invoice item. However, the District has not yet used the detailed support to confirm the accuracy of the labor charges. Additionally, auditors reviewed the August 2018 invoice and found that the labor charges were about \$400 more than the detailed support the vendor provided. The District is continuing to strengthen its review process and work with the vendor to ensure the accuracy of the invoices.

2. The District should enforce the terms of its food service management contract, including ensuring it receives the guaranteed breakeven for fiscal year 2014 and at the end of each contract year, if applicable.

**Implementation in process**

In fiscal year 2018, the District entered into a new contract with the food service management company, but the contract still does not clearly define the revenues and costs to be included in the guaranteed breakeven calculation. Although the vendor and District disagreed on revenues and costs included in the fiscal year 2018 breakeven calculation, the District was able to negotiate a \$7,400 reimbursement in its favor. District officials stated that they are continuing to work with the vendor to clarify and amend the fiscal year 2019 contract breakeven-calculation terms. The District does not plan to recover prior-year guaranteed breakeven amounts.

Recommendation	Status/Additional Explanation
3. The District should consider options for increasing its breakfast program participation and/or reducing the program's costs.	<p><b>Not implemented</b></p> <p>To increase breakfast program participation, district officials have worked with their food service vendor to offer grab-and-go options, such as smoothies and breakfast bars, and have promoted the breakfast program by serving meal samples to parents and students at school events. However, in school year 2017-2018, only 9 percent of the District's students participated in the breakfast program, on average, which was the same as the audit year's participation rate. Additionally, district officials stated that they have not taken steps to reduce breakfast program costs such as reducing meal preparation costs by eliminating hot breakfast items, which take additional staff time to prepare.</p>
4. The District should ensure that the vendor establishes additional food production controls to help reduce overproduction and waste.	<b>Implemented at 18 months</b>
5. The District should ensure that the vendor maximizes cost savings by planning menus to maximize usage of USDA commodities.	<b>Implemented at 18 months</b>

**FINDING 3: District did not adequately oversee its transportation program**

1. The District should require its transportation vendor to provide detailed billings so that it can carefully review vendor invoices to ensure that amounts billed for bus maintenance and fuel charges are accurate and in accordance with the terms of its agreement.	<p><b>Not implemented</b></p> <p>According to district officials, the District did not obtain support for fiscal year 2018 bus maintenance or fuel charges from the transportation vendor. Auditors reviewed maintenance charges on the August 2018 (fiscal year 2019) invoice and determined that the vendor provided detailed support for only 1 of 16 charges. At the time of auditor review, the vendor had not yet billed the District for any fiscal year 2019 fuel charges. District officials stated that they will continue to work with the vendor to obtain supporting documentation.</p>
2. The District should work with its vendor to ensure that adequate records are prepared and maintained to accurately calculate and report miles driven and students transported for state funding purposes.	<p><b>Not implemented</b></p> <p>During the 18-month followup, auditors reviewed the District's fiscal year 2018 student transportation information reported for state funding purposes and found that the District continued to make calculation errors in both the miles driven and students transported. According to district officials, they will continue to work with the vendor to obtain and report accurate mileage and rider counts in fiscal year 2019.</p>