

Cochise Technology District

District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into its activities; did not comply with important internal control requirements, increasing risk of errors, fraud, and unauthorized purchases; and lacked key outcome data preventing it from demonstrating how the \$4.5 million it spent on CTE programs in fiscal year 2022 effectively prepared students for high-need occupations

Performance Audit

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Report 24-203

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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February 28, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Cochise Technology District

Mr. Joel Todd, Superintendent
Cochise Technology District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Cochise Technology District*, conducted pursuant to Arizona Revised Statutes §§15-393.01 and 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. I express my appreciation to Superintendent Todd and District staff for their cooperation and assistance throughout the audit.

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

Cochise Technology District

District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into its activities; did not comply with important internal control requirements, increasing risk of errors, fraud, and unauthorized purchases; and lacked key outcome data preventing it from demonstrating how the \$4.5 million it spent on CTE programs in fiscal year 2022 effectively prepared students for high-need occupations

Audit purpose

To determine if the District was meeting its statutory purpose to prepare students for high-need occupations, spending State monies appropriately, and following best practices.

Key findings

- District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into the District's activities and increasing the risk that the District may not be able to recover monies, if necessary, it improperly paid in advance.
- District did not comply with important internal control requirements for cash-handling and credit cards and lacked separation of duties in some areas, increasing its risk of errors, fraud, and unauthorized purchases.
- District did not collect, validate, and use complete data to help assess whether its programs successfully prepared students for high-need occupations and led them to earn industry certifications. Absent this data, District could not demonstrate the \$4.5 million it spent on programs in fiscal year 2022 was effectively used.
- 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:

- Strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest to ensure it complies with State conflict-of-interest laws, and revise its lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements.
- Develop and implement written policies and procedures for cash collection, deposit, and review; separate responsibilities over credit cards among more than 1 employee; and require an independent review and approval of purchases prior to the purchases being made.
- Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices and analyze all CTE program outcome data to evaluate the effectiveness of the CTE programs in preparing students for high-need occupations and to support the investment of any public monies.
- Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties and develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan to remedy any deficiencies.



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Deficiency 2: District did not conduct annual security awareness training for staff, increasing employees’ vulnerability to cyberattacks

Deficiency 3: District lacked an IT contingency plan, increasing its risk of interrupted operations and data loss

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District overview

Cochise Technology District (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General's [November 2020](#) and [October 2017](#) CTED special reports.¹

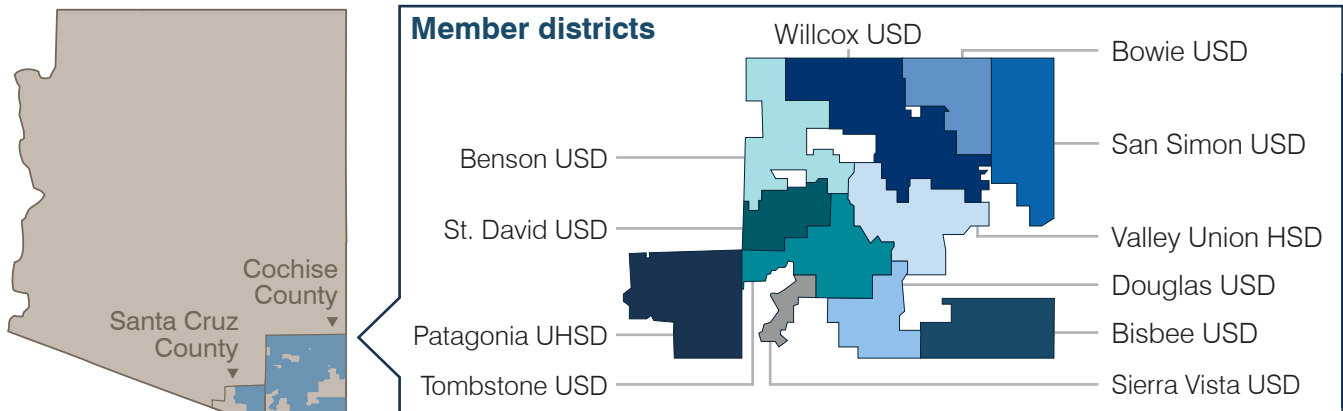
The District had 7 central programs with 195 enrollments and 36 satellite programs with 5,677 enrollments in fiscal year 2022.² See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

Key CTED terms

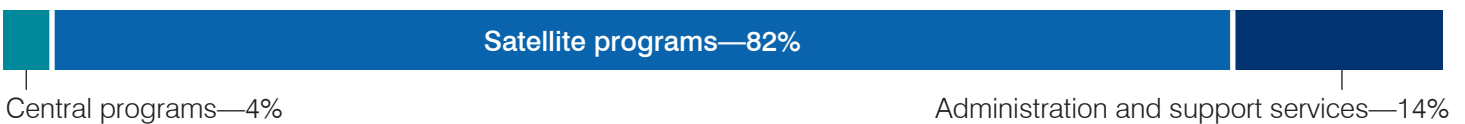
Member districts—Arizona public school districts that form or join a CTED.

Satellite programs—CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.

Central programs—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.



Fiscal year 2022 total spending—\$4.5 million (\$769 per enrollment)



Audit results summary

Key areas reviewed

Central programs—Spent almost \$167,000 on central CTE programs and no reported findings

In fiscal year 2022, the District partnered with Cochise College through intergovernmental agreements (IGAs) to offer some of its central CTE programs. The District paid nearly \$65,000 in tuition and other fees for its students to attend programs at Cochise College in accordance with its IGAs. The District also spent over \$81,000 on salaries and benefits for central programs the District operated. See Appendix A, Table 2, on page a-2 for information on the District's central program spending by CTE program.

¹ See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*.

² Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Key areas reviewed (continued)

Satellite programs—Spent over \$3.7 million on satellite CTE programs but lacked key outcome data to demonstrate that programs effectively prepared students for high-need occupations

In fiscal year 2022, the District allocated almost \$3.7 million in satellite funding to its member districts in accordance with their IGAs and provided required professional development for satellite program teachers and evaluation and support for satellite programs. The District also spent \$14,000 primarily for equipment purchases for satellite programs. However, despite spending \$4.5 million on CTE programs in fiscal year 2022, including \$3.7 million for satellite CTE programs, the District lacked key outcome data to demonstrate that these programs effectively prepared students for high-need occupations (see Finding 4, page 12). See Appendix A, Table 1, on page a-1 for information on the District's satellite program spending by member district.

Administration and support services—Spent over \$640,000 on administration and support services, and improvements needed

In fiscal year 2022, the District's administration spending of \$384,000 was primarily to pay for administrative salaries and benefits and accounting and audit services. The District also spent \$218,000 on support services primarily for technology expenses and staff training. Further, the District spent over \$40,000 on other support services for internet services, phone services, and office rental expenses. However, we identified deficiencies in the District's internal controls, which put the District at an increased risk of errors, fraud, and unauthorized purchases (see Finding 2, page 6). Additionally, a District administrator and the District did not comply with some State laws and USFR requirements, limiting transparency into the District's activities and increasing the risk that the District may not be able to recover monies it improperly paid in advance (see Finding 1, page 3). Further, the District did not ensure that monies provided to its member districts were used to supplement, and not supplant, satellite CTE program spending, as required (see Finding 3, page 9). Lastly, the District allowed excessive access to its sensitive computerized data and had other IT deficiencies, which increased the risk of unauthorized access, errors, fraud, and data loss (see Finding 5, page 16). See Appendix A, Table 3, on page a-3 for information on the District's administration and support services spending by category.



District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into the District’s activities and increasing the risk that the District may not be able to recover monies it improperly paid in advance

Since fiscal year 2012, the District has paid employees rental payments or reimbursements to use space at each employee’s personal residence instead of renting a central, shared office space for its employees. For fiscal year 2022, the District entered into an agreement with the Superintendent to pay to rent space at his personal residence and included provisions for office space reimbursement in 2 additional District employees’ contracts. However, our review of lease agreements and contract provisions for fiscal years 2020 through 2024 found that a District administrator and the District did not act in accordance with State laws and the *Uniform System of Financial Records for Arizona School Districts* (USFR) in 2 areas related to the rental payments.³ Specifically, (1) the Superintendent did not act in accordance with the State’s conflict-of-interest laws when he approved office space payments to himself and his spouse, and (2) the Superintendent and business manager did not act in accordance with USFR and statutory requirements when they approved prepayments totaling \$30,000 for office space rental payments to allow the Superintendent to use his personal residence as District office space.

Issue 1: Contrary to statute, Superintendent improperly participated in approving District payments to himself and his spouse

State conflict-of-interest laws and District policy requires public officers and employees to make known in official records and refrain from participating in any manner in a contract for which the officer or employee has a substantial interest.⁴ However, our review found that although in fiscal years 2020 through 2024 the Superintendent signed annual conflict-of-interest disclosure forms indicating he had no substantial interests in any contract, purchase, and other matters of the District, he approved agreements for the District to pay a total of \$30,000 to rent office space from himself and/or his spouse in these years.⁵ Additionally, the Superintendent participated in the matter in which he may have had a substantial interest by creating and approving most purchase orders associated with the rental payments and signing each voucher packet to make the rent payments to himself and/or his spouse in these years. According to the Superintendent, he was not aware

³ The USFR and related guidance is developed by the Arizona Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements, and are in conformity with generally accepted practices and federal and State laws.

⁴ Arizona Revised Statutes (A.R.S.) §38-503(A).

⁵ In fiscal years 2020 and 2021, the lease agreements were with both the Superintendent and his spouse. In fiscal years 2022 through 2024, the lease agreements were only with the Superintendent’s spouse.

that his participation in the rental agreement and payment approvals may have been a substantial interest and that he should have refrained from participating in approving and making the rental payments. By not disclosing a substantial interest and participating in the approval of the rental agreements and payments, the Superintendent may not have complied with State conflict-of-interest laws designed to protect public monies, thereby limiting transparency into the District's activities. The District establishing a written procedure to require employees to disclose on a District form substantial interests and affirm that they will refrain from participating in approving any contract, sale, purchase, or service representing a substantial interest would help ensure its employees comply with the State's conflict-of-interest laws. Further, when the Superintendent has a conflict, the District's procedures should also require him to disclose the conflict to the Board in a public meeting. In addition, the District including information about the importance of employees complying with the State's conflict-of-interest laws and District policy as part of its trainings could help further assist with this compliance.

Issue 2: Superintendent and business manager approved prepayments for office space rental payments contrary to USFR and State law requirements, increasing the risk that the District may not be able to recover prepaid monies, if needed

The USFR and State statute allows school districts to prepay items that are normally prepaid in order to procure them or to receive a discounted price, such as insurance premiums, magazine subscriptions, and conference registrations. Additionally, any items not meeting the prepayment specifications in statute may be paid only after being received.⁶ Further, the USFR requires school districts to prepare written documentation, signed by authorized district management, supporting the decision to prepay any such items. However, our review found that from fiscal years 2020 to 2024, the District Superintendent and/or business manager authorized purchase orders to prepay \$30,000 in office space rental payments in lump-sum annual payments at the beginning of each fiscal year to allow the Superintendent to use his personal residence as District office space. However, the Superintendent and business manager could not provide documentation supporting why they approved the rent prepayments, and the District did not receive a documented benefit for prepaying its rent, such as a discounted price. The Superintendent and business manager reported that they were not aware of the USFR requirements limiting prepaid expenditures. However, by prepaying the office space rental payments, the Superintendent and business manager did not follow USFR and State law requirements and increased the risk that the District may not be able to recover prepaid monies if necessary, such as if the Superintendent's District employment ended during the year for which he had received a prepayment for office space.

Recommendations

The District should:

1. In consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest in conformance with State law. These policies and procedures should specifically disallow District employees from participating in matters for which they have a substantial interest, including approving payments to a relative or themselves.
2. Develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.
3. Ensure District employees follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 2), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as office space rental prepayments, for which they have a substantial interest.

