

Coconino Association for Vocations, Industry and Technology

District did not take timely disciplinary action for repeated credit card misuse, lacked key outcome data demonstrating how the \$1.9 million it spent in fiscal year 2021 effectively prepared students for high-need occupations, and put sensitive information at risk by not complying with important IT requirements and standards

Performance Audit

June 2023
Report 23-202

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Audit Staff

Scott Swagerty, Director
Christine Haidet, Manager
Paul Solding, Manager

Joshua Lykins, Team Leader
Brittany Hughes
Rob Omega

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

June 29, 2023

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Coconino Association for Vocations, Industry and Technology

Dr. Brent Neilson, Superintendent
Coconino Association for Vocations, Industry and Technology

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Coconino Association for Vocations, Industry and Technology*, 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.

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

Coconino Association for Vocations, Industry and Technology

District did not take timely disciplinary action for repeated credit card misuse, lacked key outcome data demonstrating how the \$1.9 million it spent in fiscal year 2021 effectively prepared students for high-need occupations, and put sensitive information at risk by not complying with important IT requirements and standards

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

- During a nearly 4-year period, former coordinator and their family member used District credit card for numerous improper personal purchases totaling \$5,691, and superintendent did not take timely disciplinary actions, which may have resulted in improper loaning of public monies, continued credit card misuse, and increased risk for theft and fraud.
- Although District is responsible for preparing students for high-need occupations, its lack of key outcome data prevents it from demonstrating how the \$1.9 million it spent on programs in fiscal year 2021 effectively did so.
- District emailed unencrypted, sensitive information, and employees improperly shared login credentials, which were then stored in an unprotected document, increasing the risk of security breaches and fraud.

Key recommendations

The District should:

- Ensure its employees comply with District policies and USFR requirements by enforcing existing District policies and cardholder agreements for District card usage and taking timely disciplinary action for noncompliance.
- Ensure its employees comply with District policies and USFR requirements by developing and providing periodic training to its employees on District card policies and procedures, USFR requirements, and the appropriate disciplinary actions to be taken when improper use is identified.
- Develop and implement consistent outcome data protocols for all central and satellite CTE programs, and analyze this 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.
- Continue developing and implementing written policies and procedures for securing sensitive, personally identifiable information to be shared with its accounting and business operations vendor to reduce the risk of unauthorized information or a security breach.
- Discontinue its practices of requiring employees to share passwords with the business office and storing passwords in an unprotected computer document, and use more secure alternatives.



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District overview

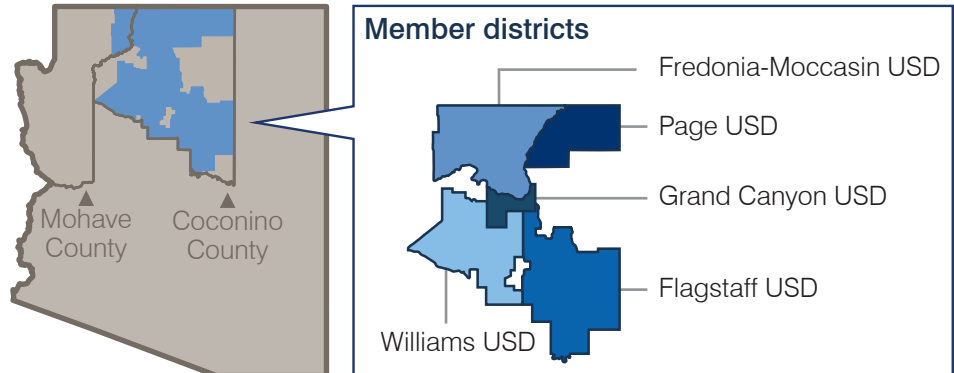
Coconino Association for Vocations, Industry and Technology (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor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

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.

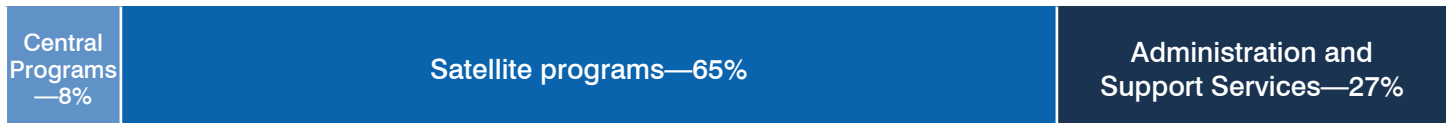
Central programs—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.



The District had 10 central programs with 44 enrollments and 23 satellite programs with 2,126 enrollments in fiscal year 2021.¹ See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

¹ 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).

