ARIZONA DEPARTMENT OF EDUCATION
The Audit Unit
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Tom Horne
Superintendent of
Public Instruction

May 13, 2008

Dr. Vicki Balentine, President
Arizona State Board of Education
1535 West Jefferson Street
Phoenix, AZ 85007

Dear Dr. Balentine:

Based on our review of the Madison Elementary School District No. 38 single audit report and its USFR compliance questionnaire for the fiscal year ending June 30, 2007, we approve the District's participation in the accounting responsibility program for fiscal year 2008-09. However, because a number of concerns were identified relating to the District's fiscal practices, we recommend the District rectify these deficiencies immediately. In addition, the District should provide to the Board a corrective action plan and subsequent documentation demonstrating that these deficiencies have been addressed.

Our review of the District's Single Audit report and USFR compliance questionnaire identified several deficiencies that could impact the District's ability to effectively participate in the Accounting Responsibility Program:

1. The District did not maintain time and effort documentation for employees paid from special education cluster federal funds.

2. There were a significant number of discrepancies in reporting student absences. Specifically the District erred in five out of 10 absences sampled.

3. The District also had discrepancies in reporting withdrawals. Three of the five withdrawals examined did not have evidence to support that the student had been withdrawn properly.

4. The District did not always upload membership and absences information to ADE every 20 school days as required by statute.

5. For the two schools reviewed for 40th and 100th day attendance, attendance information provided to ADE did not agree to the schools' computerized attendance system information.

We would be pleased to assist the Board in reviewing Madison's corrective action plan and any subsequent documentation submitted to demonstrate that the above listed deficiencies have been appropriately rectified.

Sincerely,

Arthur E. Heikkila
Deputy Associate Superintendent
Chief Auditor