⁶ A.R.S. §15-905(N)

4. Revise existing lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements for prepayments, and recover all improperly prepaid amounts from District employees.

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



District did not comply with important internal control requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

As part of our review, we identified 3 primary deficiencies in the District's internal controls and failure to follow requirements set forth by the USFR that resulted in an increased risk of errors, fraud, and unauthorized purchases. See the details below.

Deficiency 1: District did not always separate cash-handling responsibilities, prepare receipts, or deposit cash timely, increasing the risk of errors and fraud

The USFR requires districts to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, provide prompt and intact deposits, and ensure its accurate recording.⁷ The USFR further requires districts to separate duties between employees with cash-handling and recordkeeping responsibilities and to prepare evidence of receipt, such as by using sequential, prenumbered receipts, for each cash payment received. Additionally, the USFR requires districts to deposit cash at least weekly, or daily when amounts are significant. However, our review of the District's cash collections through the mail and District central programs and deposit documentation totaling over \$32,000 in fiscal year 2022 found that the District had not established and maintained effective policies and procedures to safeguard its cash, increasing its risk of errors and fraud.⁸ Specifically, the District:

- **Did not separate cash-handling duties for payments received by an employee at their personal residence**—Although required by the USFR, the District had not separated duties for cash handling and recordkeeping. Specifically, the District leases space at an administrative employee's personal residence to serve as its District office, where the administrator performs their administrative responsibilities, including receiving checks through the mail and depositing them into District bank accounts. The District administrator maintained a mail log to record the checks they received through the mail and deposited. However, the District administrator did not take further steps to separate duties to protect cash, such as requiring another employee to be present when opening the mail before recording the checks in the mail log. Our review identified \$18,601 of checks the District administrator solely received, recorded, and deposited in fiscal year 2022.
- **Did not prepare receipts or other supporting documentation for over \$11,000 of cash collections received**—Although the District administrator maintained a mail log for checks received through the mail, we found that contrary to USFR requirements, the District did not prepare sequential, prenumbered receipts or other supporting documentation for over \$11,000, or approximately 35 percent of the fiscal year 2022 cash collections we reviewed.

⁷ The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other physical form of payment, such as money orders.

⁸ These cash collections included those from extracurricular tax credits, student fees, and other collections.

- **Did not always deposit cash timely**—Our review of 26 cash receipts totaling \$2,815 found that District officials deposited 12 cash receipts totaling \$880 between 13 and 105 days after being collected, contrary to USFR requirements.

District officials reported that separating duties for cash handling was challenging due to the District office's remote location and the District's limited staffing. Additionally, District officials reported that they were not familiar with USFR requirements for safeguarding cash, such as always preparing sequential, prenumbered receipts or maintaining other documentation to track cash received and ensuring that public monies are deposited in a timely manner. However, the District is responsible for following USFR requirements, including that its cash collection procedures appropriately safeguard public monies. The District's failure to establish and maintain effective procedures to safeguard its cash increased its risk of errors and fraud and may have resulted in noncompliance with USFR requirements. Due to the District's cash-handling deficiencies, we were unable to determine whether the District had fully accounted for and deposited all public monies it received in fiscal year 2022. The District formalizing a cash collection process, including separating cash-handling responsibilities, preparing sequential, prenumbered receipts for cash received, and depositing cash timely, would help it ensure it safeguards public monies and complies with USFR requirements.

Deficiency 2: District Superintendent had control over 3 credit cards, increasing the risk of unauthorized purchases, errors, and fraud

The USFR requires districts to separate the responsibilities for issuing credit cards; requesting, authorizing, and executing purchases; and payment processing. However, our review of the District's fiscal year 2022 credit card purchases found that the District Superintendent had control over 3 District credit cards and made over \$5,600 in purchases, including purchases for computer and IT programs and travel, without another employee reviewing the credit card statements to ensure that all the purchases were appropriate and for a documented public purpose.⁹ Specifically, the Superintendent used the card to make purchases, reconciled purchase receipts to credit card statements, and reviewed the transactions for appropriateness without another employee's independent review and approval. According to the District, it was difficult to establish separation of duties due to the office's remote location and the District's limited staffing. However, although we did not identify any improper transactions due to these deficiencies, by allowing the Superintendent to have control over the credit cards, the District increased its risk of errors and fraud without detection or paying for other unauthorized purchases.

Deficiency 3: District did not separate purchasing duties, increasing risk of unauthorized or inappropriate purchases

The USFR requires districts to separate the responsibilities for processing purchases among employees, and if that is not possible due to the district's limited staff size, establish adequate review procedures to ensure purchases are appropriate and for a valid district purpose. However, our review of 15 District noncredit card purchases made in fiscal year 2022 totaling \$42,500 for items and services including rental payments, professional and technical services, and training found that 1 District employee made all 15 purchases without prior review and approval from another employee. According to the District, its purchasing process lacked proper separation of duties because the District lacks a central office and has a small number of administrative staff. However, District staff have remote access to the District's accounting system, and inconsistent with USFR requirements, the District had not established adequate review procedures, such as requiring additional purchase order approvals within the accounting system, to help ensure purchases are appropriate and for a valid district purpose. Although we did not identify any instances of fraud, the District increased its risk of errors and fraud by not separating duties for its purchasing process or implementing review procedures to compensate for its limited staff size. District officials reported taking some steps to separate purchasing responsibilities since fiscal year 2022, such as separating purchase approval responsibilities for some

⁹ District officials stated that the District had 2 American Express cards but opened 1 Chase card as some vendors do not accept American Express.

purchases, but also reported that the District has continued to face challenges related to separating purchase approval responsibilities for some purchases within its process due to the District's limited staff size. To reduce the risk of errors and fraud, the District should ensure that all of its purchases are made using a proper separation of responsibilities, or establish adequate review procedures, as required by the USFR.