Total spending—\$1.89 million (\$871 per student enrolled)



Audit results summary

Key areas reviewed

Central programs—In fiscal year 2021, the District operated an engineering program at a leased space and also partnered with Coconino Community College (CCC) through intergovernmental agreements (IGAs) to offer its other central CTE programs. The District paid almost \$109,000 in tuition and other fees for its students to attend programs at CCC in accordance with its IGAs. However, the District's lack of key outcome data prevents it from demonstrating how the \$1.9 million it spent on programs in fiscal year 2021 was effective in preparing students for high-need occupations (see Finding 2, page 7).

Key areas reviewed (continued)

Satellite programs—In fiscal year 2021, the District allocated over \$1.2 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 maintained a \$2.5-million-unspent-fund balance for the satellite programs and had an informal policy requiring the satellite program directors to work with the District to develop plans regarding the purpose and amount of fund balance to maintain and save for future projects.

Administration and support services—In fiscal year 2021, the District's administration spending of \$280,000 was primarily to pay for administrative salaries and benefits, as well as accounting and audit services. It also spent \$214,000 on support services primarily for salary and benefits for its 2 support services employees and leased space at CCC. However, from 2018 to 2022, the District's former program coordinator and their family member continued to use a District credit card for numerous personal purchases while the superintendent did not take timely disciplinary actions (see Finding 1, page 3). Further, the District emailed unencrypted, sensitive data, and employees shared login credentials, which were then stored in an unprotected document, increasing the risk of security breaches and fraud (see Finding 3, page 11).



During a nearly 4-year period, former coordinator and their family member used District credit card for numerous personal purchases while superintendent did not take timely disciplinary actions

From 2018 to 2022, a former District Career and Technical Education program coordinator (former coordinator) and their family member used a District credit card to make personal purchases on at least 27 occasions. Although the superintendent identified most of the personal purchases during his monthly credit card statement reviews and recovered the monies used for personal purchases, he did not take timely disciplinary actions against the former coordinator or actions to restrict the former coordinator's use of the District card before terminating the former coordinator in April 2022.

USFR and District policies require District credit cards to be used only for District purposes and disciplinary action for card misuse

The *Uniform System of Financial Records for Arizona School Districts* (USFR) and District policy do not allow District cards to be used for personal expenditures.¹ District policy also requires card holders to be held liable for unauthorized use of District cards and requires card holders to sign an agreement affirming they will not use District cards for personal purchases. By signing the agreement, card holders acknowledge that a violation of the agreement may result in disciplinary action up to and including termination as well as possible legal action. When a district becomes aware of potential credit card misuse, such as a district card being used for personal purchases, the USFR requires districts to take appropriate action for noncompliance with card policies.

From 2018 to 2022, former coordinator and their family member used District credit card at least 27 times for \$5,691 of improper personal purchases, and superintendent did not take timely disciplinary action

Contrary to USFR requirements and District policy, the former coordinator used a District credit card for numerous improper personal purchases, and the superintendent did not take timely, appropriate disciplinary action, allowing the improper personal purchases to continue. Specifically, despite signing 3 card holder agreements affirming that they would not use the District card for personal purchases, the former coordinator used the District credit card for improper personal purchases at least 10 times over 7 monthly billing cycles between August 2018 and March 2022, totaling \$4,158.² These purchases ranged from \$16 to \$1,627 and included items such as personal rental cars, personal travel expenses, and food. According to the

¹ 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.

² The former coordinator signed District card use agreements in 2019, 2020, and 2021.

superintendent, when he questioned the former coordinator about these charges, the former coordinator reported that they had used the card instead of a personal credit card by mistake.

In addition to the former coordinator's improper personal purchases, the former coordinator's family member used the District card at least 17 times in May 2021 for improper personal purchases totaling \$1,533, including for items such as food delivery, an Instacart subscription, and home improvement retail goods.³ According to the superintendent, when he questioned the former coordinator about these charges, the former coordinator reported that the charges were fraudulent due to an alleged theft of their District card. The District reported these charges as fraudulent and improperly recovered \$1,533 from its bank in June 2021. After we questioned many of the former coordinator's improper personal purchases in April 2022, the former coordinator reported to the superintendent that their family member had used the District card for the purchases the District had reported as fraudulent, the District's bank reversed most of the credits, and the District recovered the monies from the former coordinator.

