

The January 2019 Peach Springs Unified School District performance audit found that the District should focus on improving its instructional program; work with legal counsel and the Tribal Corporation to receive unpaid lease amounts and establish a current lease for use of its high school; strengthen accounting, equipment, and computer controls; and improve oversight of its food service and transportation programs. We made 16 recommendations to the District, and its status in implementing the recommendations is as follows:

### Status of 16 recommendations

Implemented	9
Implemented in a different manner	1
In process	3
<b>Not implemented</b>	<b>3</b>

On September 13, 2023, the Joint Legislative Audit Committee passed a resolution directing our Office to conduct a 60-month followup to assess the District’s efforts to implement the 10 outstanding recommendations from our January 2019 performance audit report. However, inconsistent with its statutory responsibilities, the District did not respond to our Office’s multiple requests for information and documentation for our 60-month follow-up review. Specifically, on November 30, 2023, we requested a response and supporting documentation regarding the District’s progress toward implementing the 10 recommendations we made in our January 2019 report that it had not fully implemented as of our 54-month followup. The District did not provide any supporting documentation by the requested date of December 22, 2023. The District similarly failed to respond to 2 subsequent requests we made seeking the information and documentation necessary for our review. Because the District failed to provide the requested documentation, we traveled to the District in January 2024 to interview District officials and collect the documentation necessary for us to assess the District’s progress toward implementing the outstanding recommendations from the January 2019 report. In the previous 54-month follow-up report, the District had not implemented 7 recommendations, had partially implemented 1 recommendation, and was in the process of implementing 2 recommendations. Since the 54-month follow-up report, the District has implemented an additional 4 recommendations but has continued to not implement or not fully implement 6 recommendations.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District’s efforts to implement the recommendations from the January 2019 report.

### Finding 1: District should continue focus on instructional program

1. The District should continue to work closely with the Arizona Department of Education (ADE) to develop, implement, monitor, and evaluate action plan steps to improve its instructional program and students’ academic performance.

**Implementation in process**—In the prior 54-month followup, we reported that the District worked with ADE’s Crisis Management Team (CMT) in fiscal years 2021 and 2022 to identify areas of impact on students’ academic success, such as recruiting and retaining teachers and adopting an evidence-based curriculum, and monitor the District’s progress in these areas.<sup>1</sup> The CMT issued its final report to the Legislature in December 2021. The report stated that the District had made some progress in implementing CMT recommendations and that ADE would

<sup>1</sup> Laws 2020, Ch. 26, §1, established the CMT in March 2020 and required it to recommend necessary district changes due to the District’s persistent underperformance. Laws 2021, Ch. 404, §106, extended the sunset date for the CMT from April 1, 2021 to April 1, 2022.

continue to monitor and support the District's school improvement efforts, such as its continued participation in the federal and State-wide school improvement programs.

Beginning in fiscal year 2021, the District hired new staff to support and improve its instructional programs, including a principal, an assistant principal, a community liaison, a director of instruction, and 2 instructional coach consultants. Additionally, as reported in the prior 42-month followup, ADE officials reported that the District networked with other school districts and organizations to get ideas for addressing instructional challenges, improved its technology infrastructure, increased its social-emotional learning support, and improved its relationship with the community by increasing community engagement. Additionally, the District reestablished its transportation program, which was an area of concern as it could impact student attendance.

In fiscal year 2022, the District's elementary school's letter grade improved from an F to a D, and in fiscal year 2023, both the elementary school and high school received D letter grades. Additionally, recently, in fiscal year 2024, the District began participating in Project Momentum, a voluntary program administered and funded through ADE that is designed to improve school districts' academic performance. ADE officials indicated that they are still working with the District to improve its instructional program and students' academic success.

2. The District should ensure that it applies for all monies available to it through the school improvement program.

**Implemented at 60 months**—As reported in the explanation for recommendation 1, in fiscal year 2024, the District began participating in Project Momentum, a voluntary program administered and funded through ADE that is designed to improve school districts' academic performance. As of January 2024, the District had received \$56,500 of the total \$223,470 allocated to it by ADE for participating in the program. Additionally, in fiscal year 2024, ADE helped the District to apply for 2 instructional improvement grants, and as of our review in January 2024, the District had been approved to receive over \$224,000 in grant monies.

3. The District should continue to work with ADE to correct errors in reporting student test data.

**Implemented at 12 months**

## **Finding 2: District incurs costs but collects no revenues for leasing its high school to a tribal corporation**

4. The District should continue to work with its legal counsel and the Tribal Corporation to establish a current lease agreement for the Tribal Corporation's use of the District's high school and to recover prior years' unpaid lease and utility payments.