Recommendations

The District should:

5. Develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.
6. Separate cash-handling duties from recordkeeping responsibilities, such as requiring a separate employee to be present when opening mail before recording checks on its mail log or implement other controls to ensure all checks received are accounted for and deposited.
7. Prepare and maintain evidence, such as sequential, prenumbered receipts or a complete mail log, for all cash received.
8. Deposit all cash at least weekly, or daily when amounts are significant.
9. Provide training on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit.
10. Separate responsibilities over credit cards among more than 1 employee so that no employee can make purchases, reconcile purchase receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.
11. Require an independent review and approval of its purchases prior to the purchases being made.

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



District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

CTEDs should ensure member districts use CTE monies to supplement CTE satellite program spending

Statute requires member districts to use all CTED monies received to supplement and not supplant base year member district spending on career and technical education (CTE) courses. The base year is defined as the complete school year in which voters elected to join the CTED. Supplementing occurs when a member district spends monies received from the CTED in addition to the amount the member district spent in the base year on CTE programs. Supplanting occurs when a member district uses monies received from the CTED to replace some or all of its base year spending amount on CTE programs. For example, a member district that spent \$1,000 per student on CTE courses in its base year is required to continue annually spending at least \$1,000 per student of non-CTED monies for its CTE programs.^{10,11} If after joining the CTED, the member district reduced its spending of non-CTED monies to \$300 per student for its CTE programs and used CTED monies to cover the remaining \$700 per student that it previously spent on CTE courses with non-CTED monies, it potentially supplanted \$700 in spending per student, contrary to statute.¹²

Statute further requires member districts to report to their CTED's governing board and ADE how monies the member district received from the CTED were used to supplement, and not supplant, their base year CTE spending.^{13,14} Our Office developed a worksheet that member districts are required to annually complete to determine if they potentially used CTED monies to supplant CTE program spending in the current year. Further, the District's IGAs with member districts require member districts to complete and submit supplanting reports and supporting documentation to the District annually by October 15. Finally, statute requires CTEDs to contractually agree to provide ongoing evaluation and support of its member districts' satellite campus programs and courses to ensure quality and compliance, which can include whether member districts are supplanting CTE program spending.¹⁵

¹⁰ The CTED Supplanting Worksheet adjusts the District's base year per student spending amount for inflation.

¹¹ A.R.S. §15-393(AA)(1) defines base year as the complete school year in which voters of a school district elected to join a career technical education district.

¹² A.R.S. §15-393(D)(7).

¹³ A.R.S. §15-393(D)(7).

¹⁴ Member districts are required to include a copy of the CTED Supplanting Worksheet when submitting their *Annual Financial Report* to ADE annually by October 15.

¹⁵ A.R.S. §15-393(L)(10)(b).

District did not monitor whether member districts supplanted CTE program spending, potentially resulting in lower quality satellite programs

Despite the various requirements previously discussed for member districts to annually report information about its CTE program spending, District officials reported that its member districts had not provided the District with any supplanting worksheets or supporting documentation in fiscal year 2022 to demonstrate that they were using monies received from the District to supplement base year CTE program spending, as required by each member district's IGA with the District, and the District had not taken action to obtain these worksheets and supporting documentation from its member districts. Further, District officials were unaware whether member districts provided statutorily required information to ADE or the District's Governing Board (Board). Our review of the fiscal year 2022 worksheets member districts provided to ADE found that 3 of the District's 11 member districts that offered satellite programs did not submit required worksheets to ADE prior to the annual reporting deadline.¹⁶ Additionally, we found that 1 of 8 member districts that submitted the required worksheets appeared to be supplanting their base year CTE program spending, contrary to statute.¹⁷ However, the District was unaware of this information until we brought it to their attention and had not taken appropriate action to ensure member districts complied with the statutory requirements previously discussed.

By not monitoring member district spending to ensure that member districts did not supplant base year CTE program spending, the District could not identify its member districts that appeared to be supplanting CTE program spending and take appropriate action. Additionally, if member districts improperly supplanted base year CTE program spending, the District's satellite program quality may have been impacted because it had fewer resources to dedicate to providing quality equipment and supplies.

District officials reported that they did not monitor member district spending because they were unaware of member districts' statutory requirement to provide supplanting worksheets to the District's Board and ADE. Additionally, despite the requirement in its IGAs with member districts for member districts to not supplant base year spending, the District did not have a process to monitor CTE monies provided to member districts to ensure they were not being used to supplant member district CTE program spending. Further, although the District's IGAs require member districts to complete and submit supplanting worksheets and supporting documentation to the District each year, the IGA lists an outdated report, USFR Memorandum 219, which was replaced by the required worksheet and instructions in September 2017. Finally, the District did not have formal guidance or a documented process, such as within its IGAs with member districts, for taking appropriate action when it identifies member districts supplanting CTE program spending.

Recommendations

The District should:

12. Ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.
13. Ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.
14. Ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member

¹⁶ Sierra Vista USD, Tombstone USD, and Willcox USD did not submit required fiscal year 2022 worksheets to ADE.

¹⁷ Based on the submitted fiscal year 2022 worksheet, St. David USD appeared to be supplanting their base year CTE program spending.

districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

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



District’s lack of key outcome data prevents it from demonstrating how the \$4.5 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

District is responsible for preparing students for high-need occupations and has been directed to collect, validate, and use key student outcome data to help assess program effectiveness

According to State statute, Arizona’s high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation.¹⁸ Additionally, statute requires CTEDs to provide ongoing evaluation and support of their member districts’ satellite campus programs to ensure quality and compliance.¹⁹ Therefore, it is important that CTEDs determine whether their programs are preparing students for high-need occupations and then use that information to evaluate and support their member districts’ satellite campus programs to ensure quality and compliance. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including number of students obtaining postgraduation employment related to their CTE program and number of students earning industry certifications. Additionally, recent reports from national research organizations like Advance CTE have also identified these student outcome measures as important for evaluating CTE programs’ effectiveness.²⁰ These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

Key term

High-need occupations—Occupations that the Arizona Office of Economic Opportunity and the Arizona Department of Education (ADE) have identified as being high-skill, high-wage, or in-demand occupations within the State.

