

Ganado Unified School District

District failed to maintain required accounting records, limiting the scope of our review; limited public access to some Board meetings and wasted more than \$48,000 on unnecessary travel; operated its schools far below capacity; and failed to comply with other important requirements putting public monies, student safety, and sensitive computerized data at risk

Performance Audit

October 2023
Report 23-205

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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October 17, 2023

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Ganado Unified School District

Dr. Leandra Thomas, Superintendent
Ganado Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Ganado Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Ganado Unified School District

District failed to maintain required accounting records, limiting the scope of our review; limited public access to some Board meetings and wasted more than \$48,000 on unnecessary travel; operated its schools far below capacity; and failed to comply with other important requirements putting public monies, student safety, and sensitive computerized data at risk

Audit purpose

To assess the District's spending on administration, plant operations and maintenance, food service, and transportation and its compliance with certain State requirements.

Key findings

- District's former superintendent did not respond to our requests for information and District failed to maintain required records for payroll, purchasing, and cash-handling transactions, thereby limiting the scope of our review and the transparency of its activities.
- District limited public access to some Board meetings by holding them out of town, which may have violated State law and resulted in more than \$48,000 of public monies being wasted for unnecessary travel expenses.
- District operated its schools far below capacity, using at least an estimated \$353,000 annually that may have been more effectively used for other priorities such as improving student achievement or increasing teacher salaries.
- District did not systematically perform school bus preventative maintenance, increasing risks to student safety.
- District's excessive access to sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss.

Key recommendations

The District should:

- Comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions.
- Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.
- Discontinue holding Board meetings outside the District's boundaries.
- Evaluate its use of space and ways to reduce excess space to operate more efficiently and redirect savings to other District priorities.
- Develop and implement a formal, written bus preventative maintenance policy and maintain documentation to demonstrate compliance with its preventative maintenance policy.
- Develop and implement policies and procedures to enforce computer password requirements consistent with credible industry standards, annually review user access levels, and ensure computer and network infrastructure are properly maintained and up to date.



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District's former superintendent was unresponsive to our requests for information, and District failed to maintain required records for payroll, purchasing, and cash-handling transactions, thereby limiting the scope of our audit and the transparency of its activities

District's failure to maintain required documentation increases its risk of undetected fraud, waste, and misuse and limits public transparency

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District continued to travel for Board meetings in fiscal years 2022 and 2023, after being notified of concerns related to open meeting law and allowable travel costs, wasting at least an additional \$21,000 of public monies on unnecessary travel

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Deficiency 2: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

Deficiency 3: District did not properly maintain and update some IT equipment, increasing the risk of security vulnerabilities and unauthorized access

Deficiency 4: District did not monitor access and activity on its network and significant systems, increasing the risk of potential breaches and malicious activity

Deficiency 5: District did not conduct annual security awareness training for staff, increasing employees’ vulnerability to cyberattacks

Deficiency 6: District lacked an IT contingency plan, increasing its risk of interrupted operations and data loss

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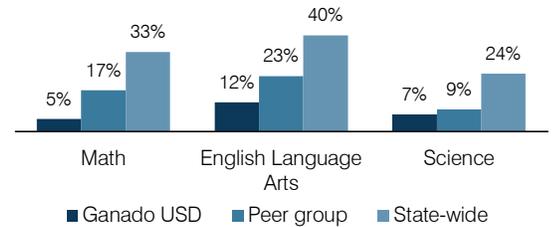
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Rural district in Apache County
Grades: Kindergarten through 12th
FY 2020 students attending: 1,330
FY 2020 number of schools: 4
FY 2022 school letter grade¹: 1 C²

Students who passed State assessments¹



¹ Laws 2021, Ch. 19, modified statutory requirements for mandatory State-wide assessments and school letter grades in fiscal year 2021 because of the COVID-19 pandemic. As a result, we reported assessment results and school letter grades from fiscal year 2022.

² Ganado High School was the only school in the District that met State reporting requirements for assigning later grades.

Audit scope limitation—District failed to meet criteria for reporting in multiple areas, thereby hindering our ability to evaluate the District’s compliance

The District failed to maintain required accounting records, limiting the scope of our review of payroll, purchasing, and cash-handling documentation and procedures, and increasing the risk of undetected fraud, waste, and misuse (see page 3). Although the District’s lack of documentation hindered our ability to evaluate the District’s compliance with some USFR requirements and the appropriateness of the transactions we reviewed, we did not identify pervasive discrepancies in its accounting data or its coding of expenditures to indicate that the spending data reported below and within our report is misleading or materially misstated. See our Appendix on page a-1 for further information on this performance audit’s scope and methodology.

FY 2020 total operational spending—\$18.7 million (\$14,066 per student)

Instructional—45.8% (\$6,446 per student)

Noninstructional—54.2% (\$7,620 per student)

Operational overview—FY 2020	Measure	Ganado USD	Peer average
<p>Administration—spending similar to peers but improvements needed</p> <p>The District’s administration spending per student was similar to its peers that also receive extra grants and revenues, such as Impact Aid due to their location on land that is exempt from local property taxes, and therefore typically need more administration positions to coordinate. However, the District inappropriately limited public access to some Governing Board meetings, wasted public monies on unnecessary out-of-town travel (see Finding 1, page 6), and did not comply with information technology standards, putting public monies and sensitive information at an increased risk of errors and fraud (see Finding 4, page 17).</p>	Spending per student	\$2,237	\$2,136

Operational overview—FY 2020

	Measure	Ganado USD	Peer average
<p>Plant operations—spending measures mixed and schools consistently operated at low capacity</p> <p>The District spent less per square foot than peer districts but more per student because it maintained more than twice the square footage per student than its peers. This was likely due to the District consistently operating far below its capacity at all 4 of its schools (see Finding 2, page 11).</p>	Spending per square foot	\$4.11	\$5.69
	Spending per student	\$2,408	\$1,516
<p>Food service—spending measures mixed and no reported findings</p> <p>The District spent a similar amount per meal, but spent more per student on its food service program compared to its peer districts because it served 46 percent more meals per student than its peer districts. We did not report any findings in this area.</p>	Spending per meal	\$4.08	\$4.08
	Spending per student	\$660	\$424
<p>Transportation—spending measures mixed but student safety at risk</p> <p>The District spent a similar amount per mile but spent a higher amount per rider, primarily due to transporting its riders more miles per rider than its peers. However, the District did not systematically perform and document school bus preventative maintenance, increasing safety risks to the students it transports and potentially lessening the useful life of its school buses (see Finding 3, page 15).</p>	Spending per mile	\$2.74	\$2.67
	Spending per rider	\$1,632	\$1,471

AUDIT SCOPE LIMITATION DISTRICT FAILED TO MEET CRITERIA FOR REPORTING IN MULTIPLE AREAS

District failed to maintain required accounting records, thereby limiting the scope of our review of payroll, purchasing, and cash-handling documentation and procedures, and increasing the risk of undetected fraud, waste, and misuse

USFR requires District to implement effective internal controls and maintain accounting records for financial accountability

Arizona school districts are required to follow the *Uniform System of Financial Records for Arizona School Districts* (USFR) requirements and related guidance. The USFR requirements are based on the Arizona Constitution, Arizona Revised Statutes (A.R.S.), Arizona Attorney General Opinions, and the Codification of Governmental Accounting and Financial Reporting Standards in federal law.¹ The USFR sets forth the minimum internal control policies and procedures school districts are required to use for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. According to the USFR, “accounting records provide the documentary support for account balances and must be properly maintained to provide financial accountability for the district” and should be retained for 4 years from the fiscal year the records are created.² Additionally, school districts are required to follow federal and State audit requirements, which include a USFR Compliance Questionnaire that each district’s independent auditor completes to test the district’s policies, procedures, and documentation, which, in turn, we use to determine whether districts are in compliance with USFR requirements.³

USFR requires districts to maintain accounting records for financial accountability.

District’s former superintendent was unresponsive to our requests for information, and District failed to maintain required records for payroll, purchasing, and cash-handling transactions, thereby limiting the scope of our audit and the transparency of its activities

We reviewed the District’s payroll, purchasing, and cash-handling processes and found that the District failed to maintain required supporting documentation in each of these areas, which prevented us from evaluating

¹ The USFR and related guidance is developed by the Arizona Auditor General and the Arizona Department of Education pursuant to A.R.S. §15-271.