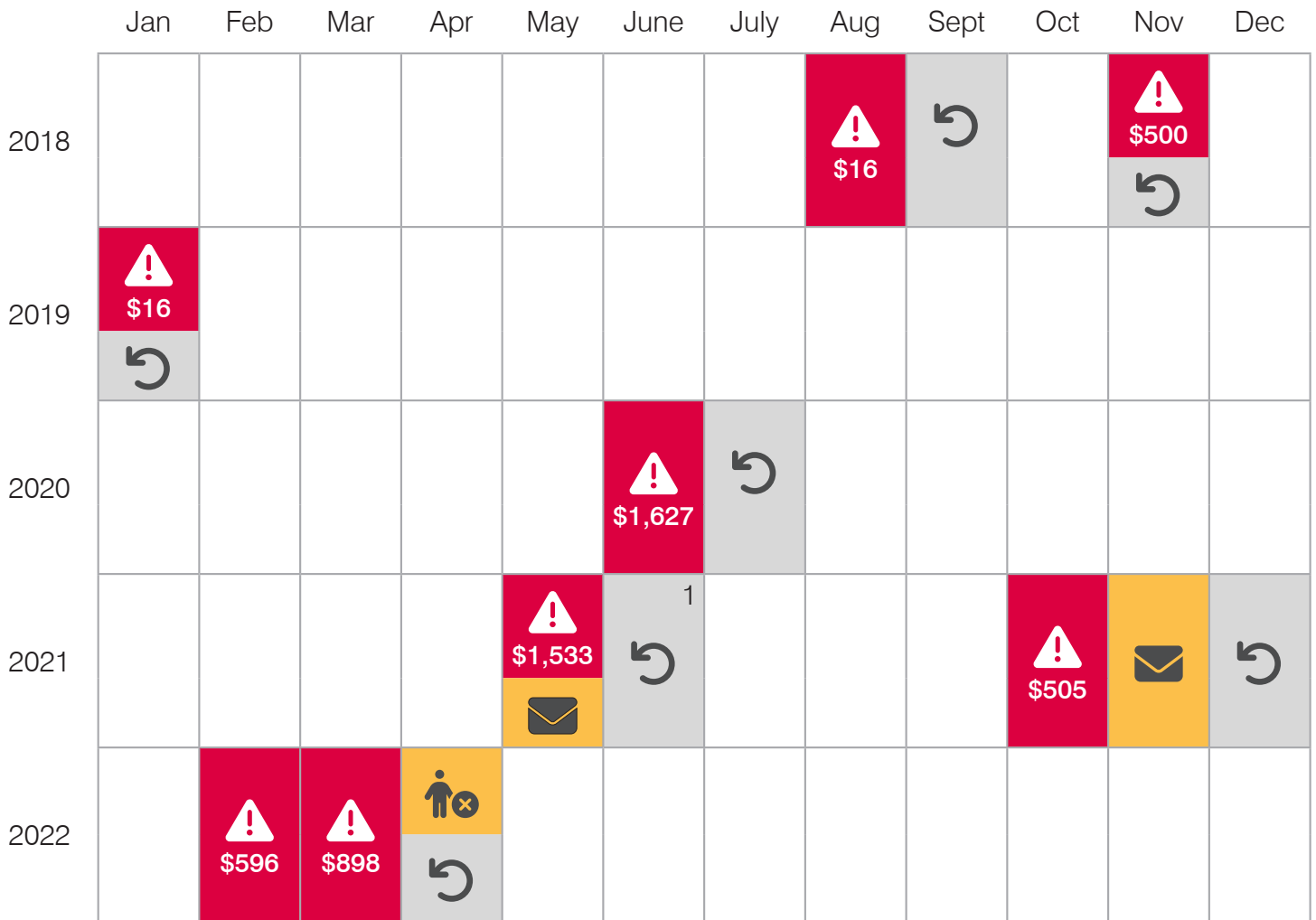
The superintendent reported he identified most of the improper personal purchases during his monthly review of the District's credit card statements and that after identifying the improper personal purchases, he met with the former coordinator to discuss their District card misuse. Additionally, the superintendent reported that he sought repayment of improperly spent District monies from the former coordinator on each occasion. We confirmed the District received repayment for improperly spent District monies between 1 and 2 months after the improper personal purchases were made. However, despite the repeated violations of District policy regarding credit card use, the superintendent did not take any further action against the former coordinator until May 2021, nearly 3 years after the former coordinator first used the District card for an improper personal purchase (see Figure 1, page 5). Specifically:





- In August 2018, the former coordinator first used the District card for an improper personal purchase. The former coordinator improperly used the District card again in November 2018, January 2019, and June 2020. The superintendent reported that he discussed the misspending with the former coordinator after each of these instances but did not take any further disciplinary action or action to restrict the former coordinator's use of the District card.
- In May 2021, the superintendent issued a letter of direction to the former coordinator on District card usage requirements in response to the District's financial auditors identifying internal control deficiencies related to the District's credit cards. This was the first time the superintendent took formal disciplinary action against the former coordinator, nearly 3 years after the former coordinator first used the District card for improper personal purchases. Despite issuing the letter of direction, the superintendent took no further action, such as removing or restricting the former coordinator's use of the District card.
- In November 2021 and subsequent to the May 2021 letter of direction, the superintendent again identified that the former coordinator had used the District card for \$505 of personal travel purchases in the prior month and provided the former coordinator with a second letter of direction on District card usage requirements. Despite issuing a second letter of direction, the superintendent took no further action, such as removing or restricting the former coordinator's use of the District card.
- In March 2022 and subsequent to the second letter of direction, the superintendent identified that the former coordinator had again used the District card for 3 personal purchases totaling \$1,494 during that month and the previous month. Finally, after 27 instances of improper District card usage over nearly 4 years, the District terminated the former coordinator's employment on April 13, 2022.

³ All 17 improper personal purchases made by the former coordinator's family member occurred during 1 billing cycle, and the superintendent identified this activity during his review of the monthly credit card statement.

Figure 1

Former coordinator and their family member repeatedly used District card for at least 27 personal purchases totaling \$5,691, and superintendent did not take timely action



-  Former coordinator’s and family member’s personal purchases on District card
-  Repayments, vendor credits, or bank credits for personal purchases
-  Disciplinary action—Letter of Direction from Superintendent
-  Disciplinary action—Former coordinator terminated

¹ In June 2021, the District’s bank credited \$1,533 to the District when it reported fraudulent charges due to an alleged theft of the former coordinator’s District card. After we questioned the purchases in April 2022, the former coordinator reported that their family member had used the District card, the District’s bank reversed most of the credits, and the District recovered the monies from the former coordinator.

Former coordinator’s misuse of District card and superintendent’s lack of timely disciplinary action may have resulted in improper loaning of public monies, continued card misuse, and increased risk for theft and fraud

Although the District recovered monies the former coordinator and their family member improperly charged to District cards, the former coordinator’s repeated misuse of the District card and the superintendent’s lack of timely action, such as by removing or restricting the former coordinator’s ability to use the District card, may have resulted in the District improperly loaning \$5,691 of public monies to the former coordinator and their family member over a nearly 4-year period.⁴ Additionally, by not taking timely, appropriate disciplinary action against the former coordinator for repeated card misuse, the superintendent increased the District’s risk for theft and fraud.

When we asked the superintendent why he had not taken more timely progressive disciplinary actions against the former coordinator, the superintendent stated the District relied on the former coordinator for other job responsibilities, and he believed he could work with the former coordinator to improve the former coordinator’s compliance with District card policies. Additionally, the superintendent reported that he felt these purchases were made in error by the former coordinator and that when he discovered the former coordinator had used the District card “for truly personal use,” the former coordinator was terminated. However, the superintendent had a responsibility to ensure that District monies were used properly and for valid public purposes, and for enforcing District policy for the proper use of District cards, which he did not do by allowing the former coordinator to continue using the District card despite repeated instances of improper use. In December 2022, the District’s Governing Board reviewed and approved updated District credit card procedures that includes specific guidance for the disciplinary action that should be taken in response to District card misuse.

Recommendations

The District should ensure its employees comply with District policies and USFR requirements by:

1. Enforcing existing District policies and cardholder agreements for District card usage. Actions the District should take include disallowing personal purchases, and taking timely, appropriate disciplinary action for noncompliance with card policies, such as recovering public monies; revoking card privileges; and termination.
2. Continuing to implement and adhere to the credit card procedures the Board reviewed and approved in December 2022.
3. Developing and providing periodic training to its employees on District card policies and procedures, USFR requirements, and the appropriate disciplinary actions to be taken when improper use is identified.

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

⁴ A.R.S. §35-302 defines the phrase “public money” as including bonds and evidence of indebtedness, and money belonging to, received by, or held by State, county, district, city, or town officers in their official capacity.



District’s lack of key outcome data prevents it from demonstrating how the \$1.9 million it spent on programs in fiscal year 2021 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 but lead to a certification or licensure if available and provide students with sufficient skills for entry into an occupation.⁵ Additionally, statute requires CTEDs to provide ongoing evaluation and support of their member districts’ satellite campus programs to ensure quality and compliance.⁶ 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.⁷ 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.