¹⁸ A.R.S. §§15-781, 15-391.

¹⁹ A.R.S. §15-393(L)(10)(b).

²⁰ Advance CTE is a national nonprofit that represents state CTE directors and leaders and seeks to advance high-quality CTE policies and best practices. New Skills for Youth, Advance CTE, Council of Chief State School Officers, Education Strategy Group, Data Quality Campaign, and Workforce Data Quality Campaign. (2019). *The state of career technical education: Improving data quality and effectiveness*. Retrieved 9/28/23 from https://cte.careertech.org/sites/default/files/files/resources/State_CTE_Data_2019.pdf; New Skills for Youth, Council of Chief State School Officers, Advance CTE, Education Strategy Group, and Achieve. (2019). *Making career readiness count 3.0*. Retrieved 9/28/23 from https://cte.careertech.org/sites/default/files/files/resources/Making_Career_Readiness_Count_2019.pdf; and Results for America and MDRC. (2019). *What works in career and technical education: Evidence underlying programs and policies that work*. Retrieved 9/28/23 from <https://www.mdrc.org/publication/what-works-career-and-technical-education/file-full>.

Consistent with these national research organization reports, the District and other CTEDs and ADE have been directed to collect and report data related to student postgraduation employment and industry certifications earned to assess their CTE programs' effectiveness in preparing students for high-need occupations as follows:

- To implement accountability measures for Arizona CTE programs and to help ensure CTE programs equip students with the tools needed to enter the workforce after high school in jobs that demand highly skilled employees, statute requires ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTED's annual achievement profiles.²¹ Further, in our October 2017 and November 2020 Arizona CTED special studies, we recommended that CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, and use this data to help evaluate the effectiveness of their CTE programs in preparing students for jobs related to their CTE program.²²
- To determine CTE programs' quality and compliance with statutory requirements, CTEDs, member districts, and ADE collaborated to create the *Quality and Compliance Monitoring Document* (Monitoring Document), which ADE began using to review CTED programs in fiscal year 2021. The Monitoring Document identifies collecting, reporting, and use of data for continuous evaluation and program improvement as an element of a quality CTE program. Specifically, the Monitoring Document indicates that CTEDs should collect valid and reliable outcome data, including student postgraduation employment and industry certification information, to determine whether CTE programs meet the State-determined performance levels.²³ The Monitoring Document also specifies that CTEDs should implement a formal process for the systematic and continued use of data for program improvement, which should include a professional development plan to teach CTE staff and teachers how to use and analyze data for program improvement.
- To comply with federal Perkins Act accountability requirements, districts that received federal Perkins Act funding were directed to track and report student postgraduation employment data and industry certifications students earned to ADE.²⁴
- To receive Arizona Industry Credentials Incentive Program (Incentive Program) monies, districts that voluntarily participated in the Incentive Program were required to track and report student industry certification data to ADE.²⁵

²¹ Laws 2016, Ch. 4, §§4 and 8, enacted A.R.S. §15-393.01 and included legislative intent language that stated that CTEDs "are an important component of a well-rounded education system by providing access to Career and Technical Education programs that offer training to students to equip them with the tools needed to enter the workforce after high school in jobs that demand highly-skilled employees. Restoring funding to CTEDs and implementing accountability measures to the programs was an important priority of members of the Arizona House of Representatives."

²² See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*. In May 2023, we issued a follow-up report on the implementation status of the recommendations from our November 2020 special study. Of the 10 recommendations made in our report, we found that 8 were in the process of being implemented, and 2 had not been implemented.

²³ The State-determined levels of performance for each measure are included in the State's *Perkins V State Plan* that ADE submits to the U.S. Department of Education for review and approval.

²⁴ The Perkins Act requires each state receiving Perkins Act funding to report certain outcome measures, such as positive student placements, meaning that students are employed, attending postsecondary school, or serving in the military or on a religious mission. Beginning in fiscal year 2020, states were also required to report industry certifications earned by students. The District's member districts receive federal Perkins funding, but the District's central programs do not apply for and receive federal Perkins funding.

²⁵ A.R.S. §15-249.15. The Incentive Program provided an incentive award of \$1,000 to school districts, charter schools, and CTEDs for high school graduates who complete a CTE program and obtain a qualifying certification, credential, or license. The District and its member districts were eligible to participate in the Incentive Program in fiscal year 2022. The Incentive Program has not received additional funding since fiscal year 2022, and ADE retained unexpended monies from previous fiscal year appropriations. For fiscal year 2023, ADE distributed incentive awards based on the CTE programs for high-need sectors, and each graduate generated no more than \$361.27. In fiscal year 2023, the member districts that participated in the program received almost \$17,000, in total.

District did not consistently collect, validate, and use data to help assess whether its programs successfully prepared students for high-need occupations and led them to earn industry certifications

District did not consistently collect and validate complete student employment and certification data to help assess program effectiveness in preparing students for high-need occupations

Although in fiscal year 2022 the District and its member districts collected and reported to ADE some postgraduation employment and certification data on former students who had completed a CTE program, they did not collect all the data necessary to demonstrate whether their students earned industry certifications and obtained jobs in high-need occupations. Although CTD collected certification data for central program students, each member district was responsible for collecting certification data for its own satellite program students and student employment data for both central and satellite students. The member districts used various strategies for obtaining post-graduation placement and certification information, including collecting student and parent contact information before students graduated, contacting students on social media, and reviewing National Student Clearinghouse data to determine whether students were enrolled in post-secondary education.²⁶ These varying data collection strategies resulted in varying levels of data accuracy and completeness. For example, 1 member district that used multiple data collection strategies collected post-graduation outcome data for 185 of their 241 (77 percent) CTE program graduates in fiscal year 2022. Another member district reported that it did not prioritize collecting postgraduation employment and certification data and collected data for only 46 of its 83 (55 percent) CTE program graduates in the same fiscal year.

