The December 2020 Saddle Mountain Unified School District performance audit found that the District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss and put student safety while being transported at risk. We made 22 recommendations to the District, and its status in implementing the recommendations is as follows:

Status of 22 recommendations

Implemented	4
Implemented in a different manner	1
Partially implemented	2
In process	9
Not implemented	6

We will conduct a 42-month followup with the District on the status of the recommendations that have not yet been implemented.

Finding 1: District's lack of compliance with important requirements and standards put public monies and sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss

1. The District should identify and correct all overpayments made to employees.

   Partially implemented at 18 months—The District reviewed payments it made to employees in fiscal years 2019 (audit year) and 2020 and identified no additional overpayments. Additionally, in February 2022, the District's Governing Board voted to approve the District's response regarding its progress on the audit recommendations, which includes that the District would not correct the overpayments identified during the performance audit due to the amount of time that had passed.

2. The District should develop and implement a process to ensure employees are paid accurately by having a second employee check that the first employee entered employees' contract or hourly pay amounts accurately in the accounting system, that employees are not paid for more hours than approved on their contracts/PARs, and that employees' pay is accurately reduced for any unpaid leave.

   Not implemented—Our previous 18-month followup reported that the District had developed a process for a second employee to check contract and hourly pay amounts input into the accounting system. However, District officials reported that the District has not followed this process due to understaffing. Our review of a sample of 10 of 368 District employees who received extra payments, such as stipends, in fiscal year-to-date 2023 found that the District made payments to 4 of the 10 employees without documented support or approval. Specifically, we found that the District could not locate a PAR to support a $250 payment to 1 employee; made $5,597 in payments for another employee without an active PAR; did not provide support for the approval of a $104 overtime payment to 1 employee; and underpaid 1 employee by $33 for extra duties performed. The District did not have sufficient documentation to substantiate the payments made for the first 3 employees, and according to District officials, the fourth employee's pay was inaccurate due to errors District staff made when inputting payroll information. District officials reported that the District plans to implement an electronic process for PARs by August 2023, which could help reduce clerical errors within payroll and help ensure the District has sufficient documentation to support all payments.

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3. The District should review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that all purchases and payments are properly approved prior to being made.

Not implemented—The District reviewed its purchasing policies and procedures with appropriate staff during annual cash-handling and purchasing trainings in July and August 2021. However, according to District officials, the District did not hold purchasing policies and procedures training in fiscal year 2023 but plans to hold its next purchasing training for appropriate staff in August 2023. Additionally, the District had not developed and implemented a formal process to monitor that its staff were following purchasing policies and procedures. Instead, District officials reported that if they identify that a staff member has not followed purchasing policies and procedures, they have a discussion with the employee and remind them of the purchasing policies and procedures. Our review of supporting documentation for a judgmental sample of 10 of 887 purchases made in fiscal year-to-date 2023 found 1 purchase we reviewed did not have documented approval prior to payment being made.

4. The District should review its purchasing policies and procedures with appropriate staff and monitor that they follow them to ensure that the District pays vendors only after verifying that all purchases have been received and billings are accurate.

Not implemented—As discussed in recommendation 3, District officials reported that the District had not held training for District staff on the District's purchasing policies and procedures since 2021 and had not developed and implemented a formal process to monitor staff's compliance with District purchasing policies and procedures. Our review of supporting documentation for a judgmental sample of 10 of 887 purchases made in fiscal year-to-date 2023 found 1 purchase that lacked sufficient documentation to show that the vendor was paid only after verifying that the purchase had been received and the billing was accurate.

5. The District should review its cash-handling policies and procedures with school staff and monitor that they follow them to ensure that the District is depositing all cash collected.

