

The May 2020 Gadsden Elementary School District performance audit found that the District paid employees for time not worked, limited public access to some Governing Board (Board) meetings and wasted \$65,000 on unnecessary travel, and lacked oversight of its transportation program. We made 13 recommendations to the District, and its status in implementing the recommendations is as follows:

Status of 13 recommendations

Implemented	10
Implemented in a different manner	1
In process	1
Not implemented	1

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 from the May 2020 report.

Finding 1: District’s poor administration of employee pay resulted in hourly employees being paid for holidays and other time not worked without documentation to support Governing Board approval and inappropriate payments to some employees

1. The District should ensure that its Board is aware of and approves the number of paid holidays provided to hourly employees and ensure that hourly employee contracts or other District documents contain all agreed-upon terms of employment, including the number of days, holidays, and hours per day for which an employee will be compensated.

Implemented at 36 months—In May 2020, the District developed a new Board-approved policy outlining the paid holidays for which full-time hourly employees are eligible to be paid. Additionally, in May 2023, the Board approved fiscal year 2024 work calendars outlining the number of days that positions are expected to work and which positions are eligible for paid holidays. Beginning in fiscal year 2023, the District began including key terms of employment in its contracts, including the number of days and hours per day the hourly employees are expected to work, each employee’s position, and whether the employee is considered to be full-time. The District provides information to its Board about some key employment terms such as the employee position and number of days for which an employee will be compensated. By providing information about some key agreed-upon terms of employment and the work calendars to its Board, the District provides the Board the necessary information to ensure it is aware of and approves the number of paid holidays provided to each hourly employee.

2. The District should ensure that the Board reviews and approves its hourly employee contracts and related payroll calendars so that all payments made to employees are appropriate and that all paid days are for actual time worked or part of an agreed-upon compensation package.

Implemented at 42 months—As reported in Recommendation 1, beginning in fiscal year 2023, the District’s employment contracts for hourly employees included key terms of employment, such as the number of days and hours per day the employees are expected to work. In May 2023, the Board approved the District’s fiscal year 2024 salary schedules and work calendars outlining the number of days that positions are expected to work and which positions are eligible for paid holidays. Additionally, in August 2023, the District began providing all

key employment terms from the employee contracts to the Board for review and approval. Finally, in September 2023, the District provided hourly employee contract templates to the Board for review and approval. According to District officials, the District will continue to provide all key employment terms for new hires to the Board for review and approval when new staff are hired or contracts are extended, and it will provide salary schedules, work calendars, and hourly employee contract templates to the Board for review and approval annually.

3. The District should develop and implement formal, written payroll policies and procedures to increase oversight at its schools and departments to ensure that all District payroll policies and procedures are applied consistently to reduce the risk of inappropriate payments.

Implemented at 36 months—At the beginning of fiscal year 2021, the District replaced its hard copy time sheets with an electronic timekeeping system to track employee time more consistently and trained its employees on the use of the system to reduce the risk of inappropriate payments to employees. In May 2023, the District developed and implemented formal, written payroll policies and procedures for its schools and departments to ensure employees accurately enter their time in the timekeeping system, supervisors review their employees' time consistently, and employees are paid for actual hours worked. We reviewed reports from the electronic timekeeping system for 2 pay periods in May 2023 and found that the District complied with its policy in the areas we reviewed, such as having supervisory approval for each employee's hours worked.

4. The District should separate responsibilities for entering and updating employee payrates and deductions in the accounting system from the responsibilities for processing payroll to reduce the risk of inappropriate adjustments to employee pay and benefits.

Implemented in a different manner at 42 months—In August 2023, the District updated its accounting system access to remove responsibilities for entering and updating employee deductions in the accounting system from employees responsible for processing payroll. However, according to District officials, the District did not remove the responsibilities for entering employee payrates from these employees because having the ability to enter payrates was necessary for these employees to perform their job responsibilities. Instead, the District developed a compensating control that requires an administrative employee with read-only accounting system access to review change logs for changes to employee payrates made by employees responsible for processing payroll to ensure that any changes made by the employees are appropriate. Our review of the District's change log reviews for October 2023 found that the District was following its developed compensating control.

Finding 2: District limited public access to Governing Board meeting by holding it out of State and wasted more than \$65,000 of public monies on unnecessary travel expenses

5. The District should consult with legal counsel to ensure its meeting policies and procedures, including the locations selected for conducting meetings, comply with open meeting law.

Implemented at 6 months—The District consulted with its legal counsel and is now holding all Board meetings at the District. In addition, we had forwarded our May 2020 performance audit report to the Arizona Attorney General's Office (Office), and in July 2020, the Office sent the District's Board a letter stating that the Office had determined that a violation of open meeting laws occurred in connection with holding the June 30, 2018, public meeting at an out-of-State location. The Office required the District to share the Office's finding of a violation of open meeting laws with the public at the next Board meeting, which the District did at its August 2020 meeting. The Office also required all District Board members, the superintendent, and any staff who play a role in the Board's public meetings to review the open meeting law statutes and Arizona Agency Handbook regarding open meetings and submit an affidavit of completion to the Office.

6. The District should consult with legal counsel to determine and implement any necessary procedures to address potentially invalid District actions taken at meetings that were not easily accessible to the public.

Implemented at 6 months—The District consulted with legal counsel regarding the adherence of its policies and procedures to open meeting laws and to identify and address potentially invalid District actions taken at meetings

not easily accessible to the public. The District determined that no prior actions of the District are void and require ratification.