² The USFR requires schools districts to manage records in accordance with the Arizona State Library and Archives’ records retention schedules, which require school districts to maintain records for district activities such as payroll (including employee time and leave records), accounts payable, budget records, financial reports, and employee records for 4 years from the fiscal year in which they are created.

³ A.R.S. §15-914.

whether the District complied with USFR requirements and whether its activities in these areas were justified and appropriate. To evaluate these areas, we requested records from the District's former superintendent and other District staff on multiple occasions. However, the previous superintendent was unresponsive and failed to provide the records we requested.⁴ Additionally, the District's current superintendent stated that as of July 2023, they were unable to locate the records we had requested on multiple occasions from the previous superintendent and staff. Further, the District's current superintendent also explained that District staff were either finding no documentation or finding documentation that was misfiled according to their understanding of where documentation should have been located. As a result of the former superintendent's failure to cooperate with our audit and the District's failure to maintain required records, we were unable to conclude on these objectives, which limited the scope of our review in various areas of this performance audit.⁵ Specifically:

- **Payroll records were insufficient to evaluate whether District employees were accurately paid, and District was unable to provide explanations for some records provided**—We requested the supporting documentation for a sample of 10 fiscal year 2021 prorated hourly employees' pay to evaluate whether the District was paying these employees and tracking and deducting paid leave in accordance with District policy and USFR requirements.⁶ However, despite multiple requests, the District failed to provide us with complete documentation for the sample of employees we selected for review.⁷ Additionally, for some documentation the District provided, the District was unable to answer questions regarding the payments, such as each employee's correct pay rate or how some hourly employees' prorated pay rates were calculated. As a result, it was not possible for us to evaluate whether the District accurately paid its employees and tracked paid leave.
- **Cash receipt and deposit records were insufficient to evaluate whether District deposited all cash received**—We reviewed District cash receipt books and requested supporting documentation for 2 months of fiscal year 2020 cash receipts, including cash collection reports and summaries, bank deposit receipts, and any other documentation the District retained to support amounts received and deposited. However, despite multiple requests, the District failed to provide us with any documentation in response to our request because, according to District officials, they could not locate the records. As a result, it was not possible for us to evaluate whether the District deposited all cash received in these 2 months.
- **Multiple purchases lacked supporting documentation to evaluate whether the purchase was appropriate**—We requested supporting documentation for 25 fiscal year 2020 purchase card transactions, 5 of which the District failed to provide us with any support for, totaling \$4,845, including transactions at a restaurant, hotel casinos, and a tour company. We also requested supporting documentation for 23 fiscal year 2020 nonpayroll expenditures that were not made on purchase cards, and the District failed to provide us with support for 1 transaction totaling \$5,250, paid to a professional association. However, despite multiple requests, the District failed to provide us with the support for these purchases in response to our request because, according to current District officials, they could not locate the missing records. As a result, it was not possible for us to evaluate whether the District's purchases were appropriate and for valid public purposes. At the time of this report's release, we were further reviewing these transactions.

Additionally, in December 2022, we notified the District and the State Board of Education that the District was not in compliance with the USFR based on significant deficiencies identified in its fiscal year 2021 financial

⁴ The previous superintendent was in that position between fiscal years 2021 and 2023.

⁵ Generally accepted government auditing standards require us to report each audit's scope of work and any significant constraints or limitations in the audit's scope. The District's lack of accounting records imposed significant limitations on our audit's scope, such that it was not possible for us to fully evaluate the District's payroll, cash handling, and purchasing activities. Further, the District's failure to maintain required documentation impedes our ability to conduct the performance audit of the District that is prescribed by State law, including examining any and all records. See A.R.S. §§41-1279.03(A)(9) and 41-1279.04.

⁶ Prorated pay involves spreading an employees' pay across more pay periods than they normally work. For example, an hourly employee who works 10 months out of the year may elect to spread their payments across 12 months.

⁷ Our request included contracts, time sheets for multiple pay periods, approved leave requests, and leave balance tracking reports for the 10 employees for the pay periods we reviewed. The District did not provide complete documentation for any of the 10 employees selected for review.

statement audit and USFR Compliance Questionnaire.⁸ In March 2023, the District provided a corrective action plan (CAP), asserting its compliance with the USFR, for our review. However, it lacked dates that the corrective actions were implemented and verifications that the corrective actions taken were working as intended to prevent similar deficiencies. Subsequently, the District submitted its fiscal year 2022 financial statement audit and Compliance Questionnaire on June 16, 2023—77 days later than the March 31, 2023, deadline, which continued to identify significant deficiencies in the District’s internal controls. The District submitted its updated CAP on October 2, 2023. We will assess the District’s CAP, determine whether the District is still not in compliance with the USFR, and issue a report to the District and the State Board of Education as required.

District’s failure to maintain required documentation increases its risk of undetected fraud, waste, and misuse and limits public transparency

By failing to maintain required supporting documentation for payroll, purchases, and cash-handling, the District increases its risk of fraud, waste, and misuse. The District is at a heightened risk of these types of activities occurring and going undetected because it failed to maintain required documentation, which is necessary for oversight activities. Another important consequence of the District failing to maintain all the required financial records is that the public is now unable to know whether the District is properly receiving and appropriately spending some public monies. Therefore, the District is not transparent and cannot demonstrate that its activities served public purposes and were justified and appropriate. Finally, by failing to comply with USFR requirements, the District risks having up to 10 percent of its State aid (equalization assistance) withheld at the direction of the State Board of Education, impacting its ability to use those monies for District priorities.⁹

Recommendations

The District should:

1. Comply and cooperate with the Auditor General’s Office, including providing timely and complete information requested for audit followups, special studies and reviews, and status reviews on USFR compliance.
2. Submit its annual financial statement audit and compliance questionnaires to the Auditor General’s Office by March 31 each year, as required.
3. Update its CAP to ensure it adequately addresses the significant deficiencies identified, including what actions have been taken to correct the deficiencies, the date the process was implemented, and the results of the District’s review of transactions processed under the newly implemented process. Additionally, the District should ensure it timely submits its completed CAP to the Auditor General’s Office as required.
4. Comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions.

District response: As outlined in its [response](#), the District agrees with the audit scope limitation and recommendations and will implement the recommendations.

⁸ The Arizona Auditor General reviews all school district financial and federal compliance audit reports and USFR Compliance Questionnaires submitted by independent audit firms to determine whether districts have established and maintained effective internal control policies and procedures that comply with the USFR at a satisfactory level. In accordance with A.R.S. §15-271, we notify districts that are in noncompliance with the USFR and give them 90 days to correct their deficiencies.

⁹ A.R.S. §15-272.



District held Governing Board meetings out of town, limiting public access and wasting more than \$48,000 of public monies on unnecessary travel expenses

Contrary to State Open Meeting Law, District held 3 Governing Board (Board) meetings out of town so that they were not easily accessible to the public

School districts are subject to Arizona's open meeting laws which require all governing board meetings, including work study sessions, be open to the public with limited exceptions in order to maximize public access to the governmental process.¹⁰ However, our review of the meeting agendas and minutes for the Board's September 13-14, 2019 and February 7-8, 2020, work study sessions at a resort in Flagstaff, Arizona, and the Board's July 15-18, 2021, work study session at a hotel in Tempe, Arizona, found that these meetings did not fit any criteria where the public may lawfully be excluded.

The Attorney General's office publishes an agency handbook that provides guidance to State officers and employees regarding open meeting laws.¹¹ According to this guidance, open meeting laws require that "the public body must provide public access to public meetings" and that "this requirement is not met if the public body uses any procedure or device that obstructs or inhibits public attendance at public meetings, such as holding the meeting in a geographically isolated location..." The Flagstaff resort is geographically isolated from the District office in Ganado, Arizona, as the resort is located approximately 260 miles roundtrip from the District office. As this equates to an estimated 4-hour drive, public access and attendance were limited by having the public travel this unreasonable distance to attend the meeting, as further evidenced by no public members attending. Similarly, the Tempe hotel is located approximately 530 miles roundtrip from the District office and an estimated 8.5-hour drive. For the July 15-18, 2021, meeting in Tempe, the District included a virtual webinar link on the agenda. However, data from the U.S. Census Bureau estimates that approximately 60 percent of households in Ganado USD's boundaries do not have an internet subscription, including cellular data.¹² Therefore, including this link rather than holding the meeting within the District's boundaries may not have provided sufficient public access, as required by law. Generally, all other meetings throughout the year were held on weekdays at the District office.

