

The March 2020 Topock Elementary School District performance audit found that the District’s inadequate payroll, computer, and other internal controls led to unsupported payments and contributed to the District not complying with the *Uniform System of Financial Records for Arizona School Districts* (USFR). Further, the District’s lack of transportation program oversight increased students’ safety risk. As part of the previous followup, we identified actions taken by the District’s Governing Board (Board) that appeared to be contrary to State open meeting law (see Finding 1, Recommendation 4). Specifically, the Board did not vote to approve some performance payments to the Superintendent in a public meeting. Instead, the Board inappropriately discussed a performance payment to the Superintendent in an email thread that included all the Board members. In total, we made 14 recommendations to the District, and its status in implementing the recommendations is as follows:

**Status of 14 recommendations**

Implemented	5
Implemented in a different manner	1
In process	4
<b>Not implemented</b>	<b>4</b>

We will conduct a 48-month followup with the District on the status of the performance audit and followup recommendations that have not yet been implemented.

**Finding 1: District’s inadequate payroll, computer, and other internal controls increased risk of errors and fraud, led to unsupported payments, and contributed to the District not complying with the USFR**

1. The District should ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District.

**Implementation in process**—The District continues to maintain contracts or work agreements for all its employees and updated its employment contracts for fiscal year 2023 to include most terms of employment with the District. However, the District’s fiscal year 2023 work agreements for hourly employees did not include the number of hours to be worked per day, and the District did not have documented policies or payroll schedules that outlined these terms of employment, as required by the USFR. According to District officials, they are developing a process that they intend to use to track the approved number of hours to be worked for each employee, which they plan to finalize and implement in fiscal year 2024.

2. The District should ensure that employees’ additional duties and related payments or stipends are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the USFR, and maintained in employee personnel files.

**Not implemented**—The District had a personnel/payroll action form for the 6 employees who were paid for additional duties in fiscal year 2023. However, despite District officials being aware of the requirement for advance approval and reporting in the 30-month followup that it would ensure all additional duties are approved in advance of the work being performed for fiscal year 2023, we continued to find noncompliance. Specifically, the Superintendent and Board did not approve 2 of the 6 employees’ personnel/payroll action forms in advance of the work being performed as required by the USFR. District officials reported that the personnel/payroll action forms

were not approved in advance of the work being performed because the business office was not always informed about employees being assigned additional duties. District officials further reported that they are working with District staff to ensure the business office receives information regarding extra duty assignments so that personnel/ payroll action forms can be completed and approved in advance of the work being performed, as required.

3. The District should ensure its Governing Board meeting minutes and other associated documentation include enough detail to show the Governing Board's approval of employees' work and salary, stipend, and extra duty pay amounts.

**Implementation in process**—Board meeting minutes and other associated documentation now include enough detail to show the Board's approval of most employees' work and salary, stipend, and extra duty pay amounts, as well as the Superintendent's performance payments. However, as discussed in Recommendation 2, 2 of 6 approvals did not occur in advance of the work being completed.

4. The District should ensure that it documents the established performance goals the Superintendent must meet in order to receive performance pay and ensure that it retains adequate documentation to demonstrate that the Superintendent met the goals for any performance payments made.