Additionally, despite ADE's Monitoring Document identifying valid and reliable outcome data as an important component of outcome data collection and analysis, with the exception of 2 member districts, the District and its member districts did not validate the postgraduation employment data or maintain copies of certifications earned by students. District officials at these 2 member districts reported that they attempted to contact employers to verify post-graduation placement data reported by students.

District did not demonstrate that its CTE programs were successful in filling high-need jobs and leading to certification

Without collecting, validating, and using complete and reliable key outcome data about jobs obtained and industry certifications earned by its students, the District could not demonstrate to students, parents, the public, and State policymakers that its programs were effective in achieving its statutory purpose of preparing students for entry into high-need occupations. While District officials reported that the District has begun considering some metrics to assess its central programs, such as certifications earned and CTE program completion, the District does not work with its member districts to review outcome measures and assess satellite CTE program performance. Although the District may be able to show that a student in 1 program obtained a job post-graduation related to their CTE program or another student in a different program obtained a certification, absent complete and reliable key outcome data, the District could not demonstrate overall whether the \$4.5 million it spent in fiscal year 2022 enabled its programs to meet the statutory purpose. Further, the District could not provide students and parents necessary information to know whether attending the District's programs would likely result in the student obtaining a high-need industry job.

Finally, by not collecting, validating, or monitoring complete key student outcome data, the District was unable to know whether public monies used on its specific programs may have been better spent on other more effective programs and whether significantly higher or lower spending per enrollment for the same program at different satellite districts was justified and appropriate. For example, when comparing fiscal year 2022 program costs per enrollment for culinary arts programs at 2 member districts with similar enrollment numbers, we identified that 1 program spent \$873 per enrollment while another member district spent \$1,504 per enrollment, or nearly twice as much per enrollment. Without key data to assess program outcomes, the District could not determine whether the member district that spent more per enrollment for its culinary arts program resulted in more student certifications earned or placements in high-need occupations.

²⁶ The National Student Clearinghouse is a national nonprofit organization that partners with 3,600 postsecondary education institutions to collect data on students' postsecondary enrollment.

District reported it did not collect, validate, and use certain student employment and industry certification data because it relied on the member districts to do so

District officials and member district CTE program administrators were aware of ADE's requirement that CTEDs and member districts collect and report student outcome data to ADE. However, the District had not taken steps to ensure that member districts collected and reported valid and reliable program outcome data, such as monitoring or providing guidance on the member districts' data collection efforts. Instead, the District relied on the member districts to conduct outcome measure surveys and report this information to ADE because according to District officials, the District did not have access to the ADE portal where the data was reported. District officials stated that the District now has access to the ADE portal and is developing strategies to collect and use some outcome data to review central program performance. As stated previously, the District is responsible for determining if member district programs are preparing students for high-need occupations, and the District cannot do so without receiving complete and valid student postgraduation employment and certification data for its own CTE students and from the CTED member districts.

Recommendations

The District should:

15. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.
16. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

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.

Deficiency 1: District did not regularly review and limit user access to its accounting system, 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. 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 June 2023 review of accounting system access levels for the District's 3 business office employees found that 2 of the users' access was more than what was necessary to complete their job duties and allowed them the ability to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. In addition, the District granted administrator-level access to its accounting system to 1 of these business office employees. This level of access gave the employee full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system. By not restricting access to its systems consistent with USFR requirements and credible industry standards, the District increases the risk of unauthorized access to sensitive information, data loss, errors, and fraud. For example, users with broad or administrative-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection.

Deficiency 2: 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 new system users and at least annually thereafter. This is important because cyberattacks commonly use social engineering techniques

to trick employees into giving up sensitive information or downloading dangerous software. However, as of January 2024, the District did not require employees to take security awareness training on a regular basis, contrary to USFR requirements and credible industry standards. District officials reported that the District did not require employees to take security awareness training when hired or on a regular basis and only provided cyber security awareness videos, when available, to employees. 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.

Deficiency 3: District lacked an IT contingency plan, increasing its risk of interrupted operations and data loss

As of January 2024, 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 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 security awareness training and contingency planning did not align with credible industry standards because the District was unaware of the credible industry standards and lacked the knowledge to strengthen IT controls. 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 limit accounting system user access due to their lack of familiarity with the accounting system. 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:

17. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office.
18. Establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure employees have access to only those accounting system functions needed to perform their job duties.
19. Establish and implement a District policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter.

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. In consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest in conformance with State law. These policies and procedures should specifically disallow District employees from participating in matters for which they have a substantial interest, including approving payments to a relative or themselves (see Finding 1, pages 3 through 5, for more information).
2. Develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities (see Finding 1, pages 3 through 5, for more information).
3. Ensure District employees follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 2), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as office space rental prepayments, for which they have a substantial interest (see Finding 1, pages 3 through 5, for more information).
4. Revise existing lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements for prepayments, and recover all improperly prepaid amounts from District employees (see Finding 1, pages 3 through 5, for more information).
5. Develop and implement written cash-handling policies and procedures for cash collection, deposit, and review (see Finding 2, pages 6 through 8, for more information).
6. Separate cash-handling duties from recordkeeping responsibilities, such as requiring a separate employee to be present when opening mail before recording checks on its mail log or implement other controls to ensure all checks received are accounted for and deposited (see Finding 2, pages 6 through 8, for more information).
7. Prepare and maintain evidence, such as sequential, prenumbered receipts or a complete mail log, for all cash received (see Finding 2, pages 6 through 8, for more information).
8. Deposit all cash at least weekly, or daily when amounts are significant (see Finding 2, pages 6 through 8, for more information).
9. Provide training on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit (see Finding 2, pages 6 through 8, for more information).
10. Separate responsibilities over credit cards among more than 1 employee so that no employee can make purchases, reconcile purchase receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval (see Finding 2, pages 6 through 8, for more information).