The District may have violated the State's open meeting laws by limiting access during discussion of topics that did not meet the definitions of when the public could be lawfully excluded. This limited access prevented the public, staff, parents, and students from actively participating in the District's governance. When we asked District officials about their decision to hold these 3 Board meetings out of town, they indicated that the District

¹⁰ A.R.S. §38-431.03 allows a public body to hold an executive session from which the public is excluded for specific reasons including discussing or considering employment, records exempt by law from public inspection, or consultation with legal counsel.

¹¹ Arizona Attorney General. (2018). *Arizona agency handbook*. Phoenix, AZ. Retrieved 8/24/23 from <https://www.azag.gov/outreach/publications/agency-handbook>.

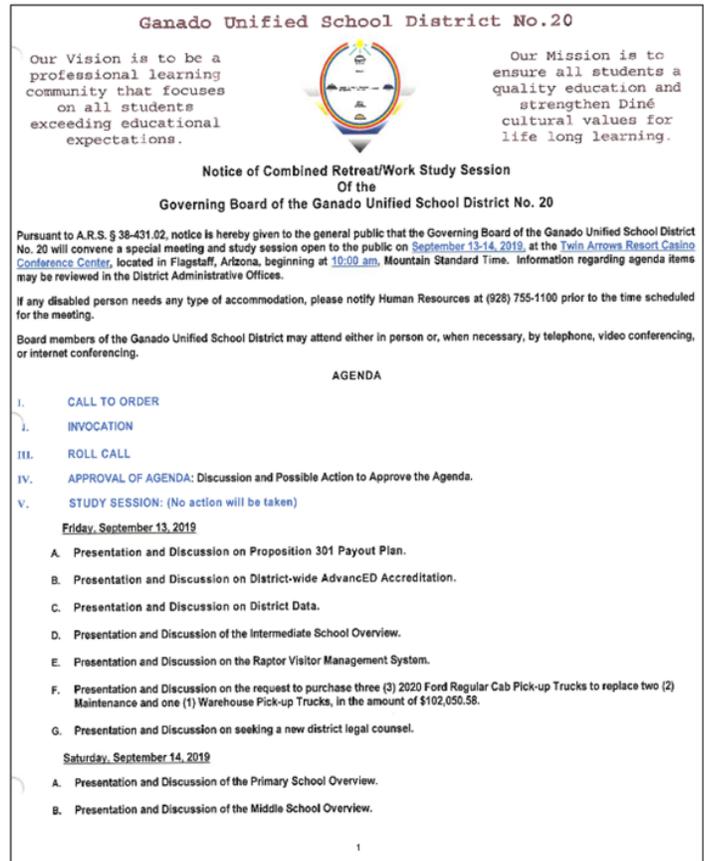
¹² U.S. Census Bureau. (2021). American Community Survey 2017-2021 5-Year Data Estimates. Retrieved 7/21/2023 from https://data.census.gov/table?q=United+States&t=Telephone,+Computer,+and+Internet+Access&g=9700000US0403290_010XX00US&tid=ACSST5Y2021.S2801.

held them out of town to avoid interruptions. Although as shown in Figure 1, the District noted that the Friday, September 13, 2019, Board meeting held in Flagstaff was a “study session” and “no action will be taken,” the listed presentations were on topics regarding District operations that would have likely been of interest to members of the public.¹³ We have forwarded our report to the Arizona Attorney General’s Office for further review.

In fiscal years 2020 and 2022, the District wasted more than \$26,000 of public monies on unnecessary travel expenses for 3 Board meetings, which also exceeded State travel policy allowances

In addition to limiting access to its Board meetings, the District also spent \$26,449 for 4 to 5 Board members and between 6 and 16 District staff such as principals, assistant principals, and department supervisors to attend the 3 out-of-town Board meetings, which was a much greater cost to the District than it would have been if the District had held these meetings locally (see Table 1 on page 8). Further, lodging and meal costs associated with the trip exceeded maximum amounts allowed by the State’s travel policy, which the District has adopted as its policy.

Figure 1
Front page of the posted Board agenda for September 13-14, 2019, meeting shows it was a study session and no action will be taken



Source: District records.

Unnecessary trips were a waste of over \$26,000 of public monies—The Arizona Department of Administration (ADOA)’s *State of Arizona Accounting Manual* (SAAM) states that travel should be avoided when there are other more cost-effective alternatives and provides maximum allowable reimbursement amounts for approved travel. As discussed earlier, the District typically holds its Board meetings on weekdays at its District office in Ganado, Arizona, which does not incur additional travel and rental costs. Choosing to hold the September 2019 and February 2020 Board meetings at a resort in Flagstaff and the July 2021 Board meeting at a hotel in Tempe resulted in the District incurring over \$26,000 for these 3 Board meetings, all of which were unnecessary expenses because the District had to pay for meals, lodging, meeting facilities, and mileage reimbursements or fuel that it otherwise would not have incurred.

 The District spent more than \$26,000 by holding 3 Board meetings at an out-of-town resort or hotel. If the District had held the meetings at its District office, it would not have incurred these unnecessary expenses for meals, lodging, meeting facilities, mileage reimbursements, and fuel.

¹³ The February 2020 and July 2021 agendas also indicated that the meetings were a “study session” and “no action will be taken.”

Table 1**District unnecessarily wasted \$26,449 of public monies on the 3 out of town meetings between September 2019 and July 2021**

	Sep. 2019 meeting costs	Feb. 2020 meeting costs	Jul. 2021 meeting costs	Totals
Meals	\$2,514	\$1,138	\$9,022	\$12,674
Lodging	2,164	1,094	6,214	9,472
Meeting facilities	700	464	1,216	2,380
Milage reimbursement	477	119	1,185	1,781
Fuel card	0	0	142	142
Totals	\$5,855	\$2,815	\$17,779	\$26,449

Source: Auditor General staff analysis of fiscal years 2022 and 2023 District travel documentation.

District exceeded State maximum allowable travel costs—In addition to wasting money on unnecessary trips, the District also exceeded State maximum travel allowances for these same trips. The District’s travel policies specify that the District uses the maximum reimbursement rates provided by ADOA. ADOA provides detailed guidance and rate tables for maximum lodging, meal, and mileage reimbursements when governing board members and staff are on authorized travel status, which is defined as at least 50 miles from the employees’ duty post, or for governing board members, their home. The District paid the resort and hotel directly for lodging and the majority of meal costs associated with the Flagstaff and Tempe meetings instead of reimbursing Board members and District staff for the costs through its typical travel reimbursement claims process. Although this is allowable, according to the District employees involved in planning the trips, the District did not consider the State’s maximum reimbursement rates because they thought when holding the meetings at conference facilities, State maximums would not apply.¹⁴ The District exceeded State travel policy maximum allowances by a combined total of over \$8,600 for meal and lodging expenses and mileage reimbursements associated with these 3 Board meetings. Specifically:

- **Meals**—The District exceeded ADOA’s meal reimbursements rates for all 3 trips, and this is the travel category in which the District overspent the most. Specifically, the District paid for breakfast, lunch, and snack service through the resort and hotel in addition to reimbursing Board members, and District and school administrative staff for meals while traveling to and from the meeting locations. ADOA’s maximum allowable reimbursement rate at that time ranged between \$12 for people who traveled to a meeting without staying overnight to \$42 for full day meal reimbursement in Flagstaff. For the 3 trips combined, the District paid more than \$7,500 over the amount allowed by ADOA’s travel policy for meals.
- **Lodging**—For 2 of the 3 trips—the February 2020 Flagstaff trip and the July 2021 Tempe trip—the District exceeded the ADOA-established maximum allowable lodging reimbursement rate. Specifically, ADOA’s maximum allowable lodging reimbursement rate at the time was \$94 per night plus tax for these 2 trips, but

The District paid more than \$7,500 over the amount allowed by ADOA’s travel policy for meals.

¹⁴ SAAM 50.30, 50.40, and 50.95 provide guidance on reimbursement rates for lodging at conferences or events, which includes specific requirements that must be met to exceed State maximums. These rate requirements still require that travel be arranged to minimize the costs of meals and lodging and do not necessarily allow an automatic exception to ADOA’s maximum reimbursement rate.

the District paid between \$96 and \$108.95 per night, spending a combined total of \$875 more than allowed by ADOA’s travel policy for lodging.