**Implementation in process**—Our review of the Superintendent's performance pay for fiscal year 2022, which was paid to the Superintendent in fiscal year 2023, found that the Board approved updated performance pay goals for the Superintendent that better reflected their intent for the Superintendent's performance pay and that these updated performance pay goals were documented. We also found that the District maintained documentation to support performance payments made to the Superintendent for fiscal year 2022, unlike in previous years we reviewed, and that the Board approved these payments in public meetings. However, the District still had not fully corrected errors we reported in our previous 30-month follow-up report where the Board did not follow the terms of the Board-approved fiscal year 2021 performance pay plan for the second performance goal, which was based on the percentage of District employees who assigned a letter grade of "A" to the school in a survey, resulting in an overpayment to the Superintendent of \$3,367. At that time, the Board agreed it had not followed the approved performance pay plan and reported to us that the Superintendent agreed to pay back to the District the amount he was overpaid. However, based on our review of the September 30, 2022, Board meeting minutes, the Board approved a motion requiring the Superintendent to repay only \$1,737, which was \$1,630 less than the amount the Superintendent was overpaid. According to District officials, the Board's calculation for the repayment amount was based on the Board's intended language of the performance goals and not the Board-approved terms included in the Superintendent's fiscal year 2021 performance pay plan. Our calculation of the overpayment was based on the terms of the Board-approved performance pay plan that indicated that one-third of the Superintendent's performance pay "...shall be determined by the percentage of Topock full-time employees who assign a letter grade of 'A' to the school on a survey to be administered by the District." In July 2023, the Superintendent repaid the District the \$1,737, as directed by the Board.

## Additional finding and recommendation from 30-month follow-up report

Contrary to State open meeting law, the District's Governing Board did not approve performance pay for the Superintendent's second performance goal during meetings open to the public. The Governing Board, as a public body, is required to comply with open meeting laws.<sup>1</sup> Deciding on the amount of money to pay a superintendent as performance pay is a statutory duty of the Governing Board, and consequently, the Governing Board's discussion on this topic likely would be considered a legal action and must be done in a meeting open to the public.<sup>2</sup> However, the Governing Board did not discuss or vote to approve the Superintendent's performance payment for his second performance goal in a meeting open to the public. Instead, the Governing Board discussed the award of performance pay in a meeting not open to the public, specifically in an email thread that included a quorum of Governing Board members.<sup>3</sup> Governing Board members stated they were aware of the

<sup>1</sup> A.R.S. §38-431(6).

<sup>2</sup> A.R.S. §§15-341(A)(39), 38-431(3), and 38-431.01(A) and Op. Ariz. Att'y Gen. I75-008 (1975).

<sup>3</sup> All Governing Board members were included in the email thread. A.R.S. §38-431(4)(b)(ii) and 38-431.01(A).

open meeting laws requiring them to vote in a public meeting to approve any payments to the Superintendent and believed that they had done so in a meeting after the September 2021 email chain. However, our review of meeting minutes from September 2021 through October 2022 did not identify any such vote. According to State law, any legal actions taken by a governing board during a meeting that does not comply with the open meeting laws are null and void.<sup>4</sup>

## Follow-up recommendation

The District should consult with legal counsel and the Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

**Not implemented**—The District consulted with its legal counsel regarding actions it may have taken contrary to open meeting law to ensure they are appropriately addressed to be made valid. However, District officials reported that they did not contact and do not intend to contact the Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid. In addition, the Board has not provided documentation to support that it approved the Superintendent's fiscal year 2021 performance pay in a public meeting.

5. The District should consult with its legal counsel to determine whether it is appropriate for the Superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the Superintendent should follow the State's travel policy by submitting a travel claim with the miles traveled for District purposes and be reimbursed at the State's flat per mile rate. Further, the District's policies and the Superintendent's contract should reflect the decision made by the District and its legal counsel.

**Implementation in process**—The Board consulted with legal counsel and determined that it is appropriate to reimburse the Superintendent for mileage when using his personal vehicle for District business if he follows the State's and District's travel policies and is reimbursed at the State's flat per mile rate. Further, the Superintendent no longer receives a car allowance to compensate him for using his personal vehicle for District business. The Superintendent's contract also now requires all the Superintendent's travel reimbursement requests to be approved by the Board President before any reimbursements are made. We reviewed supporting documentation for the single travel reimbursement paid to the Superintendent since our 30-month followup and found the District used the appropriate reimbursement rate.<sup>5</sup> However, the travel reimbursement lacked evidence of Board President approval before reimbursement was made, as required by the Superintendent's contract. District officials indicated that they would modify their travel procedures to ensure they follow the Superintendent's contract requirements and appropriate approval is obtained for all the Superintendent's travel reimbursements.