**Implemented in a different manner at 42 months**—According to the District, in July 2019, the Tribal Corporation stopped utilizing District-owned facilities. In July 2022, the District reopened the high school for student instruction, and in August 2022, we toured the high school, confirming that the Tribal Corporation was no longer utilizing District-owned facilities. According to the District, it worked with its legal counsel to enter into a new land lease agreement with the Tribal Corporation and will not pursue the unpaid lease and utility payments owed to it by the Tribal Corporation. However, the District was not able to provide documentation to support that the governing board (Board) approved the decision to not pursue the payment of these unpaid lease and utility payments.

## **Finding 3: District should strengthen accounting, equipment, and computer controls**

5. The District should ensure that it requires an independent review and approval for all its purchases prior to the purchases being made.

**Implementation in process**—In the prior 54-month followup, we reported that the District planned to implement a new process to ensure purchases have independent review and approval from a supervisor prior to the purchases being made. District officials reported in January 2024 that the District was following its new process. Our review of 10 of 386 District purchases made during November and December 2023 found that all 10 purchases had an independent review and approval prior to the purchase being made. However, due to the District having recently

implemented a new process and the timing of our followup, the District had only 2 months of purchasing data and documentation available for our review, which did not include purchases similar to those we identified in previous followups that lacked an independent review and approval prior to the purchase being made. As a result, we could not determine if the District had consistently followed its purchasing approval process for the types of purchases it had previously made without the required review and approval.

6. The District should ensure that payments are made in a timely manner to avoid unnecessary late fees and finance charges.

**Implementation in process**—In the prior 54-month followup, we reported that the District planned to develop and implement a new process to ensure it timely made credit card payments to avoid unnecessary late fees and finance charges. District officials reported in January 2024 that the District was following its new process. Our review of the statements for 2 District credit cards for the months of November and December 2023 found that the District did not incur any late fees or finance charges in the 2 months we reviewed. However, due to the District having recently implemented its new process and the timing of our followup, the District had only 2 months of credit card statements available for our review. As a result, we cannot determine if the District is consistently making all credit card payments in a timely manner to avoid unnecessary late fees and finance charges.

7. The District should ensure that additional duties and related payments are addressed in employment contracts or personnel/payroll action forms, approved in advance of the work being performed, and maintained in employee personnel files.

**Implemented at 60 months**—In the prior 54-month followup, we reported that the District planned to develop and implement a payroll process that required administrative approval on personnel action requests (PAR) for employees' additional duties in advance of the work being performed. District officials reported in January 2024 that the District was following its new process. Our January 2024 review of payroll documentation for 14 additional duties performed by 12 District employees in November and December 2023 found that the District had PARs that were signed and approved by administrators before the work relating to the PARs was performed for all the additional duties we reviewed. We also found during our January 2024 review that the employee PARs we reviewed were appropriately maintained in employee personnel files.

8. The District should seek legal counsel to determine if it had the legal authority to pay \$25,000 in bonuses to its superintendent, and if not, to determine its ability to recover the monies.

**Implemented at 60 months**—We reported in the previous 54-month followup that, according to the agenda for the Board's November 3, 2021, meeting, the Board considered and discussed the prior superintendent's compensation in executive session. However, the District could not provide documentation that the Board took action in a public meeting regarding the matter. In September 2023, the District's legal counsel testified to the Joint Legislative Audit Committee that he had provided legal counsel to the Board during executive session regarding the former superintendent's bonus payments. In November 2023, the Board approved a motion in a public meeting stating that the \$25,000 in bonuses paid to the prior superintendent were appropriate and that the District would take no further action regarding the bonuses.

9. The District should establish and implement additional procedures to review employee pay to help ensure that employees are paid correctly and rectify any overpayments or underpayments made to employees.

**Not implemented**—In the prior 54-month followup, we reported that the District planned to develop a payroll process to calculate and enter staff pay amounts to help ensure that employees are paid correctly. District officials reported in January 2024 that the District was following its new process. However, our January 2024 review of 6 employees who no longer worked for the District at the time of our review but had received payment from the District in November 2023 found that the District overpaid 1 employee by over \$2,100. Specifically, District officials indicated that the District overpaid the employee by approximately \$1,000 at the beginning of fiscal year 2024 but failed to recoup the overpayment from the employee before terminating them in September 2023. After being terminated by the District, the employee submitted additional time sheets to the District's business office for work the employee indicated they performed in May 2022 and September 2023 in addition to their regular duties. Despite submitting the time sheets nearly 1.5 years after the employee indicated they had performed the

additional duties, the District's superintendent approved the retroactive time sheets for payment, and the District paid the former employee \$4,680 in retroactive pay. However, District staff made additional errors when calculating the number of regular and overtime hours the District paid out to the employee for the retroactive time sheets, resulting in a \$1,120 overpayment for the retroactive pay and a total overpayment to the employee of over \$2,100 as previously discussed. The District superintendent indicated that he approved the retroactive time sheets for payment because he recalled the former employee performing the work and had personal knowledge of the work the former employee performed. However, the District should have required the employee to submit the time sheets when the former employee performed the work rather than allowing them to submit the time sheets nearly 1.5 years later. After we brought this overpayment to the District's attention, District officials reported that they plan to seek recovery of the overpayment from the former employee and identify necessary changes to its payroll process to ensure employees are paid correctly.