- Mileage Reimbursement**—The District reimbursed excess mileage for 1 of the 3 trips—the July 2021 Tempe trip. Specifically, the District paid mileage reimbursement to 4 attendees who drove their personal vehicles to the meeting at ADOA’s allowable reimbursement rate at that time of \$0.445 per mile; however, the District reimbursed each of these 4 attendees for 333 miles each way, based on a generic city-to-city mileage table instead of the actual miles driven. ADOA guidelines specify miles must be based upon the lesser of actual miles driven or miles that would have been driven had the most economical route been chosen, which would have been 264 miles each way. By reimbursing the higher mileage, the District paid a total of \$245 more than allowed by ADOA’s travel policy for mileage reimbursement.

District continued to travel for Board meetings in fiscal years 2022 and 2023, after being notified of concerns related to open meeting law and allowable travel costs, wasting at least an additional \$21,000 of public monies on unnecessary travel

During our audit, we became aware of the District’s intent to hold its July 2021 meeting in Tempe. We shared with business office staff information from another school district performance audit that addressed similar concerns related to open meeting law and allowable travel costs.¹⁵ The District shared with us that they had 2 business office employees read related portions of the provided report and sign an attestation confirming the staff had done so. However, the District not only continued to hold its July 2021 meeting in Tempe, it also planned and held another meeting in June 2022 at a resort in Sedona, Arizona, as well as a meeting in January 2023 at a hotel in Flagstaff, Arizona. These 2 additional meetings resulted in at least \$21,583 in wasted spending on meals, lodging, and meeting facilities (see Table 2).¹⁶ Similar to the previous meetings, we also identified that the District exceeded ADOA maximums on the amounts spent on lodging and meals for each of the trips. Instead of using these monies for unnecessary travel costs, the District could have used these monies for instruction, such as to increase teacher salaries or purchase instructional materials, or for other District priorities.

Table 2
Despite being aware of concerns, District wasted an additional \$21,583 of public monies by continuing unnecessary travel for June 2022 and January 2023 Board meetings

	June 2022 meeting costs	Jan. 2023 meeting costs	Totals
Meals	\$4,092	\$5,442	\$9,514
Lodging	3,627	4,854	8,481
Meeting facilities	458	3,131	3,588
Totals	\$8,176	\$13,407	\$21,583

Source: Auditor General staff analysis of fiscal years 2022 and 2023 District travel documentation.

¹⁵ See Arizona Auditor General Report 20-204 *Gadsden Elementary School District*.

¹⁶ Due to the timing of these meetings, we reviewed only the payments made to the resort and hotel for food and beverage, lodging, and meeting facilities and supplies such as audio-visual equipment. This amount does not include any costs the District may have incurred on mileage reimbursements or fuel.

Recommendations

The District should:

5. Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.
6. Discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and an unnecessary expense to the District.
7. Develop and implement Board meeting policies and procedures, including the locations selected outside the District's boundaries for conducting public meetings and the content of public meeting agendas, in consultation with legal counsel, to ensure all Board meetings comply with open meeting law and are accessible to the public.
8. Implement procedures to ensure that all travel expenditures and reimbursements are planned using the most reasonable and economic means and do not exceed ADOA-established maximum rates in accordance with District policy, and follow USFR requirements.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



District operated its schools far below capacity, using at least an estimated \$353,000 annually that may have been effectively used for other priorities such as improving student achievement

The optimal rate of capacity usage for a district to operate at is at least 75 percent and is calculated using the number of students attending divided by the student capacity as defined by the Arizona Department of Administration–School Facilities Oversight Board (ADOA-SFOB).¹⁷ When a district operates at a capacity below 75 percent, the individual capacity usage at each district school should be evaluated to determine whether there are options for a district to change how it operates its schools to increase its capacity usage.

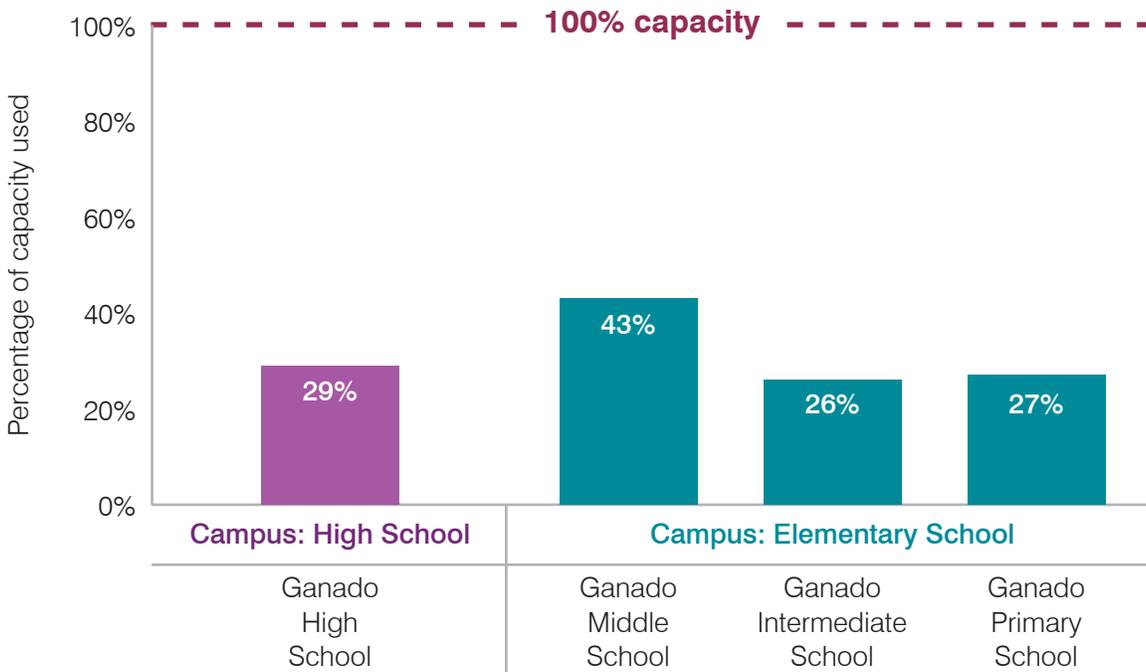
District operated its schools at a low capacity despite having available capacity to consolidate students at its existing schools, using at least an estimated \$353,000 annually that could have been redirected to other District priorities

In fiscal year 2020, Ganado USD operated at a District-level capacity of 31 percent, and all 4 of its schools operated below their ADOA-SFOB calculated capacities, leaving significant available capacity at each school (see Figure 2 on page 12). Additionally, 3 of its 4 schools are located at the same geographic location (Elementary Campus), and each school operates far below its capacity, providing the District options to consolidate operations and increase capacity usage.¹⁸ For example, the District’s intermediate school, currently serving students in grades 3 through 5, has a capacity of 1,050 students. In fiscal year 2020, the District had 828 total students attending kindergarten through 8th grade. If the District consolidated its operations to serve kindergarten through 8th grade students at its intermediate school, which is one of the schools operating at the Elementary Campus, it would have operated that school at 79 percent capacity and could have saved costs associated with staffing and maintaining the other schools at the Elementary Campus. Additionally, such a consolidation would likely have had minimal impact on transporting students because, as previously mentioned, all 3 of these schools are currently located at the same campus (see Figure 2 on page 12). Based on the District’s most recently available students attending and spending per square foot data, we estimate that the District may be able to reallocate between approximately \$353,000 and \$1,020,000 in spending, depending on how it chose to reassign grades and consolidate schools.

¹⁷ ADOA-SFOB determines a student capacity for district buildings based on numerous factors, including the square footage, minimum school facility adequacy guidelines, designed square footage, and excludable spaces.

