

The December 2021 Pine Strawberry Elementary School District performance audit found that the District employed more noninstructional staff than peer districts and did not ensure all cash was deposited, and a District Board member did not comply with conflict-of-interest law. We made 14 recommendations to the District, and its status in implementing the recommendations is as follows:

Status of 14 recommendations

Implemented	5
In process	6
Not implemented	3

We will conduct a 30-month followup with the District on the status of the recommendations that have not yet been implemented.

Finding 1: District employed more noninstructional staff than peer districts at a cost of about \$258,100 in fiscal year 2020—monies that it could have spent on instruction or other District priorities

- The District should reduce its administrative spending by assessing its administrative staffing levels and reducing to levels similar to its peer districts' averages.

Implementation in process—The District reduced administrative staffing levels in fiscal year 2023 by 1 full-time equivalent employee (FTE) compared to the audit year, which reduced the District's administrative salaries and benefits spending by about \$35,000 compared to the audit year. However, the District still employed 0.5 FTE more than peer districts averaged from the audit, and District officials stated that they plan to further reduce administrative staffing by another quarter FTE for fiscal year 2024. The District's Governing Board (Board) discussed staffing goals during a September 2022 Board retreat. The Board decided to continue to reduce staffing levels until the District was staffed at a similar level as peer districts averaged from the audit and determine if those staffing levels met the District's needs. District officials stated they had no plans to adopt staffing goals in the future.
- The District should reduce its plant operations spending by assessing its plant operations staffing levels and reducing to levels similar to its peer districts' averages.

Implementation in process—The District reduced plant operations staffing levels in fiscal year 2023 by 1 FTE compared to the audit year, which reduced the District's plant operations salaries and benefits spending by about \$39,000 compared to the audit year. However, the District still employed nearly 0.5 FTE more than peer districts averaged from the audit, and District officials stated that they plan to further reduce plant operations staffing by another 0.5 FTE for fiscal year 2024. The Board discussed staffing goals during a September 2022 Board retreat. The Board decided to continue to reduce staffing levels until the District was staffed at a similar level as peer districts averaged from the audit and determine if those staffing levels met the District's needs. District officials stated they had no plans to adopt staffing goals in the future.

3. The District should reduce its food service spending by assessing its food service staffing levels and reducing to levels similar to its peer districts' averages.

Implemented at 12 months—The District reduced its food service worker staffing levels in fiscal year 2023 to be similar to what peer districts averaged from the audit. Specifically, the District reduced staffing by 1 FTE compared to the audit year, which reduced the District's food service salaries and benefits spending by about \$22,000 compared to the audit year. Although District officials stated that they had no plans to adopt staffing goals in the future, they stated that the lower food service staffing in fiscal year 2023 is sufficient to meet the food service program's needs and plan to continue operating the food service program at its fiscal year 2023 staffing level.

Finding 2: Board member failed to fully disclose and improperly participated in over \$12,000 in payments to business for which he had substantial interest

4. Board members should ensure they follow the State conflict-of-interest law by following the practices they learned in the District-provided training, including describing their substantial interests on the District's conflict-of-interest form as required and only approving vouchers for or voting on consent agenda items related to matters for which they do not have a substantial interest.

Implemented at 6 months

5. The District can help ensure that Board members do not approve payments for or vote on matters for which they have a substantial interest by:
 - a. Developing and implementing written procedures to help Board members identify meeting agenda items for which they have conflicts based on the substantial interests listed on their forms, such as requiring District staff to review Board member conflict-of-interest forms, identify substantial interest items in meeting agenda and packets, and notify the Board member accordingly. The District should develop and implement a secondary review procedure to ensure this happens.

Implemented at 6 months

- b. Including in its Board member conflict-of-interest training information regarding the importance of Board members reviewing their Board meeting packets and consent agendas to ensure they do not approve payments to a vendor for which they have a substantial interest.

Implemented at 12 months—The District held a conflict-of-interest training for Board members in September 2022 during a Board retreat. The training included a review of the conflict-of-interest issue identified during the audit and the District's new procedures for reviewing Board meeting packets and consent agendas prior to every Board meeting to identify any potential conflicts; informing the Board member if a conflict exists; and ensuring the Board member properly refrains from participating in or voting on any manner in which they have a substantial interest.

- c. Developing and implementing a written procedure to require District staff to review conflict-of-interest forms to confirm that when a Board member (or District staff person) reports a substantial interest, they must also describe the substantial interest, such as their job title, role or responsibilities, and compensation.