10. The District should classify all expenditures in accordance with the Uniform Chart of Accounts for school districts.  
**Not implemented**—In our prior 54-month followup, District officials reported that the District's business manager would complete trainings on classifying expenditures in accordance with the Uniform Chart of Accounts for school districts through various organizations by October 2023. Additionally, the District indicated that it planned to work with a consultant to review and correct its expenditure coding by October 2023. However, at the time of our January 2024 review, the business manager had not completed training on classifying expenditures, and the District had not yet worked with a consultant to review and correct its expenditure coding. Our January 2024 review of the District's November and December 2023 expenditures found that the District continued to incorrectly classify transactions similar to the errors we identified during the audit, which may result in the District inaccurately reporting its spending.
11. The District should better secure equipment stored at its high school and consider the possibility of using some of the equipment at its elementary school.  
**Implemented at 42 Months**—The District worked with a consultant to review the equipment inventory stored at its high school and developed a list of equipment that is unusable to approve for disposal. The District began operating its high school again in July 2022 and is using some of the remaining equipment for instruction and has secured the rest of the equipment in locked storage areas.
12. The District should limit employees' access in the accounting system to only those accounting system functions necessary to perform their job duties.  
**Implemented at 60 Months**—During our visit to the District in January 2024, the District worked with the Mohave County School Superintendent's Office to limit employees' access in the accounting system to only those accounting system functions necessary to perform their job duties. Our subsequent review of the District's accounting system access reports for the 5 District employees with accounting system access found that the employees' access in the accounting system was limited to only those accounting system functions necessary to perform their job duties.
13. The District should improve procedures to ensure that terminated employees have their student information system access promptly removed.  
**Implemented at 30 months**

#### **Finding 4: District needs to improve food service program oversight**

14. The District should implement food production controls, such as varying meal production based on daily student attendance or expected lunch counts submitted by classroom teachers to help reduce meal overproduction and waste.  
**Implemented at 42 months**—The District is now using attendance counts to determine its daily meal production, and our August 2022 District food service operations observations did not identify excessive waste or overproduction.

15. The District should develop and implement procedures to ensure its meals meet the National School Lunch Program's (NSLP) nutritional and portion-size requirements.

**Implemented at 42 months**—For fiscal year 2023, the District developed a new process for serving student meals that requires an additional food service employee to double-check each student meal served while counting meals for NSLP reporting to ensure that all student meals meet NSLP nutritional and portion-size requirements. Our August 2022 District food service operations observation found that meals served for lunch appeared to have met NSLP nutritional and portion-size requirements.

## Finding 5: District should improve controls over transportation program, if operations resume

16. The District should ensure that bus driver certification requirements are met and documented; ensure that it conducts and documents bus preventative maintenance and inspections in a systematic and timely manner; and ensure it maintains documentation supporting the miles driven and riders transported for state funding purposes, if it resumes its transportation program.

**Not implemented**—The District resumed operating its transportation program in March 2022. Our January 2024 review of the school bus driver certification documentation for the District's 1 school bus driver found that the District did not have complete documentation to demonstrate that the school bus driver met the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). Specifically, the school bus driver's file was missing evidence of any random drug and alcohol tests in calendar year 2023.

Additionally, in April 2023, the District developed an informal policy to perform preventative maintenance on its school buses every 6 months or 3,500 miles. However, our review of 1 preventative maintenance service performed in November 2023 on 1 of 2 District school buses found that the District did not conduct the preventative maintenance service within the mileage range established by its preventative maintenance policy. At the time of our review, District officials stated that the District was updating its process to use a third-party vendor to perform preventative maintenance on its school buses.

Finally, although in fiscal year 2023 the District developed a process to document the miles driven and riders transported for State funding purposes, the District did not report all its fiscal year 2023 miles and riders to ADE by March 2023, as required. District officials stated that ADE provided guidance that the District did not need to accurately report miles driven and riders transported due to the low number of miles driven in fiscal year 2023. However, this guidance appears to be inconsistent with State law requirements and ADE transportation guidelines requiring school districts to certify daily route mileage and eligible students transported and the District could not provide information about who they spoke with at ADE or documentation of the guidance it reported receiving from ADE.

The District should follow the Minimum Standards to help ensure school bus passengers' safety and welfare, as well as extend the useful life of school buses. Additionally, the District should maintain documentation supporting the miles driven and riders transported for State funding purposes to comply with State law and ensure the District was funded appropriately for its transportation program.