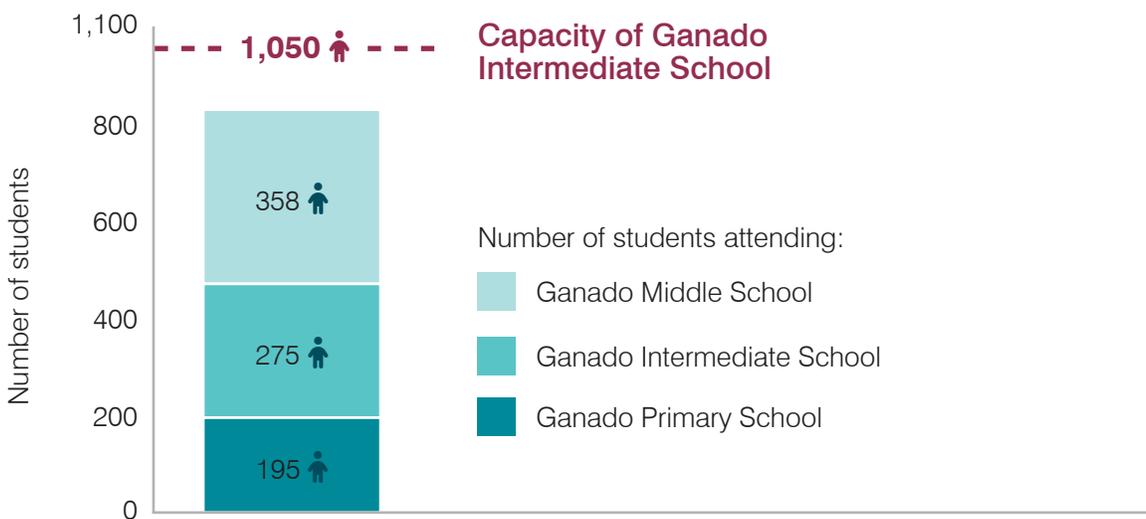
¹⁸ The 3 schools at the Elementary Campus serve students in kindergarten through second grade, third through fifth grades, and sixth through eighth grades, respectively. They are adjacent to each other along the same road and operate as independent schools although they are geographically next to each other.

Figure 2
District's 4 schools each operated far below their capacities
 Fiscal year 2020



The District could consolidate operations at its Elementary School Campus with little impact on student transportation because the schools are already in the same geographic location. For example, the District's intermediate school could accommodate the kindergarten through 8th grade students being served by 3 separate schools on the same campus.

District's intermediate school could accommodate the students attending all 3 Elementary Campus schools and still have 21% unused capacity
 Fiscal year 2020



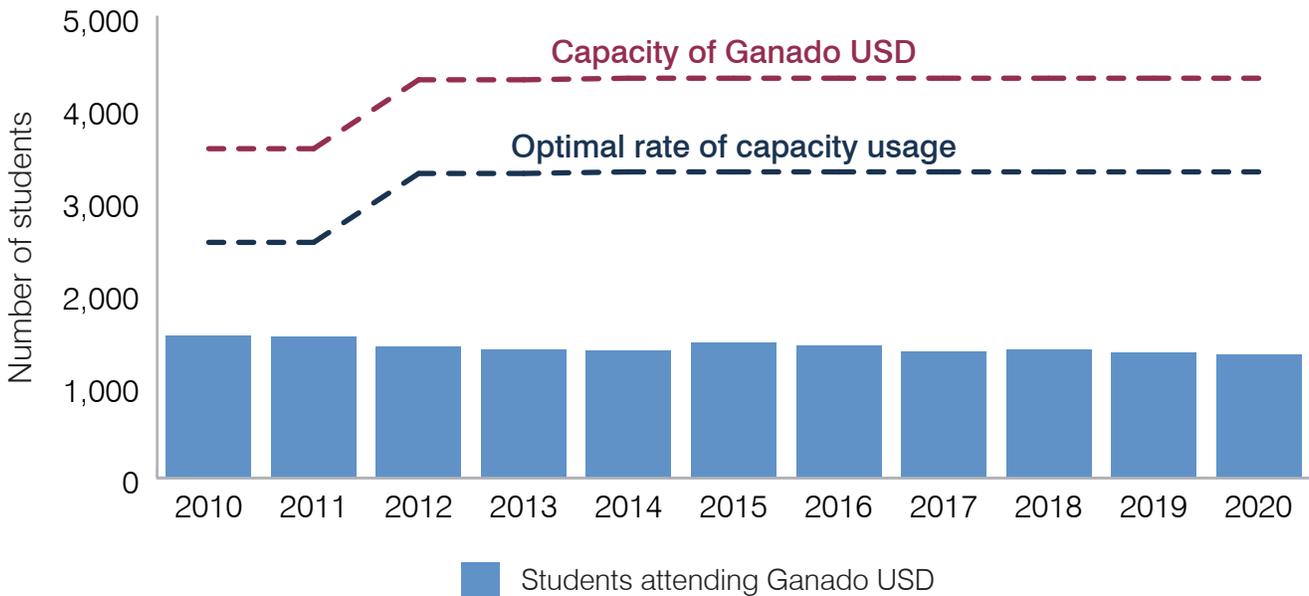
Source: Auditor General staff analysis of fiscal year 2020 ADE student membership data and fiscal year 2020 ADOA-SFOB building capacity data.

District has operated with low capacity across its schools for at least 10 years without taking actions to increase capacity usage

We reviewed the number of students and designed capacity for the District from fiscal year 2010 through fiscal year 2020 to evaluate the District’s capacity usage over time. Figure 3 shows that the District has operated below an optimal rate of capacity usage since fiscal year 2010, ranging from District-wide capacity usage of 31 percent to 43 percent. Further, we reviewed school-level capacity usage for 3 years—2011, 2013, and 2020—and found that each of the District’s 4 schools operated significantly lower than their designed capacities in those years and that 3 of the District’s 4 schools’ capacity usage had declined since 2011. As of April 2023, the District’s schools continue to operate far below their designed capacities.

Figure 3
District’s students attending has been far below its designed capacity and optimal rate of capacity usage for 10 years

Fiscal years 2010 through 2020



Source: Auditor General staff analysis of fiscal year 2020 ADE student membership data and fiscal year 2020 ADOA-SFOB building capacity data.

District resources spent on schools operating far below capacity could potentially be more effectively used for other priorities such as improving student achievement

According to the District’s former superintendent, the District was opposed to closing a school and consolidating operations.¹⁹ The former superintendent also explained that the District had attempted to share a principal at 2 District schools in the past but it had been unsuccessful. The former superintendent further reported that the District was unsure how it would configure grade levels if it consolidated operations, although many districts in the State have schools that accommodate kindergarten through 8th grade students.²⁰ In fiscal year 2021, the District contracted with a consulting firm to review the District’s salary schedules in response to increases in the State’s minimum wage, and the firm similarly indicated that the District was not utilizing its

¹⁹ The former superintendent was in that position between fiscal years 2021 and 2023.

²⁰ According to district-reported fiscal year 2022 school-level students attending data provided by ADE, at least 113 Arizona school districts reported at least 1 combined school with students attending grades kindergarten through 8th grade.

capacity efficiently and recommended that the District consider closing a school to increase monies available to pay salaries. The District's former superintendent reported that the District did not intend to follow the consultant's recommendation.

Consistently operating schools far below capacity results in the District spending resources on areas such as building costs and administrative costs that could be redirected to other priorities such as improving student achievement. Operating in this manner requires more staff to work at each school, additional utility and maintenance costs, and additional supplies. As previously discussed, we estimate that the District may be able to reallocate between \$353,000 and \$1,020,000 annually by consolidating operations at its Elementary Campus. The District could then redirect these savings toward other priorities such as improving the District's student achievement. As of fiscal year 2023, 2 of the District's 4 schools were participating in a State-mandated, Arizona Department of Education-administered, School Improvement program due to low student achievement.

The District's resources could have been more efficiently directed to other priorities such as its School Improvement program, which was mandated by the State due to the District's low student achievement.

Recommendation

The District should:

9. Evaluate how it utilizes building space at its schools and determine and implement ways to reduce it, including considering whether to consolidate school operations in order to increase its operating capacity to a more efficient level and focus more of its resources on other district priorities like improving its student achievement.

District response: As outlined in its [response](#), the District agrees with the finding and recommendation and will implement the recommendation.