Not implemented—The District established written procedures in August 2022 that require Board members to complete updated conflict-of-interest disclosure forms in January of each year and District staff to review the Board members' disclosure forms. The policy additionally requires Board members to refrain from participating in matters related to disclosed interests. However, the District's policy does not specify when or how District staff should disclose conflicts of interest or include a process for remediating conflicts of interests disclosed by staff. Additionally, our review of all 5 Board members' 2023 conflict-of-interest disclosure forms found that 1 Board member disclosed a substantial interest but did not identify the matter in which they had a substantial interest or describe the substantial interest, as directed by the form. Although District officials indicated that staff had reviewed the disclosure form as required by its policy, the District did

not provide documentation to support that a review had occurred. District officials reported that they plan to modify the conflict-of-interest disclosure form to more clearly indicate the requirement to describe disclosed interests. We will evaluate the District's efforts to implement this recommendation at our 30-month followup.

Finding 3: District did not ensure all cash collected was deposited, allowed users too much accounting system access, and misclassified expenditures

6. The District should provide training on the *Uniform System of Financial Records for Arizona School Districts* (USFR) cash-handling requirements to all employees involved in cash collection, deposit, and review.

Implementation in process—The District identified an on-demand cash-handling training for employees involved in cash collection, deposit, and review, and some of these employees had completed the training as of June 2023. However, we identified 5 District employees involved in cash collection, deposit, and/or review that had not completed the training at the time of our review. District officials reported that all employees involved in cash collection, deposit, and review would complete the on-demand cash-handling training by the end of July 2023, and that all other District employees would complete a brief cash-handling training during the annual orientation required for all District employees at the end of July 2023. We will assess the District's efforts to implement this recommendation at our 30-month followup.

7. The District should follow USFR cash-handling requirements to ensure all cash collected is deposited by:

- a. Preparing sequentially numbered receipts for all cash received

Implemented at 12 months—The District established new written procedures for its receipting process at the beginning of fiscal year 2023 that require preparing sequentially numbered receipts for all cash received. Our review of cash collected at the District in October 2022 found that sequentially numbered receipts were prepared for all cash the District deposited.

- b. Depositing all cash at least weekly.

Implementation in process—The District established new written procedures for its deposit process at the beginning of fiscal year 2023 that require all cash collected to be deposited at least weekly. However, our review of cash collected at the District in October 2022 found 2 days of cash collections totaling \$169 that were both deposited 8 days after the cash was collected, contrary to the District's procedures. District officials stated that this was due to the employee responsible for making bank deposits being on vacation. To address this issue, District officials planned to require employees to log all cash receipts in a spreadsheet so that another employee can make bank deposits if the employee usually responsible is not able to within 7 days of cash being collected. We will assess the District's efforts to implement this recommendation at our 30-month followup.

- c. Maintaining evidence for all cash deposits.

Implementation in process—The District established new written procedures that require it to maintain evidence for all cash deposits at the beginning of fiscal year 2023. However, our review of cash collected at the District in October 2022 found that the District's procedures were not always followed. Specifically, 8 of 19 daily sales reports we reviewed from the cafeteria were not reviewed and initialed by a front office staff member prior to cash being deposited, as required by the District's procedures. Similarly, 1 of 4 weekly cash collection reports we reviewed was not reviewed and signed by a secondary staff member until almost a month after the report was completed and cash was deposited. District officials did not provide explanations for why these issues occurred and stated that they would reinforce the importance of following the District's procedures during annual cash-handling trainings. We will assess the District's efforts to implement this recommendation at our 30-month followup.

- d. Reconciling cash receipts to cash deposits.

Implementation in process—The District established new written procedures for its reconciliation process at the beginning of fiscal year 2023 that require the employee responsible for reconciling cash receipts to monthly bank statements to document cash receipt information in a reconciliation spreadsheet; confirm that cash receipts in the spreadsheet match cash deposits in the monthly bank statements; and initial the cash receipts and bank statement after confirming that cash receipts match cash deposits. However, although our review of cash collected at the District in October 2022 found that receipts were entered into the reconciliation spreadsheet and cash receipts were initialed by District staff, the District did not follow its procedures because it could not provide bank statements initialed by District staff indicating that the statements had been reconciled to cash receipts spreadsheet. Additionally, at the time of our followup review, the District's reconciliation spreadsheet showed receipts of \$10 greater than actual cash deposited without explanation. We will assess the District's efforts to implement this recommendation at our 30-month followup.

- 8. The District should review accounting system users' access levels and limit users' access in the accounting system to only those functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

Not implemented—The District has not made significant progress since the audit in limiting user access in the accounting system, and the District has not transferred administrator-level access to someone outside of the business office. However, District officials stated they plan to work with their accounting system vendor to properly adjust user access levels, including administrator-level access, in the summer of 2023.

- 9. The District should ensure staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and any time it is revised or updated, and implement its guidance to accurately account for and report the District's spending.

Not implemented—The District has not ensured that its staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and any time it is revised or updated, or implemented its guidance to accurately account for and report the District's spending. Our review of the District's fiscal year-to-date 2023 expenditures found that the District continued to incorrectly classify transactions similarly to what we identified during the audit.