⁵ A.R.S. §§15-781 and 15-391.

⁶ A.R.S. §15-393(L)(10)(b).

⁷ 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 5/24/22 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 12/7/22 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 12/7/22 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 have been directed to collect 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 CTEDs' annual achievement profiles.⁸ 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.⁹
- 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 using 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 data, to determine if their CTE programs meet the State-determined levels of performance for each measure.¹⁰ The Monitoring Document also specifies that CTEDs should have a formal process in place for the systematic and continued use of data for program improvement, including implementing 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.¹¹
- 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.¹²

⁸ Laws 2016, Ch. 4, §1, 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."

⁹ 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.

¹⁰ 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.

¹¹ 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.

¹² 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 2021. 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 plans to distribute incentive awards based on the CTE programs for high-need sectors for the 2022-2023 school year.

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

District did not 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 2021 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. Each district was responsible for collecting its own data, and the districts varied in their data collection strategies and priorities, which resulted in varying levels of data accuracy and completeness among the districts. The strategies the District and its member districts used for contacting students who had graduated from a CTE program to obtain postgraduation employment and certification data included collecting student and parent contact information before the students graduated, contacting students on social media, and reviewing National Student Clearinghouse data to determine whether students were enrolled in postsecondary education.¹³ The districts' data collection strategies resulted in varying levels of accuracy and completeness. For example, 1 member district that used multiple data collection strategies collected data for 123 of their 144 CTE program graduates in fiscal year 2021. Another member district reported that it did not prioritize collecting postgraduation employment and certification data and collected data for only 8 of its 52 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 1 member district, the District and its member districts did not validate the postgraduation employment data or maintain copies of certifications earned by students. Also, while reviewing the District's postgraduation employment and certification data collected in fiscal year 2021, we observed instances where students who had graduated were being reported as being placed in high-needs positions related to their CTE programs when they were instead working in unrelated retail positions.

District did not use student employment and certification data and could not demonstrate how the \$1.9 million it spent on programs was effective—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. Although the District may have been able to show anecdotally that a student in 1 program obtained a job post-graduation related to their CTE program or another student in a different program obtained an industry certification, absent complete and reliable key outcome data, the District could not demonstrate overall whether the \$1.9 million in public monies it spent in fiscal year 2021 was a wise investment that enabled its programs to meet their statutory purpose. Additionally, 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. Further, if a student's desired goal was a job in a high-needs industry, the District could not provide students and parents necessary information to know if attending the District's programs would help the student achieve that goal.

¹³ The National Student Clearinghouse is a national nonprofit organization that partners with over 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 was focused on other Monitoring Document requirements

District officials and CTED 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, instead of ensuring that member districts collected and reported valid and reliable outcome data, the District's focus when reviewing CTED member districts' programs was on ensuring that the programs met other ADE Monitoring Document requirements, such as working with business and community partners and using work-based learning curriculum. Further, District officials stated that they were unaware that some of the member districts were having difficulty collecting student postgraduation employment and certification data but that it was the member districts' responsibilities to collect and report the data to ADE. However, 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:

4. Develop and implement consistent data collection protocols for all central and satellite CTE programs. This includes collecting and validating complete data, such as data related to student certifications earned and job placements, as well as developing a process to track all outcome data as required by A.R.S. §§15-781, 15-391, 15-393(L)(10)(b), and the *Quality and Compliance Monitoring Document*.
5. Analyze central and satellite 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 emailed unencrypted, sensitive information, and employees improperly shared login credentials, which were then stored in an unprotected document, increasing the risk of security breaches and fraud

District sent sensitive, personally identifiable information via unencrypted emails, increasing its risk of security breaches and fraud

According to the USFR, information electronically transmitted should be encrypted to reduce the risk of sensitive information being intercepted. However, our review of fiscal year 2020 correspondence between District employees and an outside vendor who handled accounting and business operations for the District found that District employees sent and received sensitive, personally identifiable information through unencrypted emails. For example, the District sent new employee forms and payroll forms via unencrypted email, which included sensitive, personally identifiable information such as names, social security numbers, and birthdates. In addition, the outside vendor that handles accounting and business operations for the District sent sensitive documents such as accounts payable documentation and payroll information to the District via unencrypted email. District officials stated that they continued this practice through fiscal years 2021 and 2022. When sensitive information is sent via unencrypted email, it is possible that sensitive information can be intercepted and used by an attacker to pretend to be an authorized user. In addition, if users have unauthorized access to unredacted or unencrypted personal information, there is a higher risk that a security breach may occur. District officials indicated that the District did not encrypt emails in the past because they believed that the documents being sent through emails did not contain sensitive information such as personally identifiable information. However, as previously stated, our review identified sensitive, personally identifiable information in the correspondence we reviewed. In June 2022, the District implemented a new process to send and receive documentation more securely using a web-based document management and storage program. However, the District should identify what type of information being sent and received is sensitive, personally identifiable information and create written policies and procedures to secure the information sent and received from its vendor.