7. The District should discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and is an unnecessary expense to the District.

Implemented at 24 months—All in-person Board meetings are now held at the District.

8. The District should follow *Uniform System of Financial Records for Arizona School Districts* (USFR) requirements and implement procedures to ensure that all travel expenditures and reimbursements are planned for the convenience of the District using the most reasonable and economic means and do not exceed Arizona Department of Administration (ADOA)-established maximum rates.

Implemented at 24 months—The District has implemented new procedures to help ensure that travel expenditures and reimbursements are planned using the most reasonable and economic means, which include not paying or reimbursing employees for amounts above the ADOA-established maximum rates. We reviewed a sample of 3 fiscal year 2022 travel reimbursements and found the District followed USFR requirements and its procedures.

Finding 3: Inadequate oversight of District transportation program led to potential student safety risk, reporting errors, and increased risk of fuel and supplies misuse

9. The District should develop and implement procedures to ensure that bus driver certification requirements are met and appropriately documented in accordance with the State's Minimum Standards.

Implemented at 24 months—The District is now using computer software to track and document bus driver certification requirements. We reviewed files for 4 of the 22 fiscal year 2022 bus drivers and found that all certification requirements were current and appropriately documented in accordance with the State's Minimum Standards. Additionally, the District implemented procedures to randomly select drivers for drug and alcohol testing and appropriately maintained documentation of the test results.

10. The District should establish and implement a policy that states what school bus preventative maintenance work will be completed at what mileage and time frame and perform and document the bus preventative maintenance in a systematic and timely manner in accordance with the policy and the State's Minimum Standards.

Implemented at 42 months—In July 2020, the District began using fleet management software to track its school bus preventative maintenance, and in May 2023, the District developed a formal, written policy and checklist that states what school bus preventative maintenance work will be completed at what mileage and time frame intervals. Our review of preventative maintenance performed for 5 of the District's 24 school buses in 2023 found that the District was following its formal, written school bus preventative maintenance policy for the school buses we reviewed.

11. The District should accurately calculate and report to the Arizona Department of Education (ADE) for State funding purposes the number of route and other miles traveled and actual number of eligible students transported.

Implemented at 24 months

12. The District should work with ADE regarding needed corrections to its transportation funding reports until all funding errors that the misreported mileage and riders caused are fully corrected.

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 May 2020, they waited until March 2022 to contact ADE to request that the District's fiscal year 2018 miles and riders and the funding generated from those miles and riders be updated. However, ADE can modify data that impacts State aid for only the previous 3 years, and because of the District's significant delay in reporting, ADE was not able to process the District's request to modify its fiscal year 2018 miles and riders. As discussed in our Gadsden Elementary School District performance audit report (Arizona Auditor General report 20-204), because transportation funding is based on miles and riders reported in the prior fiscal year, the District's reporting errors in fiscal year 2018 resulted in the District being overfunded by about \$218,000 in State monies in fiscal year 2019.

13. The District should evaluate and implement additional controls over its fuel and supplies inventory to help ensure proper accounting of all fuel and supply usage, including safeguarding fuel keys, reconciling all fuel logs to fuel purchases, maintaining accurate fuel and supplies inventory records, and investigating any discrepancies identified.

Implementation in process—In July 2020, the District purchased new fuel and supply management systems to help track and manage its fuel usage and supplies inventory. According to District officials, each vehicle in the District’s fleet is assigned a fueling key, which is kept with the vehicle, and additional fuel keys are securely stored in the transportation office. Additionally, the fuel-management system requires employees to input a unique identification number and the odometer reading when fueling vehicles. In the prior 36-month followup, we reported that District officials stated the District had begun developing a process to conduct weekly reviews of odometer entries to identify errors, and monthly reviews of fuel logs for reasonableness and appropriateness and that its process would require staff to investigate any discrepancies identified during these reviews. However, we reviewed District fuel logs from July through November 2023 for 5 school buses and identified discrepancies the District was unable to explain, such as fueling occurring on weekends or late at night. In response to our inquiries about the fuel log discrepancies, the District updated its process for reviewing fuel logs in November 2023 to check for additional discrepancies, including fueling dates or times occurring outside of normal operating hours. Additionally, District officials indicated they had identified a report in the District’s supplies inventory system that calculates a miles-per-gallon usage for each vehicle in the District’s fuel-management system based on information provided when fueling, including the odometer reading and amount of fuel put into the vehicles. District officials indicated that staff would also review this report as part of its process for reviewing fuel usage and investigating discrepancies.

In October 2023, the District performed a transportation inventory review and found that its transportation inventory log had several discrepancies, such as items that were recorded as being in the District’s physical inventory but were not physically present when the District performed its review. After we questioned District officials about the discrepancies, the District updated its transportation supplies inventory log in November 2023 based on its current inventory on-hand and performed another inventory review demonstrating that the updated inventory log was accurate at the time the District provided it to us for review. However, because the District did not resolve the discrepancies identified during its initial inventory review and updated its inventory log based on its current transportation inventory on-hand during the followup, it could not provide evidence to support that its inventory review process ensures that inventory items were used only for authorized District purposes. According to District officials, the District is working on strategies to ensure the transportation supplies inventory log continues to accurately reflect the actual transportation supplies inventory, and officials plan to perform full inventory reviews every 6 months.