District did not systematically perform school bus preventative maintenance, putting student safety at risk

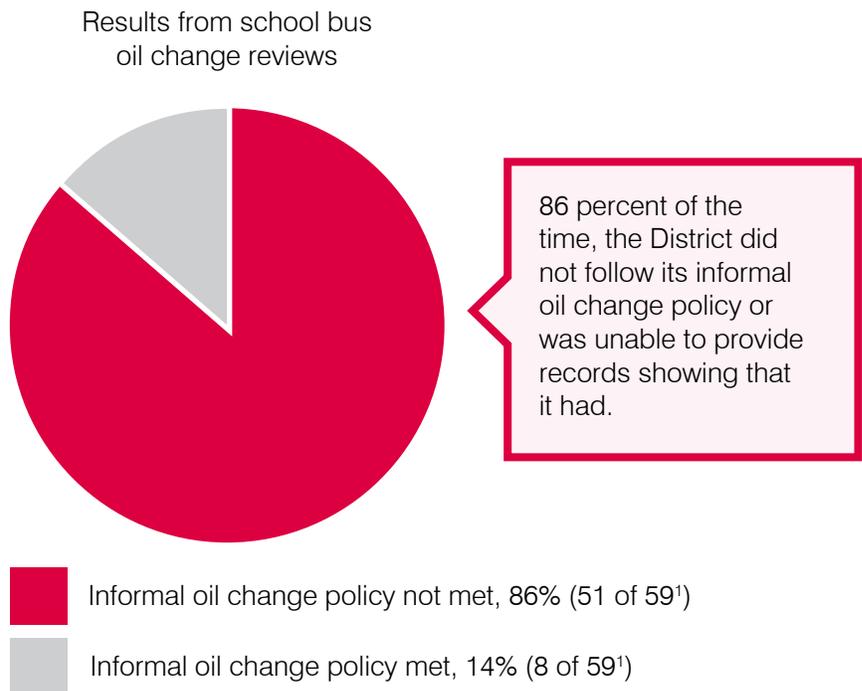
District did not systematically perform and document required school bus preventative maintenance, putting student safety at risk and potentially lessening the useful life of its school buses

To help ensure student safety as well as extend the useful life of school buses, the State’s Department of Public Safety (DPS) has adopted *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). Minimum Standards require school districts to perform systematic school bus preventative maintenance, such as brake and tire inspections, safety feature inspections, and oil changes, and maintain records of this preventative maintenance.

Our review of available school bus maintenance records for 20 of the District’s 27 school buses for fiscal years 2019 through 2021 found that the District was not systematically performing and documenting all required school bus preventative maintenance in accordance with the Minimum Standards, nor was it performing the majority of the oil changes required by its unwritten, informal policy. Specifically, the District could not provide complete records for all the sampled school buses, and many of the records it did provide lacked sufficient detail. Further, although the District did not have a formal, written preventative maintenance policy during fiscal years 2019 through 2021, they did have an informal policy of performing oil changes on school buses every 7,000 miles or 7 months, which it could not demonstrate it met 86 percent of the time (see Figure 4).

Our review of the District’s DPS school bus inspections for fiscal

Figure 4
District could not demonstrate that it followed its informal oil change policy for a majority of school buses reviewed



¹ Auditors completed 59 school bus oil change reviews—20 school buses during each of the 3 years—however, one of the sampled school buses was sold prior to fiscal year 2021, leaving 59 total reviews.

Source: Auditor General staff analysis of fiscal years 2019 through 2021 available District school bus maintenance and repair records for 20 of the District’s 27 school buses.

years 2019 through 2021 also found that DPS identified major defects. Specifically, DPS required 9 of the 20 school buses it inspected for 2019 and 10 of the 26 school buses it inspected for 2020 to be removed from service until repaired. For example, DPS removed a school bus from service in fiscal year 2019 because the rear brake was out of adjustment per DPS Minimum Standards, which posed a potential safety risk. Although the District's DPS inspections improved for fiscal year 2021, only 6 months had passed since the previous inspections, and DPS still identified major defects for 2 of 27 school buses inspected.

By not ensuring it systematically performed and documented required school bus preventative maintenance on schedule, the District increased safety risks to the students it transported and potentially lessened the useful life of its school buses.

District did not have formal, written preventative maintenance policy and was using systems that did not help with monitoring maintenance needs

The District did not have a formal, written school bus preventative maintenance policy that specified the frequency and what preventative maintenance activities the District should complete. Additionally, according to District officials, for fiscal years 2019 and 2020, the District had used 2 different software systems that did not adequately assist them in tracking preventative maintenance. For example, 1 of the systems did not include elements like alerts for when preventative maintenance should be done on a school bus. Instead, they relied on windshield stickers that would sometimes get misplaced or staff would forget to look at. For fiscal year 2021, the District had software in place to track preventative maintenance; however, according to District officials, they were still learning how to use the new software, and due to COVID-19 pandemic-related school closures, the school buses were hardly driven, so they did not perform preventative maintenance on many of them.

Recommendations

The District should:

10. Develop and implement a formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards that outlines what specific preventative maintenance activities will be completed in addition to oil changes and states at what mileage and time frame preventative maintenance will be completed.
11. Maintain sufficient documentation to demonstrate that it is following its formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

District has not complied with important IT security requirements and recommended practices

The USFR and credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), set forth important IT security practices that help districts safeguard sensitive information and prevent errors, fraud, and data loss. However, our review of the District's IT security practices identified several deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, that increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

Deficiency 1: District's passwords did not meet credible industry standards, putting District operations at risk

The USFR requires that districts implement strong passwords that align with credible industry standards. However, as of April 2021, most of the District's network, student information system (SIS), and accounting system password requirements were not aligned with credible industry standards, such as those developed by NIST. As a result, the District increased the risk that unauthorized individuals could access sensitive District information and disrupt District operations.

Deficiency 2: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. The USFR further requires that when user accounts are no longer needed, such as when an employee terminates, access to information systems should be immediately disabled. Credible industry standards recommend that districts develop policies and procedures to regularly review and limit user access, which would help the District ensure it meets these USFR requirements. However, our April 2021 review of accounts on the District's network, student information system, and accounting system (see Table 3, on page 18) found the District did not regularly review and limit users' access to what they need to perform job duties.

Further, our May 2021 review of accounting system access levels for the 44 active users at the time of our review found that 6 users' access was more than what was necessary to complete their job duties and allowed these users the ability to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. As a result, the District increased its risk of unauthorized access to

its systems and any sensitive information on those systems and potential data loss. Further, although we did not identify any improper transactions due to this deficiency, system access beyond what is needed for an employee's job duties increases the risk of errors and fraud. After we brought these deficiencies to the District's attention, the District provided draft procedures for identifying and removing terminated users from its systems, but these procedures did not address reviewing current users' access.

Table 3
District did not meet USFR requirements to restrict user access across critical IT systems

Requirements	Network	Student Information System	Accounting System	Summary
Limit the number of users with administrator-level access	✗	✗	✓	We found that the District had at least 13 network and 1 SIS administrative accounts that no longer require this level of access.
Disable/remove accounts that no longer need access	✗	✓	✗	The District had 8 network and 3 accounting system accounts that were no longer needed.
Adequately remove terminated employees access	✗	✗	✓	The District had 12 network and 7 SIS user accounts that were linked to terminated employees.

Source: Auditor General staff analysis of April 2021 District network, student information system, and accounting system accounts and May 2021 accounting system access levels.

Deficiency 3: District did not properly maintain and update some IT equipment, increasing the risk of security vulnerabilities and unauthorized access

The USFR requires that districts ensure that key components of their networks and systems are kept up to date and secure. In addition, it requires that districts develop and implement policies and procedures to ensure their computer and network infrastructure (e.g., computers, servers, routers, switches, etc.) are properly maintained and that changes to key equipment and settings are consistent with these policies. However, our April 2021 review of the District's IT equipment and controls found that the District did not have required policies and procedures, used some outdated IT equipment to secure its network, and housed a critical IT system on a server with an unsupported operating system. According to credible industry standards, by not utilizing vendor-supported software and applications and updated IT equipment, the District increases opportunities for attackers to exploit weaknesses in the software that will not be patched or fixed by the manufacturer and increases the risk of vulnerabilities and unauthorized access to its network and systems.

Deficiency 4: District did not monitor access and activity on its network and significant systems, increasing the risk of potential breaches and malicious activity

The USFR requires that districts monitor and periodically audit system activity and users' adherence to security-related policies, procedures, and guidelines. However, our April 2021 review of the District's network and significant systems found that the District did not log activities on its network and, as a result, was not

able to monitor network activity and users' adherence to security-related policies, procedures, and guidelines. Additionally, although some of the District's other critical IT systems automatically generated system activity logs, the District did not review these logs as required by the USFR. Credible industry standards indicate that by not performing proactive monitoring of system activities, unauthorized access to sensitive District information may occur without detection, potentially leading to critical security events, system breaches, or disruptions to District operations.

Deficiency 5: District did not conduct annual security awareness training for staff, increasing employees' vulnerability to cyberattacks

According to the USFR and credible industry standards, basic security awareness training that addresses prevention and detection of technology-related threats should be provided to system users at least annually. This is important because cyberattacks commonly use social engineering techniques to trick employees into giving up sensitive information or downloading dangerous software. As of April 2021, District officials reported that the District did not require employees to take security awareness training on a regular basis. Providing security awareness education and training would help the District ensure that its employees are aware of the need to protect District systems and the risks associated with information security, the importance of complying with District policies, and their individual information security responsibilities. As of April 2023, the District began training its staff on some information security topics and techniques on a periodic basis. However, the training content is limited to specific topics and does not cover the appropriate set of information security topics relevant for school districts as recommended by credible industry standards.