District employees required to share login credentials, which were then stored in an unprotected document, putting District operations at risk

The USFR requires and credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), recommend that districts prohibit the sharing of user IDs and passwords. Additionally, the District's password policy states that users should not reveal a password in an email message or store passwords in a file on any computer system without encryption. However, District administration requires that each year, including in fiscal year 2022, District employees email their login credentials, such as usernames and passwords for Google accounts, Arizona Department of Education (ADE) accounts, and student information system accounts, to a business office employee who stores the information in an unprotected computer document. According to District officials, these accounts contain sensitive information such as employee contracts, payroll records, student home addresses, and other personally identifiable

information. District officials stated that they ask for login credentials and store them for reference in case they need to log into an employee's account, such as when an employee is terminated.

District officials stated that they had used passwords from the document only once, in April 2022, after terminating an administrative employee. Specifically, District administrators used the document containing employees' passwords to gain access to the District's social media accounts and website. District administrators used administrator accounts to access and remove the terminated employee's access from systems that contained sensitive information, such as the employee's ADE, Google, and student information system accounts.

A password is a secret value intended to be chosen and memorized by the user and therefore should not be disclosed. By requiring employees to share passwords and storing them in an unprotected computer document, the District risks unauthorized persons gaining access to sensitive information. For example, if a device is stolen that contains usernames and passwords, an attacker could use these credentials to access sensitive information held by the District by pretending to be an authorized user. In addition, when credentials are shared among multiple users, the activity performed on that account cannot be tied to a specific user, which makes it more difficult to hold individual employees accountable and increases the risk of unauthorized access, fraud, or misuse. Instead of requiring its employees to share passwords, the District should use alternatives, such as creating administrator accounts, which could be used to reset terminated employee passwords when needed.

Recommendations

The District should:

6. Determine what type of information being shared with its accounting and business operations vendor is sensitive, personally identifiable information and should ensure that it only shares this information through secure means, such as through encrypted emails.
7. Continue developing and implementing written policies and procedures for securing sensitive, personally identifiable information to be shared with its accounting and business operations vendor to reduce the risk of unauthorized access to sensitive information or a security breach.
8. Identify District accounts with access to sensitive information, immediately reset passwords for the accounts, and keep the password credentials confidential.
9. Discontinue its practices of requiring employees to share passwords with the business office and storing passwords in an unprotected computer document, and should instead use more secure alternatives, such as creating administrator accounts, which could be used to reset terminated employee passwords when needed.

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 9 recommendations to the District

The District should:

1. Ensure its employees comply with District policies and USFR requirements by enforcing existing District policies and cardholder agreements for District card usage. Actions the District should take include disallowing personal purchases, and taking timely, appropriate disciplinary action for noncompliance with card policies, such as recovering public monies; revoking card privileges; and termination (see Finding 1, pages 3 through 6, for more information).
2. Ensure its employees comply with District policies and USFR requirements by continuing to implement and adhere to the credit card procedures the Board reviewed and approved in December 2022 (see Finding 1, pages 3 through 6, for more information).
3. Ensure its employees comply with District policies and USFR requirements by developing and providing periodic training to its employees on District card policies and procedures, USFR requirements, and the appropriate disciplinary actions to be taken when improper use is identified (see Finding 1, pages 3 through 6, for more information).
4. Develop and implement consistent data collection protocols for all central and satellite CTE programs. This includes collecting and validating complete data, such as data related to student certifications earned and job placements, as well as developing a process to track all outcome data as required by A.R.S. §§15-781, 15-391, 15-393(L)(10)(b), and the *Quality and Compliance Monitoring Document* (see Finding 2, pages 7 through 10, for more information).
5. Analyze central and satellite 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 2, pages 7 through 10, for more information).
6. Determine what type of information being shared with its accounting and business operations vendor is sensitive, personally identifiable information and should ensure that it only shares this information through secure means, such as through encrypted emails (see Finding 3, pages 11 through 12, for more information).
7. Continue developing and implementing written policies and procedures for securing sensitive, personally identifiable information to be shared with its accounting and business operations vendor to reduce the risk of unauthorized access to sensitive information or a security breach (see Finding 3, pages 11 through 12, for more information).
8. Identify District accounts with access to sensitive information, immediately reset passwords for the accounts, and keep the password credentials confidential (see Finding 3, pages 11 through 12, for more information).
9. Discontinue its practices of requiring employees to share passwords with the business office and storing passwords in an unprotected computer document, and should instead use more secure alternatives, such as creating administrator accounts, which could be used to reset terminated employee passwords when needed (see Finding 3, pages 11 through 12, for more information).