Implementation in process—The District reviewed its cash-handling policies and procedures with school staff in July and August 2021. However, although District officials stated that the District reviews cash-handling policies and procedures with school staff annually, it did not do so in fiscal year 2023 due to employee turnover. District officials reported that they plan to review cash-handling policies and procedures with school staff in August 2023. Additionally, the District previously implemented new cash-management software at 1 of its schools and is in the process of implementing the software at its remaining schools to improve cash-handling procedures by documenting all cash receipts, expediting cash deposits, and ensuring that all cash collected is deposited. District officials reported that they plan to have the software implemented at all District schools by August 2023.

6. The District should review its credit card policies and procedures with school staff and monitor that they follow them to ensure that staff submit all supporting documentation for credit card purchases in a timely manner so that the District can pay credit card balances on time and in full each month.

Implemented at 18 months

7. The District should review the Uniform Chart of Accounts for school districts and implement its guidance to accurately classify all credit card transactions when reporting its spending.

Implemented at 18 months

8. The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the administrator-level access from the business office employee.

Partially implemented at 24 months—We reviewed all active users in the District's accounting system in March 2023 and found that the District had removed all inappropriate administrator-level access accounts from the accounting system. However, 2 users continued to have access that allowed them to be able to initiate and complete payroll transactions without another employee reviewing and approving the transactions. According to District officials, they do not intend to make further changes to the access for these 2 users because they believe the access is necessary for these users' job duties and the District does not have enough employees to separate the payroll process responsibilities. Additionally, District officials reported that they believe they have sufficient controls outside of the accounting system to prevent fraud, such as the business manager's review and approval of payroll vouchers. However, by not restricting access so that any 1 user cannot initiate and complete payroll

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transactions without another employee's review and approval, the District continues to be at increased risk for errors and fraud.

9. The District should develop and implement a process to assign access to new users in the accounting system to ensure it is necessary for job duties.

    Not implemented—According to District officials, the District continues to assign access in the accounting system based on job position rather than setting up access for individual employees. However, as discussed in Recommendation 8, our March 2023 review of the District's accounting system access found that 2 users had access that allowed them to be able to initiate and complete payroll transactions without another employee reviewing and approving the transactions.

10. The District should develop and implement a process to periodically review users' access in the accounting system to ensure it is necessary for job duties.

    Not implemented—According to District officials, the District has implemented a process to review users' access in the accounting system whenever an employee is hired or terminated to ensure that the employee has appropriate access or that the employee's access has been removed. However, the District has not implemented a process to conduct periodic reviews of users' access and has not documented the process or documented any reviews of users' access in the accounting system. Further, as discussed in Recommendation 8, our March 2023 review of the District's accounting system access found that 2 users had access that allowed them to be able to initiate and complete payroll transactions without another employee reviewing and approving the transactions.

11. The District should review and reduce the number of users with administrative privileges to the District's computers.

    Implementation in process—According to District officials, the District is in the process of reviewing and removing local administrative privileges on District computers as it does other work or updates on them. Additionally, District officials reported that the District will be installing software on District computers that will identify which computers still have administrative privileges. District officials reported that they plan to complete their review of the District's computers by July 2023.

12. The District should develop and implement an alternative process for staff to install and update applications that does not require local administrative privileges.

    Implementation in process—The District has added a new server to manage and push out Windows system and application updates to District computers so that staff do not need local administrative privileges. However, the District is in the process of implementing software to manage and push out third-party application updates to District computers. According to District officials, they plan to implement the software to manage and push out third-party application updates by July 2023.

13. The District should review industry password standards at least annually, and implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information.

    Implemented at 6 months

14. The District should immediately disable or remove all network and student information system (SIS) accounts associated with terminated employees.

    Implemented at 18 months—The District has disabled or removed all network and SIS accounts associated with terminated employees that were identified during the audit.

15. The District should develop and implement a process to ensure that terminated employees have their network and SIS access promptly removed to reduce the risk of unauthorized access.

    Not implemented—The District added network and SIS access removal to its employee separation checklist. Although the District removed the terminated employee accounts identified during the audit, our April 2023 review of all active accounts in both the network and SIS found 5 additional SIS accounts associated with terminated employees.[1]

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[1] After we brought these 5 accounts to the District's attention during the followup, the District removed them.