Deficiency 6: District lacked an IT contingency plan, increasing its risk of interrupted operations and data loss

As of April 2021, the District did not have a written, up-to-date IT contingency plan. To help ensure continued operations and data recovery in the event of a system outage, the USFR requires and credible industry standards recommend that districts develop and implement an IT contingency plan. The plan should identify all critical systems, including the order in which they should be restored or criticality of the systems; clearly outline who is responsible for which activities during a system outage or attack; contain contingencies for continued business operations during a system outage; and contain detailed procedures for restoring critical systems and equipment. In addition to developing and implementing a comprehensive contingency plan, the District should test the plan at least annually to help ensure it is effective, which should include ensuring all parties understand their roles and responsibilities, identifying internal and external vulnerabilities, taking action to update equipment or remedy any issues identified, testing its ability to restore electronic data files for critical systems from backups, and documenting the results of the tests. Not having a comprehensive contingency plan exposes the District to an increased risk of being unable to continue operations and restore the District's systems in the event of a system outage.

District reported lacking knowledge of credible industry standards and lacking staff and resources to comply with IT requirements, and had not developed some policies and procedures

District officials reported various reasons for the IT deficiencies we identified. For example, the District reported that its password requirements, security awareness training, and contingency planning did not align with credible industry standards because the District was unaware of the credible industry standards. However, the USFR, which districts are required to follow, provides guidance and resources for districts to implement IT requirements, including identifying credible industry standards such as those developed by NIST. District officials further reported that they did not monitor system and network activity and used some outdated and unsupported equipment due to lack of staff and resources. Finally, the District had not taken steps required by the USFR, such as developing policies and procedures, to ensure it complied with important IT security requirements.

Recommendations

The District should:

12. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.
13. Develop and implement policy and procedures to review the District's password standards against industry password standards at least annually.
14. Review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access.
15. Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assessing their access level and need for network and critical systems access to ensure that access level was appropriate and access was promptly disabled when it was no longer needed, including for terminated employees.
16. Upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems.
17. Develop and implement policies and procedures to ensure their computer and network infrastructure are properly maintained and up to date.
18. Establish and implement procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner.
19. Establish and implement a District policy to conduct mandatory employee security awareness training at least annually.
20. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies.

District response: As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 20 recommendations to the District

The District should:

1. Comply and cooperate with the Auditor General's Office, including providing timely and complete information requested for audit followups, special studies and reviews, and status reviews on USFR compliance (see Audit Scope Limitation, pages 3 through 5, for more information).
2. Submit its annual financial statement audit and compliance questionnaires to the Auditor General's Office by March 31 each year, as required (see Audit Scope Limitation, pages 3 through 5, for more information).
3. Update its CAP to ensure it adequately addresses the significant deficiencies identified, including what actions have been taken to correct the deficiencies, the date the process was implemented, and the results of the District's review of transactions processed under the newly implemented process. Additionally, the District should ensure it timely submits its completed CAP to the Auditor General's Office as required (see Audit Scope Limitation, pages 3 through 5, for more information).
4. Comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions (see Audit Scope Limitation, pages 3 through 5, for more information).
5. Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid (see Finding 1, pages 6 through 10, for more information).
6. Discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and an unnecessary expense to the District (see Finding 1, pages 6 through 10, for more information).
7. Develop and implement Board meeting policies and procedures, including the locations selected outside the District's boundaries for conducting public meetings and the content of public meeting agendas, in consultation with legal counsel, to ensure all Board meetings comply with open meeting law and are accessible to the public (see Finding 1, pages 6 through 10, for more information).
8. Implement procedures to ensure that all travel expenditures and reimbursements are planned using the most reasonable and economic means and do not exceed ADOA-established maximum rates in accordance with District policy, and follow USFR requirements (see Finding 1, pages 6 through 10, for more information).
9. Evaluate how it utilizes building space at its schools and determine and implement ways to reduce it, including considering whether to consolidate school operations in order to increase its operating capacity to a more efficient level and focus more of its resources on other district priorities like improving its student achievement (see Finding 2, pages 11 through 14, for more information).
10. Develop and implement a formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards that outlines what specific preventative maintenance activities will be completed in addition to oil changes and states at what mileage and time frame preventative maintenance will be completed (see Finding 3, pages 15 through 16, for more information).



SUMMARY OF RECOMMENDATIONS

11. Maintain sufficient documentation to demonstrate that it is following its formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards (see Finding 3, pages 15 through 16, for more information).
12. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations (see Finding 4, pages 17 through 20, for more information).
13. Develop and implement policy and procedures to review the District's password standards against industry password standards at least annually (see Finding 4, pages 17 through 20, for more information).
14. Review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access (see Finding 4, pages 17 through 20, for more information).
15. Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assessing their access level and need for network and critical systems access to ensure that access level was appropriate and access was promptly disabled when it was no longer needed, including for terminated employees (see Finding 4, pages 17 through 20, for more information).
16. Upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems (see Finding 4, pages 17 through 20, for more information).
17. Develop and implement policies and procedures to ensure their computer and network infrastructure are properly maintained and up to date (see Finding 4, pages 17 through 20, for more information).
18. Establish and implement procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner (see Finding 4, pages 17 through 20, for more information).
19. Establish and implement a District policy to conduct mandatory employee security awareness training at least annually (see Finding 4, pages 17 through 20, for more information).
20. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies (see Finding 4, pages 17 through 20, for more information).



Objectives, scope, and methodology

We have conducted a performance audit of Ganado Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2020, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual *School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following operational categories:

Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining buses and transporting students to and from school and school activities.

District-imposed scope limitation on review of certain internal controls—We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. They also require us to report any significant constraints imposed on the audit approach. The District imposed a scope limitation on our evaluation of specific internal controls related to payroll, purchasing, and cash receipts by failing to provide required documentation that District officials stated they could not locate. Although we performed additional procedures with available data, we were not able to fully test our understanding of the District's internal controls in these areas, and therefore we could not conclude on the adequacy of internal controls for payroll, purchasing, and cash receipts. We have reported the details of this limitation on page 3.

Financial accounting data and internal controls—Except as noted by the District-imposed scope limitation, we evaluated the District’s internal controls related to expenditure classification and scanned all fiscal year 2020 payroll and accounts payable transactions in the District’s detailed accounting data for proper account classification and reasonableness. After adjusting transactions for proper account classification, we reviewed fiscal year 2020 spending and prior years’ spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District’s policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District’s relevant computer systems; and reviewing controls over reporting various information used for this audit. We reported our conclusions on applicable internal controls in Findings 1, 3, and 4 (see pages 6 through 10 and 15 through 20).

Peer groups—Table 4 shows information we considered to develop 3 peer groups for comparative purposes. To compare the District’s student achievement, we developed a peer group using district type, location, and poverty rates because these factors are associated with student achievement. We used this peer group to compare the District’s fiscal year 2022 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2022 ADE-assigned school letter grades.²¹ To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, we developed a peer group using district size, type, and location. For administration specifically, we selected a sub peer group of 6 districts within the previously defined operational peer group who were located on lands that were exempt from local property taxes and therefore received an increased number of grants and federal funds. This sub peer group included Baboquivari USD, Kayenta USD, Piñon USD, San Carlos USD, Tuba City USD, and Window Rock USD. To compare the District’s transportation efficiency, we developed a peer group using a 5-year historical average of miles per rider and location. We used these factors because they are associated with districts’ cost measures in these areas.

Table 4
Criteria for selecting peer school districts for comparative purposes
Fiscal years as noted

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2022)	Poverty rate District type Location	32% or higher, but less than 35% Unified school districts Towns and rural areas	13
Administration, plant operations and maintenance, and food service (fiscal year 2020)	District size District type Location	Between 600 and 1,999 students Unified school districts Towns and rural areas	30
Transportation (fiscal year 2020)	Miles per rider Location	Between 336 and 460 miles per rider Towns and rural areas	17

Source: Auditor General staff analysis of district poverty rates from the U.S. Census Bureau; location data from the National Center for Education Statistics; and district type and number of students from ADE.