District’s fiscal year 2021 spending

Tables 1, 2, and 3 detail the District’s fiscal year 2021 spending. Table 1 shows the District’s spending for satellite programs shown by member district, the number of students enrolled in satellite programs at each member district, and the District’s spending per student enrolled at each member district. 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 intergovernmental agreements (IGAs) the District established with its member districts. In fiscal year 2021, the District received more than \$1.83 million in revenues generated from students enrolled in satellite programs and spent approximately \$1.22 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 \$2.1 million in fiscal year 2021 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 students enrolled in satellite programs to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED.

Table 1
District spending for satellite programs by member district
Fiscal year 2021

Member district	District spending amount	Students enrolled	District spending per student enrolled
Flagstaff Unified School District	\$557,969	773	\$722
Page Unified School District	536,892	1,159	463
Williams Unified School District	100,595	110	915
Fredonia-Moccasin Unified School District	40,486	66	613
Grand Canyon Unified School District ¹	-	18	-
Total	\$1,235,942	2,126	\$581

¹ A.R.S. §15-393 requires CTED member districts to report to the Career Technical Education Board and ADE the required maintenance of effort and how monies were used to supplement and not supplant base year CTE courses. In fiscal year 2021, Grand Canyon USD could not meet the maintenance-of-effort amount to not supplant its base year CTE courses, and as a result, Grand Canyon USD did not receive CTE funding support from the District.

Source: Auditor General staff analysis of fiscal year 2021 District-reported accounting and enrollment data.

Table 2 on page a-2 shows the District’s spending for central programs shown by CTE program, the number of students enrolled in each CTE program, and the District’s spending per student enrolled in each CTE program. The District partners with Coconino Community College (CCC) through IGAs to offer most central CTE programs. In fiscal year 2021, the District paid almost \$109,000 in tuition and other fees for its students to

attend programs at community college partners in accordance with its IGAs.¹⁴ The District's central program spending also includes salaries and benefits for the District's teacher, classroom supplies, textbooks, and student certification testing fees.

Table 2
District spending for central programs shown by CTE program
Fiscal year 2021

CTE program name	CTE program description	District spending amount	Students enrolled	District spending per student enrolled
Nursing Services	Provide routine nursing-related care of patients in hospitals or long-term facilities	\$60,851	12	\$5,071
Engineering	Prepare students to apply basic engineering principles and technical skills in support of engineers	24,096	9	2,677
Medical Assisting Services	Provide medical office administrative services and perform clinical duties such as patient intake and care	18,638	7	2,663
Construction Technologies	Prepare students to apply technical knowledge and skills to residential and commercial building construction and remodeling	15,384	5	3,077
Law and Public Safety	Apply management and criminal justice practices to law enforcement administration and operations	11,266	3	3,755
Technology Devices Maintenance	Prepare students for the design, development, installation, implementation, use, and management of computers and various computer devices	8,899	2	4,449
Business Management	Prepare students to plan, organize, direct, and control the functions and processes of a firm or organization	7,705	2	3,853
Emergency Medical Services	Prepare students to recognize, assess, and manage medical emergencies in the prehospital environment	5,308	2	2,654
Early Childhood Education	Learn about child growth and development to provide appropriate learning activities and care for preschool-aged children	4,948	1	4,948
Hospitality Management	Prepare students for employment in positions that provide customer-focused services in such facilities as hotels, resorts, convention centers, national parks, travel agencies, and cruise lines	2,974	1	2,974
Total		\$160,069	44	\$3,638

Source: Auditor General staff analysis of ADE's CTE program descriptions and fiscal year 2021 District-reported accounting and enrollment data.

¹⁴ In fiscal year 2021, the Engineering Sciences central program was not part of the CCC offered programs and was instead taught by a CAVIAT instructor. Beginning in fiscal year 2023, this program was no longer offered as a central CTE program but is offered by Flagstaff USD as a satellite CTE program. All other central CTE programs in fiscal year 2021 were offered through CCC.

Table 3 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 student enrolled for each category. Spending per student enrolled in Table 3 is calculated using the District's fiscal year 2021 total satellite and central program enrollment of 2,170.