6. The District should require the Superintendent to reimburse the District for the fiscal year 2018 purchases he made for his personal vehicle using the District's fuel card. Further, the District should consult with its legal counsel to determine whether the Superintendent should also reimburse the District for similar fuel card purchases made in fiscal years 2019 and 2020.

**Implemented in a different manner at 18 months**—The Board consulted with legal counsel and determined that the District will not require the Superintendent to reimburse the District for the fiscal years 2018 through 2020 fuel card purchases he made for his personal vehicle using the District's fuel card. The Board believed that if the Superintendent were required to reimburse the District for these fuel card purchases, the District would be required to pay the Superintendent mileage for all District-related travel from fiscal years 2018 through 2020. The Board also decided to no longer allow the Superintendent to use the District's fuel card to fuel his personal vehicle and to instead reimburse the Superintendent at the State's flat per mile rate following the State's and District's travel policies.

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<sup>4</sup> A.R.S. §38-431.05(A) and 38-431.01(A).

<sup>5</sup> According to the District, the Superintendent did not travel or seek reimbursement for travel from the District during fiscal year 2023. Therefore, the fiscal year 2022 reimbursement was the most recently available for us to review.

7. The District should limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions and consider providing accounting system access to a second user to separate responsibilities and provide for independent reviews and approvals.  
**Not implemented**—Although the District added a second employee to the accounting system, 1 accounting system user continues to have the ability to initiate and complete payroll and purchasing transactions in the accounting system without a secondary review and approval. District officials stated that they are in the process of determining how they will separate user access and responsibilities between the 2 accounting system users.
8. The District should implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information by requiring users to create their own passwords that are known only to themselves.  
**Implemented at 18 months**

## **Finding 2: Lack of transportation program oversight led to potential student safety risk and reporting errors**

9. The District should ensure its bus drivers perform pretrip inspections and maintain documentation of these inspections in accordance with the State's Minimum Standards.  
**Implemented at 18 months**
10. The District should ensure that bus repairs are conducted in a timely manner and documented in accordance with the State's Minimum Standards.  
**Implemented at 18 months**
11. The District should develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's Minimum Standards, including conducting and documenting random drug and alcohol testing of bus drivers to help ensure school bus passengers' safety and welfare.  
**Implemented at 36 months**—The District has implemented procedures to ensure that school bus driver certification requirements, such as refresher training and CPR/first aid certification, are met and documented. Additionally, the District has started working with a medical lab to meet its annual and random drug and alcohol testing requirements. We reviewed the District's fiscal year 2023 drug and alcohol tests and supporting documentation and found that it met Minimum Standards requirements.
12. The District should accurately calculate and report to the Arizona Department of Education (ADE) for State funding purposes the number of students transported.  
**Implemented at 30 months**—Our review of the District's daily rider counts confirmed that the District accurately reported to ADE for State funding purposes the number of students transported for fiscal year 2022.
13. The District should work with ADE to determine whether it needs to submit a correction for its fiscal year 2018 ridership.  
**Not implemented**—Despite District officials being aware of the District's fiscal year 2018 transportation reporting error since before the performance audit was issued in March 2020, they waited more than 2.5 years, or until November 2022, to contact ADE to request that the District's fiscal year 2018 riders be updated. However, ADE can modify data that impacts State aid for only the previous 3 fiscal years, and because of the District's significant delay in reporting, ADE was not able to process the District's request to correct its erroneous reporting for its fiscal year 2018 riders. As discussed in our Topock Elementary School District performance audit report (see Arizona Auditor General report 20-202), although the District's reporting error for its fiscal year 2018 riders did not have a substantial impact on its transportation funding, the District should have worked with ADE to determine whether a correction for fiscal year 2018 was needed.