11. Require an independent review and approval of its purchases prior to the purchases being made (see Finding 2, pages 6 through 8, for more information).
12. Ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219 (see Finding 3, pages 9 through 11, for more information).
13. Ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet (see Finding 3, pages 9 through 11, for more information).
14. Ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending (see Finding 3, pages 9 through 11, for more information).
15. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data (see Finding 4, pages 12 through 15, for more information).
16. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies (see Finding 4, pages 12 through 15, for more information).
17. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office (see Finding 5, pages 16 through 18, for more information).
18. Establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure employees have access to only those accounting system functions needed to perform their job duties (see Finding 5, pages 16 through 18, for more information).
19. Establish and implement a District policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter (see Finding 5, pages 16 through 18, 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 5, pages 16 through 18, for more information).



District’s fiscal year 2022 spending

Tables 1, 2, and 3 detail the District’s fiscal year 2022 spending. Table 1 shows the District’s spending for satellite programs shown by member district, the number of student enrollments in satellite programs at each member district, and the District’s spending per enrollment at each member district.²⁷ Most of the District’s spending for satellite programs was in the form of allocation payments to its member districts based on the funding those programs generated for the District and in accordance with the IGAs the District established with its member districts. In fiscal year 2022, the District received more than \$4.1 million in revenues generated from student enrollment in satellite programs and spent approximately \$3.7 million on allocation payments to its member districts. In addition to the District’s spending for satellite programs shown in Table 1, member districts spent over \$4.8 million in fiscal year 2022 on their satellite programs from other funding sources, primarily maintenance and operations monies. This spending is not included in the amounts shown in Table 1. A.R.S. §15-393 requires member districts to use the monies generated from student enrollment in satellite programs to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED (see Finding 3, pages 9 through 11, for more information about the District not ensuring its member districts used CTED monies to supplement and not supplant base year CTED program spending).

Table 1
District spending for satellite programs by member district
Fiscal year 2022

Member district	District spending amount	Student enrollments	District spending per enrollment
Douglas Unified School District	\$1,202,820	2,155	\$558
Sierra Vista Unified School District	1,085,123	1,252	867
Benson Unified School District	352,265	606	581
Tombstone Unified School District	286,079	573	499
Bisbee Unified School District	265,167	258	1,028
Willcox Unified School District	237,612	537	442
Valley Union High School District	93,338	104	897
St. David Unified School District	85,415	90	949
Patagonia Union High School District	40,225	41	981
San Simon Unified School District	30,292	33	918
Bowie Unified School District	26,070	28	931
Total	\$3,704,406	5,677	\$653

Source: Auditor General staff analysis of fiscal year 2022 District-reported accounting and enrollment data.

²⁷ Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Table 2 below shows the District’s spending for central programs shown by CTE program, the number of student enrollments in each CTE program, and the District’s spending per enrollment for each CTE program. The District partners with Cochise College through IGAs to offer most of its central CTE programs. In fiscal year 2022, the District paid nearly \$65,000 in tuition and other fees for its students to attend programs at Cochise College in accordance with its IGA. The District’s central program spending also includes salaries and benefits for the District’s teachers, classroom supplies, textbooks, and student certification testing fees.

Table 2
District spending for central programs shown by CTE program
Fiscal year 2022

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Home Health Aide & CNA ¹	Provide routine care and support services and other nursing-related services for homebound patients and in hospitals or long-term care facilities	\$86,014	92	\$935
Mental and Social Health Technician	Introduction to social work and mental health case work	18,331	35	524
Law and Public Safety	Apply management and criminal justice practices to law enforcement administration and operations	33,167	26	1,276
Welding Technologies	Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment	18,611	24	775
Network Security	Assess security needs and manage implementation of security devices, systems, and procedures	7,922	13	609
Automotive Technologies	Repair, service, and maintain all types of automobiles	2,888	5	578
Total		\$166,933	195	\$856

¹ In fiscal year 2022, the District recorded the costs for both the Home Health Aide and CNA programs under the same expenditure code. As a result, we were unable to split the costs between the 2 programs. Shown in the table is the combined cost and enrollment figures for the 2 programs.

Source: Auditor General staff analysis of ADE’s CTE program descriptions and fiscal year 2022 District-reported accounting and enrollment data.

Table 3 below shows the District’s spending for administration and support services shown by spending category, including a brief description of the primary expenditures in each category, and the spending per enrollment for each category. Spending per enrollment in Table 3 is calculated using the District’s fiscal year 2022 total satellite and central program enrollment of 5,872 students. In fiscal year 2022, District employees and administrators had Board-approved employment contracts that included a provision allowing them to provide incidental food and beverages at District events “...as a *de minimus* fringe benefit in order to foster good working relations and encourage and reward participation.” In fiscal year 2022, the District spent approximately \$1,000 on food and beverages for District employees, students, and member district instructors for training purposes during the fiscal year.²⁸

Table 3
District spending for administration and support services
Fiscal year 2022

Spending category	Spending description	District spending amount	District spending per enrollment
Administration	Primarily includes salaries and benefits, and spending for accounting and audit services.	\$384,395	\$65
Instruction support and student support services	Primarily includes technology expenses and staff training.	218,230	37
Other support services	Primarily includes spending for internet services, phone services, and office rentals.	40,127	7
Total		\$642,752	\$109

Source: Auditor General staff analysis of fiscal year 2022 District-reported accounting and enrollment data.

²⁸ The District’s food expenditures were accounted for in various spending categories, including administration, shown in Table 3 above, and across multiple CTE central programs, shown in Table 2 on page a-2.



Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A) (9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2022 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing CTE statutes, rules, and policies and procedures; interviewing District staff; and reviewing District documentation and information from the ADE website. We also used the following specific methods to meet the audit objectives:

- To determine if the District spent CTED monies consistent with requirements and to enhance its central programs, we reviewed its detailed accounting records and IGAs between the District and its community college partner, reviewed statutory requirements, compared enrollment and billing reports, and interviewed District staff. We also evaluated the District's fund balances in its general fund and restricted funds and interviewed District staff regarding the purpose of its accumulated fund balances. We did not report any findings in this area.
- To determine whether the District spent CTED monies consistent with requirements and to enhance its satellite programs, we reviewed District *Annual Financial Reports* and audited financial statements, funding the District received for its central and member districts' satellite programs, allocations it made to its member districts, ADE supplanting worksheets, and its unspent fund balances; reviewed IGAs between the District and its member districts; researched best practices for fund balance policy; and interviewed District staff about whether the District had a policy pertaining to how much unspent monies the District could accumulate and for what purposes. We also toured some of the District's central programs and member districts' satellite programs and interviewed member district staff about their satellite program needs. We did not report any findings in this area.
- To determine the outcome measure data the District collected and reviewed and whether it used that information to assess its programs' effectiveness in preparing students to earn certifications or licenses and for jobs in high-need occupations, as required by statute, we reviewed CTE performance measure reports and certification documentation and conducted interviews with District and member district staff.
- To assess the District's program spending and evaluate differences in per enrollment spending by program, we reviewed the District's and member districts' operating and equipment spending by program and calculated the District's and member districts' spending per enrollment by program. We also conducted interviews with District officials to assess whether the District monitored and investigated differences in program spending between member districts to ensure the differences in program spending between member districts were necessary and justified and that programs were operating efficiently.
- Our work on assessing internal controls, including information system controls, included reviewing the District's policies and procedures; interviewing District staff; and, where applicable, testing the District's compliance with its policies and procedures, the *Uniform System of Financial Records for Arizona School Districts* and related guidance, and credible IT industry standards. We also evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2022 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for all 3 individuals who received

payments from the District in fiscal year 2022 and reviewed supporting documentation for 15 of 841 fiscal year 2022 accounts payable transactions; conflict-of-interest disclosure forms and office lease payment approvals for fiscal years 2020 to 2024, and office lease prepayments for fiscal years 2020 through 2024; cash collection and deposit documentation totaling over \$32,000 for fiscal year 2022; fiscal year 2022 credit card purchases from all 3 of the District's credit cards, totaling over \$8,800; and 15 fiscal year 2022 expenditures for food purchases totaling \$1,059. We evaluated these food expenditures by reviewing itemized receipts, District documentation to the public purpose and funding sources used, and District employee employment contract provisions. We also evaluated other internal controls that we considered significant to the audit objectives. We reported our conclusions on applicable internal controls in Findings 1 and 2 (see pages 3 through 8) and Finding 5 (see page 16).

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, as well as member districts' staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



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February 21, 2024

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N 44th St, Ste 410
Phoenix, AZ 85018

Dear Lindsey:

Please accept our district's response to the performance audit that has recently been completed. The administration and governing board accept the findings and will diligently work to implement the recommendations. Both Christine Haidet and Josh Lykins have been very good to work with and very helpful through this process. We appreciate the recommendations for improvements that were made to us. We feel that we have improved the district's operations as we worked through the process of the audit.

We look forward to working with your staff as we implement the recommendations and to seeing the improvements as we do so. Thank you for working with us on this and making it a positive relationship.

Sincerely,

Joel R. Todd
Superintendent
Cochise Technology District

Finding 1: District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into the District's activities and increasing the risk that the District may not be able to recover monies it improperly paid in advance

Recommendation 1: The District should in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest in conformance with State law. These policies and procedures should specifically disallow District employees from participating in matters for which they have a substantial interest, including approving payments to a relative or themselves.

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

Response explanation: The District has updated procedures to comply with State law and the USFR

Recommendation 2: The District should develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

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

Response explanation: The District will implement the recommendation.

Recommendation 3: The District should ensure District employees follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 2), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as office space rental prepayments, for which they have a substantial interest.

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

Response explanation: The district will implement the recommendation.

Recommendation 4: Revise existing lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements for prepayments, and recover all improperly prepaid amounts from District employees.

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

Response explanation: Lease agreements will be adjusted to comply with the USFR and state law.

Finding 2: District did not comply with important internal control requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

Recommendation 5: The District should develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.

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

Response explanation: The district has already put procedures in place to rectify this issue.

Recommendation 6: The District should separate cash-handling duties from recordkeeping responsibilities, such as requiring a separate employee to be present when opening mail before recording checks on its mail log or implement other controls to ensure all checks received are accounted for and deposited.

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

Response explanation: The district has already put procedures in place to rectify this issue.

Recommendation 7: The District should prepare and maintain evidence, such as sequential, prenumbered receipts or a complete mail log, for all cash received.

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.

Recommendation 8: The District should deposit all cash at least weekly, or daily when amounts are significant.

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.

Recommendation 9: The District should provide training on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit.

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

Response explanation: The District will implement this recommendation.

Recommendation 10: The District should separate responsibilities over credit cards among more than 1 employee so that no employee can make purchases, reconcile purchase

receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.

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.

Recommendation 11: The District should require an independent review and approval of its purchases prior to the purchases being made.

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

Response explanation: The district has already put procedures in place to rectify this issue.

Finding 3: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

Recommendation 12: The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

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

Response explanation: The district will update its IGAs with member districts.

Recommendation 13: The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

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 member districts to make sure that the required report is submitted. The District will also develop a consequence for districts that will encourage their compliance with this reporting requirement.

Recommendation 14: The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with

ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

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

Response explanation: The District will implement this recommendation.

Finding 4: District's lack of key outcome data prevents it from demonstrating how the \$4.5 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

Recommendation 15: The District should develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

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

Response explanation: CTD will develop a process to track student certifications and placement data.

Recommendation 16: The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

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

Response explanation: The District will facilitate processes to do this.

Finding 5: 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 17: The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office.

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

Response explanation: This recommendation has been implemented.

Recommendation 18: The District should establish and implement written policies and procedures to assign and periodically review accounting system access for employee

accounts in the accounting system to ensure employees have access to only those accounting system functions needed to perform their job duties.

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

Response explanation: The District will implement this recommendation.

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

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

Response explanation: The District will implement this recommendation.

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 will implement this recommendation.