Table 3
District spending for administration and support services
Fiscal year 2021

Spending category	Spending description	District spending amount	District spending per student enrolled
Administration	Primarily includes salaries and benefits for superintendent and administrative assistant; and spending for accounting, audit, and lobbying services.	\$280,173	\$129
Instruction support and student support services	Primarily includes salary and benefits for program coordinators.	161,883	75
Other support services	Primarily includes spending for leased space at CCC.	51,889	24
Total		\$493,945	\$228

Source: Auditor General staff analysis of fiscal year 2021 District-reported accounting and enrollment data.



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 2021 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 intergovernmental agreements between the District and community college partners, reviewed statutory requirements, compared enrollment and billing reports, and interviewed District and community college staff. 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, 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 purpose(s). 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 which 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 conducted interviews with District and member district staff.
- To assess the District's program spending and evaluate differences in per student spending by program, we reviewed the District's and member districts' operating and equipment spending by program, calculated the District's and member districts' spending per student enrolled by program, and compared this spending to the member districts' weighted average spending per student enrolled 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 spending were necessary and justified and that programs were operating efficiently. We did not report any findings in this area.
- 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 IT industry frameworks. We also evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2021 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 5 individuals who received payments

in fiscal year 2021 and reviewed supporting documentation for 4 of 535 fiscal year 2021 accounts payable transactions. We also reviewed documentation, prepared by the District's business operations vendor, supporting accounts payable checks issued on behalf of the District for May and June 2021. Further, we reviewed documentation for 34 credit card purchases from May 2018 through April 2022. 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 3 (see pages 3 through 6 and pages 11 through 12).

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

DISTRICT RESPONSE



District's final written response

Date: 6-16-2023

To: Arizona Auditor General

Re: CAVIAT Performance Audit

The CAVIAT Governing Board and District agree with the Auditor General's Performance Audit Findings as outline herein:

Finding 1: During a nearly 4-year period, former coordinator and their family member used District credit card for numerous personal purchases while superintendent did not take timely disciplinary actions

Recommendation 1: The District should ensure its employees comply with District policies and USFR requirements by enforcing existing District policies and cardholder agreements for District card usage. Actions the District should take include disallowing personal purchases, and taking timely, appropriate disciplinary action for noncompliance with card policies, such as recovering public monies; revoking card privileges; and termination.

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

Recommendation 2: The District should ensure its employees comply with District policies and USFR requirements by continuing to implement and adhere to the credit card procedures the Board reviewed and approved in December 2022.

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

Recommendation 3: The District should ensure its employees comply with District policies and USFR requirements by developing and providing periodic training to its employees on District card policies and procedures, USFR requirements, and the appropriate disciplinary actions to be taken when improper use is identified.

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

Finding 2: District's lack of key outcome data prevents it from demonstrating how the \$1.9 million it spent on programs in fiscal year 2021 effectively prepared students for high-need occupations

Recommendation 4: The District should develop and implement consistent data collection protocols for all central and satellite CTE programs. This includes collecting and validating complete data, such as data related to student certifications earned and job placements, as well as developing a process to track all outcome data as required by A.R.S. §§15-781, 15-391, 15-393(L)(10)(b), and the *Quality and Compliance Monitoring Document*.

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

Recommendation 5: The District should analyze central and satellite 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.

Finding 3: District emailed unencrypted, sensitive information, and employees improperly shared login credentials, which were then stored in an unprotected document, increasing the risk of security breaches and fraud

Recommendation 6: The District should determine what type of information being shared with its accounting and business operations vendor is sensitive, personally identifiable information and should ensure that it only shares this information through secure means, such as through encrypted emails.

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

Recommendation 7: The District should continue developing and implementing written policies and procedures for securing sensitive, personally identifiable information to be shared with its accounting and business operations vendor to reduce the risk of unauthorized access to sensitive information or a security breach.

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



Recommendation 8: The District should identify District accounts with access to sensitive information, immediately reset passwords for the accounts, and keep the password credentials confidential.

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

Recommendation 9: The District should discontinue its practices of requiring employees to share passwords with the business office and storing passwords in an unprotected computer document, and should instead use more secure alternatives, such as creating administrator accounts, which could be used to reset terminated employee passwords when needed.

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

Please advise if you have any questions, or need additional information from the district.

On behalf of the CAVIAT Governing Board and District, thanks,

A handwritten signature in black ink, appearing to read "Brent Neilson EdD", is written over a light blue horizontal line.

Brent Neilson EdD

