



OWENS-WHITNEY ELEMENTARY SCHOOL DISTRICT #6

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Governing Board:
Frank Dazzo, President
April Drane, Member
David Kilby, Member

Oct. 5, 2023

Lindsey Perry
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

Owens Elementary School District has received and reviewed the Fiscal Year 2020 Performance Audit Report. The District would like share our appreciation to the audit team and the professionalism while conducting this audit. After considerable review and reflection, the District agrees with the findings and recommendations.

The District has implemented many of the recommendations and will work diligently to improve the processes and procedures as provided in the findings and look forward to working with the team in the follow-up period.

Please find attached the District's response to each finding and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Bullington', with a stylized flourish at the end.

Bryan Bullington
Superintendent

Finding 1: Contrary to State laws, District failed to accept \$30,000 contribution during public meeting, 2 employees improperly participated in possible substantial interests, and District entered into service proposals rather than required IGAs.

Recommendation 1: The District should ensure it complies with State laws governing open, public meetings by:

- a. In consultation with legal counsel, strengthening its policy and establishing a written procedure to require:
 - i. The Board to accept any contributions, gifts, and donations, including those from the mining company, during public meetings.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented acceptance of the contribution receipts on a monthly basis during meetings open to the public as of June, 2021.

- ii. The administrator to acknowledge the contribution's receipt, purpose, and value during public meetings, regardless of a contributor's request to maintain privacy.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented acceptance of the contribution receipts on a monthly basis during meetings open to the public as of June, 2021.

- b. Including in its employee training information regarding the importance of complying with the State's open meeting laws.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented the corrective actions recommended.

Recommendation 2: The District should ensure it complies with State laws governing conflicts of interest by:

- a. In consultation with legal counsel, strengthening existing policies and developing and implementing written policies and procedures governing conflicts of interest in conformance with State laws. These policies and procedures should specifically require District employees to fill out disclosure forms, disallow District employees from participating in matters for which they have a substantial interest, and when the District's administrator has a conflict, require the administrator to disclose the conflict to the Governing Board in a public meeting.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has included unique programs, functions, and responsibilities in periodic training on conflict-of-interest requirements.

- b. Ensuring District employees, including the administrator, follow the State conflict-of-interest laws and District policy by following the practices they learned in the District-provided training (see recommendation 2c), including describing their substantial interests on a conflict-of-interest disclosure form as required and refraining from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented the corrective actions recommended.

- c. Developing and providing periodic training to its employees on its conflict-of-interest requirements, process, and disclosure forms and how they relate to the District's and employee's unique programs, functions, or responsibilities.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has included unique programs, functions, and responsibilities in periodic training on conflict-of-interest requirements.

Recommendation 3: The District should ensure it complies with State laws governing IGAs by:

- a. In consultation with legal counsel, developing and implementing written policies and procedures governing IGAs in conformance with State law. These policies and procedures should specifically require agreements to comply with IGA statutory requirements.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented employee training information regarding compliance with Intergovernmental Agreements.

- b. Ensuring District legal agreements with other school districts are written as IGAs specifying duration, purpose, manner of financing and budgeting, the permissible method(s) to be employed in terminating the agreement and disposing of property, and any other necessary and proper matters; and are reviewed by District attorneys to

determine whether the IGAs are in proper form and within the powers and authority granted under State law.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has entered into an IGA of proper form reviewed and approved by District attorneys as of June, 2021.

- c. Including in its employee training information regarding the importance of complying with State laws related to IGAs.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented employee training information regarding compliance with open meetings laws related to Intergovernmental Agreements.

Finding 2: District did not have established process over cash receipts and used debit cards contrary to USFR prohibition, increasing risk of fraud, waste, and abuse.

Recommendation 4: The District can help ensure its employees comply with USFR requirements by, establishing a written cash-receipting process including policies and procedures requiring recording and logging of cash received in person and through the mail, including separating responsibilities between cash-handling and recordkeeping functions.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has implemented the corrective actions recommended.

Recommendation 5: The District can help ensure its employees comply with USFR requirements by, discontinuing using bank account debit cards as a payment method and instead implementing purchasing or credit cards.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and is working with our financial institution to secure purchasing or credit cards and discontinue the use of debit cards.

Recommendation 6: The District can help ensure its employees comply with USFR requirements by, developing and requiring training for the responsible employees about USFR requirements, including requirements for cash receipting and credit cards.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 3: District's budgeting, revenue monitoring, and purchasing processes did not comply with USFR requirements, resulting in \$233,000 of underfunding, a negative fund balance, and purchases the District could not pay for in fiscal year 2021.

Recommendation 7: The District should comply with USFR requirements and good business practices related to budgeting, revenue amounts, and purchasing to help ensure it has enough cash to meet its financial obligations by:

- a. Implementing procedures to ensure that it accurately calculates the TSL and TRCL when preparing its annual budget.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

- b. Provide training to District staff responsible for calculating the TSL and TRCL about the procedures for accurately calculating TSL and TRCL when preparing the District's annual budget, including information on the date that property tax rates must be set and that any revisions impacting funding that are made after this date will not result in any changes to local property tax rates.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

- c. Performing monthly reconciliations of its cash balance records by fund to the CSSO's records.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

- d. Verifying that sufficient cash is available prior to approving and making purchases.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

- e. Developing and implementing adequate supervisory reviews to ensure its staff timely and accurately complete all USFR required budget analyses and cash reconciliations.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

- f. Continuing to work with the CSSO, as necessary, to levy additional property taxes to eliminate its cash deficit.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and took corrective action by entering into a purchased professional and consultant services agreement related to business services and financial management in June of 2021.

Recommendation 8: The District should, in consultation with legal counsel, determine if the District is responsible for repaying the \$30,000 to Bagdad USD and, if so, create a legal agreement between the District and Bagdad USD that includes a plan for repayment.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.