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16. The District should require all employees to participate in a security awareness training if they have not done so in the past year.

    Implementation in process—According to District officials, the District plans to add security awareness training to its annual staff training, which it plans to offer next in fall of 2023. The District has begun to develop the security awareness training that will be provided at the annual training.

17. The District should establish and implement a District policy to conduct security awareness training on a regular basis, at least annually.

    Implementation in process—The District established a policy in April 2023 to conduct annual security awareness training. As discussed in Recommendation 16, the District has begun to develop the security awareness training that they plan to provide in fall of 2023.

18. The District should review its IT contingency plan to ensure it is complete; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the test results.

    Implementation in process—The District has reviewed and updated its IT contingency plan, which now identifies all critical systems and the order in which they should be restored; outlines individual responsibilities during a disaster; and includes detailed restoration steps. However, the District's IT contingency plan did not contain a plan for business continuity and was missing some information from the detailed restoration steps, such as system and configuration hardware requirements and the location of backups. Additionally, the April 2023 updates to the plan had not been approved and signed by the appropriate staff, and the District has not yet tested its IT contingency plan. According to District officials, they do not know how to test the plan and reported that they would consult with other districts to determine how other districts test their IT contingency plans.

Finding 2: District did not timely maintain school buses and sometimes transported students in unallowable vans, putting student safety at risk

19. The District should develop and implement a formal preventative maintenance policy that stipulates the number of miles a bus can travel or the amount of time that can elapse before a bus will receive preventative maintenance.

    Implementation in process—The District developed and implemented a formal preventative maintenance policy in April 2023 that stipulates the number of miles a bus can travel or the amount of time that can elapse before a bus should receive preventative maintenance. We will review the District's efforts to implement this recommendation at the next followup to determine if the District followed its formal preventative maintenance policy.

20. The District should revise its process for tracking when buses are due for preventative maintenance and ensure that required preventative maintenance is identified and completed in accordance with the State's Minimum Standards and the District's formal preventative maintenance policy.

    Implementation in process—According to District officials, the District programmed the vehicle engines to track mileage and alert drivers when maintenance is due. Additionally, as discussed in Recommendation 19, the District developed and implemented a formal preventative maintenance policy in April 2023. We will review the District's efforts to implement this recommendation at the next followup to determine if its process for tracking when buses are due for preventative maintenance ensures that required preventative maintenance is identified and completed in accordance with the State's Minimum Standards and the District's formal preventative maintenance policy.

21. The District should stop using its 12- and 15-passenger vans for student transportation.

    Implemented in a different manner at 18 months—District officials stated that the District no longer uses 12- and 15-passenger vans to transport special education students between schools and uses them only for athletic and club trips. Additionally, in June 2022, Laws 2022, Chapter 290, passed allowing Arizona school districts, in part, to use motor vehicles designed to carry 11 to 15 passengers to transport students to or from home or school on a regularly scheduled basis in accordance with minimum standards established by the Arizona Department of Public Safety (DPS). Although DPS has not yet established these standards, State law allows DPS to establish

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safety rules for 11- to 15-passenger motor vehicle design, equipment, periodic inspection and maintenance, and procedures for motor vehicle operation.

22. The District should identify and implement ways to transport all students using vehicles that meet all required safety standards, such as developing a list of substitute certified bus drivers so that the District can transport all students in its school buses.

   Implementation in process—In fiscal year 2022, the District purchased 10 new school buses, including 4 special education school buses, and hired additional school bus drivers, which allowed it to reduce its usage of 12- and 15-passenger vans for student transportation. Additionally, as discussed in Recommendation 21, DPS has not yet adopted minimum standards for 11- to 15-passenger motor vehicles. Therefore, we will assess the District's use of its 12- and 15-passenger vans in accordance with DPS' minimum standards, including driver operation, license, and certification, in a future followup after DPS establishes these minimum standards.

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