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OFFICE OF THE
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DEPUTY AUDITOR GENERAL

October 10, 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 Wenden Elementary School District's implementation status for the 25 audit recommendations presented in the performance audit report released in June 2015. As the enclosed grid indicates:

- 18 recommendations have been implemented;
- 1 recommendation is in the process of being implemented;
- 1 recommendation is no longer applicable; and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 June 2015 performance audit.

Sincerely,

Vicki Hanson
Director, Division of School Audits

VH:bh
Enclosure

cc: Ms. Gloria Dean, Superintendent
Governing Board
Wenden Elementary School District

WENDEN ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued June 2015

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 controls over its payroll and purchasing processes to ensure proper separation of responsibilities.	Implemented at 18 months
2. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.	Implemented at 24 months
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made and maintains supporting documentation for all expenditures.	Implemented at 24 months
4. The District should document that all goods and services have been received prior to payment or reimbursement.	<p>Not implemented</p> <p>The District requires employees to complete receiving reports documenting that goods and services have been received before the District pays for the goods and services or pays reimbursements. However, auditors sampled five fiscal year 2017 credit card transactions and found that for one transaction there was no evidence that all goods had been received prior to payment. To minimize the risk of fraud, theft, or misuse of public monies, the District should ensure that it is enforcing its requirement that all goods and services are received prior to payment.</p>
5. The District should strengthen its credit card review procedures to help ensure that all purchases are appropriate and for district purposes.	Implemented at 18 months
6. The District should ensure that if it purchases items to be sold by student clubs or in a staff snack bar that it maintains supporting documentation such as student club purchase orders, sales documentation, and inventory records.	Implemented at 12 months

Recommendation	Status/Additional Explanation
7. 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 and that employees have only the access necessary to meet their job responsibilities.	Implemented at 24 months
8. The District should limit student information system users' access to only information needed to perform their job responsibilities and develop and implement a formal process to ensure that terminated employees have their student information system access promptly removed.	Implemented at 12 months
9. 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 or training.	Implemented at 12 months
10. The District should require employees to change assigned passwords at first login so that passwords are known only to the employees who create them, and implement and enforce stronger password controls by requiring employees to create more complex passwords and to periodically change them.	Implemented at 6 months
11. 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
12. The District should store backup drives in a secure location, separate from its server.	Implemented at 6 months
13. The District should ensure that its network-connected computers have currently supported operating systems installed.	Implemented at 6 months
14. The District should develop and implement a process to ensure critical updates are installed on its computers.	Implemented at 24 months
15. 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 6 months

Recommendation	Status/Additional Explanation
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16. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implementation in process Auditors reviewed fiscal year 2017 accounting records and found that the District has substantially reduced errors in classifying its costs. In fiscal year 2017, the District misclassified 4 percent of its costs, which was lower than the nearly 20 percent of costs that it misclassified during the audit. However, the District continues to make similar errors to those identified during the audit.</p>
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FINDING 2: District should assess ways to reduce its \$59,770 food service program subsidy and improve oversight of its food inventory

1. The District should assess the costs and benefits of its participation in any 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 As reported in previous follow-up reports, the District participates in an NSLP provision that, based on auditor analysis, likely will not substantially reduce the District's need to subsidize its food service program. District officials stated that the District will continue to participate in this provision despite the District's need to subsidize its food service program because they believe the benefits of providing free meals to all students outweigh the need to subsidize the program's losses with maintenance and operation monies. In fiscal year 2017, the District subsidized its food service program with over \$39,000 of monies that otherwise potentially could have been spent in the classroom.</p>
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2. The District should enforce its policies and procedures for collecting employee meal fees and documenting employee meals served.	<p>Implemented at 18 months</p>
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3. The District should ensure that its community meals program meets state statute.	<p>Not implemented The District has not made any changes to its community meals program to ensure that it complies with Arizona Revised Statutes §15-1158. At its August 8, 2016, meeting, the Governing Board voted 4-0 to continue its community meals program and not to implement the changes necessary for the District to comply with state statute.</p>
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4. The District should ensure that it charges employees and community members meal prices that cover the cost of producing the meals.	<p>Implemented at 12 months</p>
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Recommendation	Status/Additional Explanation
5. The District should ensure that it follows proper procedures when disposing of surplus food.	<p>No longer applicable</p> <p>As reported in the 12-month followup, the District had started taking monthly food inventories to better manage its food purchases and to minimize food waste and the need to dispose of surplus food. As a result, it did not appear that the District had surplus food during that follow-up period.</p>
6. The District should ensure that it adequately oversees its food inventory to reduce disposal of surplus food.	<p>Implemented at 12 months</p>

FINDING 3: District should strengthen controls over its transportation program

1. The District should implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's <i>Minimum Standards</i> .	<p>Not implemented</p> <p>Although the District made improvements in documenting that bus drivers met most certification requirements, it did not maintain any evidence that either of its two bus drivers were randomly tested for alcohol in fiscal year 2017.</p>
2. The District should thoroughly review all automotive garage invoices to ensure they comply with negotiated prices and hourly rates and determine whether costs are appropriate before paying them.	<p>Not implemented</p> <p>Auditors reviewed all 2017 automotive garage invoices and found that three of the five invoices contained insufficient detail to determine if the District was being charged in accordance with negotiated hourly labor rates. For the invoices that included sufficient detail, auditors found that the District was charged 5 percent more than it should have been based on negotiated labor rates and negotiated parts discounts.</p>

OTHER FINDING: District may be able to improve efficiency and lower costs through the use of cooperative agreements

1. The District should continue to 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.	<p>Implemented at 12 months</p> <p>In fiscal year 2016, the District reduced its number of bus stops by cooperatively providing transportation with a neighboring school district. Additionally, the District had an intergovernmental agreement in fiscal years 2016 and 2017 with a neighboring school district to combine their basketball programs and share some of the associated costs.</p>
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