²¹ Laws 2020, Ch. 47, modified statutory requirements to cancel State-wide assessments and school letter grades in fiscal year 2020 because of school closures resulting from the COVID-19 pandemic, and Laws 2021, Ch. 19, did the same for fiscal year 2021. As a result, we reported assessment results and school letter grades from fiscal year 2019.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness as described below:

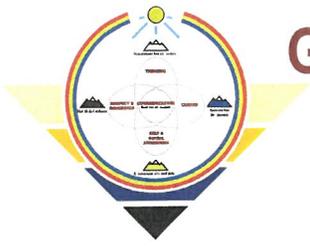
- **Interviews**—We interviewed various District employees in the operational areas about their duties. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, District-wide building reports provided by ADOA-SFOB, transportation route reports provided by ADE, transportation safety reports provided by the Department of Public Safety, and reports required for the federal school lunch program. Additionally, we reviewed food service-monitoring reports from ADE and District-submitted compliance questionnaire results that its contracted external audit firm completed.
- **Documentation reviews**—We reviewed various sets of District documentation including bus driver files for all of the District’s bus drivers, bus maintenance and repair records for 20 of the District’s 32 buses, maintenance work orders for April 2020 through April 2021, and travel expenses and reimbursement requests related to out-of-town work study sessions for fiscal years 2020 through 2023.
- **Analysis**—We reviewed and evaluated fiscal year 2020 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also compared the District’s administrative spending per student, square footage per student, use of building space, and meals served per student to peer districts. We estimated the District’s spending due to excess space using ADE provided, district-reported fiscal year 2023 school-level students attending data, fiscal year 2022 spending per square foot as reported in our *School District Spending Analysis—Fiscal year 2022*, and the District’s reported square footage from ADOA-SFOB. Additionally, we reviewed the District’s food service program revenues and expenditures to evaluate the District’s ongoing ability to cover its food program costs and determine whether the District significantly subsidized its food service program with other District monies.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District’s governing board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



Ganado Unified School District No. 20

Post Office Box 1757 - Ganado, Arizona 86505

Telephone: 928.755.1000 ▪ Fax: 928.755.1012

District Website: www.ganado.k12.az.us

October 2, 2023

Lindsey Perry
Auditor General
2910 N. 44th St., 410
Phoenix, AZ 85018

Ms. Lindsey Perry,

Ganado Unified School District #20 has received and reviewed the Fiscal Year 2021 Performance Audit Report. The District would like to share our appreciation to the audit team and the professionalism while conducting the audit. After review and reflection, the District agrees with the findings and recommendations.

The District has or is implementing the recommendations and will work diligently to improve the processes and procedures as provided in the findings and look forward to working with and learning from the team in the follow-up period.

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

Respectfully,


Dr. Leandra Thomas,
GUSD Superintendent

Audit Scope Limitation: District failed to maintain required accounting records, limiting the scope of our review of payroll, purchasing, and cash-handling documentation and procedures, and increasing the risk of undetected fraud, waste, and misuse.

Recommendation 1: The District should comply and cooperate with the Auditor General's Office, including providing timely and complete information requested for audit followups, special studies and reviews, and status reviews on USFR compliance.

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

Response explanation: The District is implementing the requirement of additional documentation to support transactions. Safeguarding of accounting records is being implemented.

Recommendation 2: The District should submit its annual financial statement audit and compliance questionnaires to the Auditor General's Office by March 31 each year, as required.

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

Response explanation: The District is working with the Auditors to complete the current audit process in a timely manner so the reports are submitted by March 31.

Recommendation 3: The District should update its CAP to ensure it adequately addresses the significant deficiencies identified, including what actions have been taken to correct the deficiencies, the date the process was implemented, and the results of the District's review of transactions processed under the newly implemented process. Additionally, the District should ensure it timely submits its completed CAP to the Auditor General's Office as required.

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

Response explanation: The District is assuring that the leadership team involved are aware of their role in correcting the deficiencies.

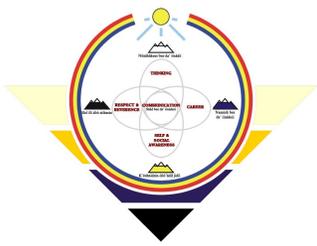
Recommendation 4: The District should comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions.

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

Response explanation: The District will conduct an annual USFR training for all staff involved in cash collection, deposit, and review.

Finding 1: District held Governing Board meetings out of town, limiting public access and wasting more than \$48,000 of public monies on unnecessary travel expenses.

Recommendation 5: The District should consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.



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

Response explanation: The District will monitor and implement keeping meetings within the school district campus.

Recommendation 6: The District should discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and an unnecessary expense to the District.

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

Response explanation: The District will plan to keep all Board meetings within the school grounds to keep all meetings available to the public.

Recommendation 7: The District should develop and implement Board meeting policies and procedures, including the locations selected outside the District's boundaries for conducting public meetings and the content of public meeting agendas, in consultation with legal counsel, to ensure all Board meetings comply with open meeting law and are accessible to the public.

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

Response explanation: The District will work with legal to ensure options to comply with open meeting law in making meetings accessible to the public.

Recommendation 8: The District should implement procedures to ensure that all travel expenditures and reimbursements are planned using the most reasonable and economic means and do not exceed ADOA-established maximum rates in accordance with District policy, and follow USFR requirements.

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

Response explanation: The District will implement all travel procedures to ensure compliance with the ADOA established rates.

Finding 2: District operated its schools far below capacity, using at least an estimated \$353,000 annually that may have been effectively used for other priorities such as improving student achievement.

Recommendation 9: The District should evaluate how it utilizes building space at its schools and determine and implement ways to reduce it, including considering whether to consolidate school

*"Our Mission is to Ensure All Students a Quality Education and Strengthen Diné Cultural Values for Life-long Learning"
"Our Vision is to be a Professional Learning Community that Focuses on All Students Exceeding Educational Expectations"*

operations in order to increase its operating capacity to a more efficient level and focus more of its resources on other district priorities like improving its student achievement.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will not be implemented this year.

Response explanation: Further discussions will need to happen with stakeholders within the community.

Finding 3: District did not systematically perform school bus preventative maintenance, putting student safety at risk.

Recommendation 10: The District should develop and implement a formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards that outlines what specific preventative maintenance activities will be completed in addition to oil changes and states at what mileage and time frame preventative maintenance will be completed.

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

Response explanation: The District has implemented this recommendation and continues to monitor the process. Fuel logs, oil maintenance log, parts inventory reports have been implemented. The District has implemented a daily checklist for all bus drivers to follow.

Recommendation 11: The District should maintain sufficient documentation to demonstrate that it is following its formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards.

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

Response explanation: The District will implement a process for sufficient documentation of following the school bus preventative maintenance policy.

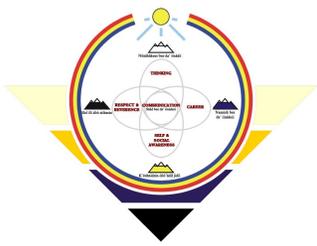
Finding 4: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss.

Recommendation 12: The District should implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Response explanation: The District has implemented this recommendation and continues to monitor the process.

Recommendation 13: The District should develop and implement policy and procedures to review the District's password standards against industry password standards at least annually.



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

Response explanation: The District has implemented a preventative maintenance plan. IT has a plan for all IT personal new and returning Standard Operating Procedures.

Recommendation 14: The District should review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access.

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

Response explanation: The District is reviewing and will reduce the number of users with administrator-level access.

Recommendation 15: The District should develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assessing their access level and need for network and critical systems access to ensure that access level was appropriate and access was promptly disabled when it was no longer needed, including for terminated employees.

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

Response explanation: The District is reviewing it's user access procedures to include regular reviews of access to network and critical systems.

Recommendation 16: The District should upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems.

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

Response explanation: The District has implemented this recommendation and continues to monitor the process. New software to assist detection and greater protection to vulnerabilities will be upgraded as new detections occur.

Recommendation 17: The District should develop and implement policies and procedures to ensure their computer and network infrastructure are properly maintained and up to date.

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

Response explanation: The District has implemented this recommendation and continues to monitor the process.

Recommendation 18: The District should establish and implement procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner.

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

Response explanation: The District has implemented this recommendation and continues to monitor the process. IT department has weekly and monthly reports as needed through the system to track and detect malicious activity.

Recommendation 19: The District should establish and implement a District policy to conduct mandatory employee security awareness training at least annually.

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

Response explanation: The District will establish and implement a policy to conduct mandatory employee security awareness training annually.

Recommendation 20: The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies.

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

Response explanation: The District is looking at developing and implementing an IT contingency plan that meets USFR requirements and other credible industry standards.

