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April 30, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Benson Unified School District

Mr. Micah Mortensen, Superintendent  
Benson Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Benson Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. The CPA firm Walker & Armstrong conducted this performance audit under contract with the Arizona Auditor General.

This school district performance audit assessed the districts' spending on noninstructional areas, including administration, student transportation, food service, and plant operations, and made recommendations to the District to maximize resources available for instruction or other District priorities. As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Superintendent Mortensen and District staff for their cooperation and assistance throughout the audit.

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

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

# Benson Unified School District

District transportation reporting errors led to excess State funding and a lack of internal controls and compliance with important IT requirements put student activity monies and sensitive computerized data at risk

**Performance Audit**  
**A Report to the Arizona Legislature**  
**April 2024**  
**Report 24-205**



# Walker & Armstrong

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

April 26, 2024

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Benson Unified School District for fiscal years 2022 and 2023, conducted pursuant to Arizona Revised Statutes §41-1279.03.

As outlined in its response, the District agrees with all the findings and plans to implement all the recommendations.

We appreciate the opportunity to provide these services and work with your Office. Please let us know if you have any questions.

Sincerely,



Walker & Armstrong, LLP  
Phoenix, Arizona

## Benson Unified School District

District transportation reporting errors led to excess State funding and a lack of internal controls and compliance with important IT requirements put student activity monies and sensitive computerized data at risk

### Audit purpose

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

### Key findings

- District errors in transportation reporting resulted in overfunding of \$343,000.
- District did not comply with important cash-handling requirements, increasing the risk of errors and fraud.
- District allowed excessive access to its accounting system, increasing its risk of errors and fraud.
- District did not safeguard its network and sensitive information and lacked key components in its IT contingency plan, increasing its risk of disrupted operations and data loss.

### Key recommendations

The District should:

- Develop and implement procedures to ensure it properly reports eligible students transported and miles driven to the Arizona Department of Education (ADE) for State funding purposes and work with ADE to correct funding errors.
- Ensure its cash-handling policy includes all internal controls necessary to properly safeguard student activity funds and develop and implement processes to monitor and enforce staff compliance with the policy, such as by performing regular reviews of cash receipt and deposit documentation and taking action when it identifies staff noncompliance with cash-handling policies.
- Limit employees' access to its accounting system to only those functions needed to perform their job duties and develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties.
- Develop and implement written policies and procedures to initiate automatic device locks after a defined period of inactivity and develop and implement an IT contingency plan that meets USFR requirements and credible industry standards.

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Issue 2: District overreported its average daily mileage for State funding purposes by 558 miles, or over 71 percent more than its actual daily mileage

Issue 3: District did not correct error in daily route mileage reporting in a timely manner after correcting inaccurately retired buses, causing funding to be recalculated and paid out using overstated miles

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# Benson Unified School District—Performance Audit

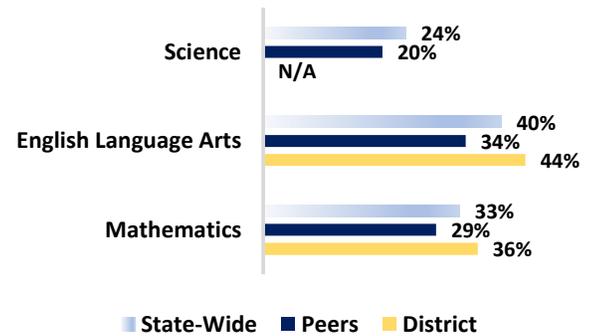
## Fiscal Years 2022 and 2023

April 2024



**Rural district in Cochise County**  
**Grades: Kindergarten through 12th**  
**FY 2022**  
**Students attending: 1,249**  
**Number of schools: 4**  
**School letter grades<sup>1</sup>: 3 As, 1 B**

### Students who passed State assessments<sup>2</sup>



<sup>1</sup> Source: Arizona State Board of Education 2021-2022.

<sup>2</sup> Source: *Arizona school district spending analysis—Fiscal year 2022*. Science data was not publicly available for the District due to Arizona Department of Education redaction requirements for student privacy.

FY 2022 total operational spending – \$13.4 million (\$10,748 per student)

Instructional – 54% (\$5,770 per student)

Noninstructional – 46% (\$4,978 per student)

#### Operational overview—FY 2022

Measure	Benson USD	Peer average
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#### **Administration—higher per student spending and lacked important cash-handling and IT controls, increasing risk for errors, fraud, and data loss**

The District spent more per student on administration than its peer districts averaged, primarily due to long-term principals with high salaries. Additionally, the District did not comply with important cash-handling requirements, increasing its risk of errors and fraud (see Finding 2, pages 8 and 9). Further, the District’s excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to its network and sensitive information, errors, fraud, and data loss (see Finding 3, pages 10 through 13).

Spending per student	\$1,313	\$1,226
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#### **Plant operations—mixed spending and no reported findings**

The District spent more per square foot and less per student than its peer districts averaged. This was likely due to the District operating its schools close to capacity but having older buildings requiring more maintenance and higher utility costs. We did not report any findings in this area.

Spending per square foot	\$8.74	\$6.51
Spending per student	\$1,475	\$1,545

<p><b>Food service—lower spending and no reported findings</b></p> <p>The District spent less per meal and per student on food service than its peer districts averaged likely due to favorable terms under its outsourcing contract and minimal food waste. We did not report any findings in this area.</p>	Spending per meal	\$2.87	\$3.62
	Spending per student	\$347	\$439
<p><b>Transportation—higher spending and improvements needed</b></p> <p>The District spent more per mile and rider on its transportation program than its peer districts averaged, primarily due to high salary and benefit costs resulting from the number of bus routes the District operates. Specifically, the District covers a large geographic area requiring it to operate more bus routes to timely transport students to and from home and school. Despite this increased spending on its transportation program, the District did not accurately report its eligible riders and miles to the Arizona Department of Education, resulting in inaccurate transportation funding (see Finding 1, pages 3 through 7).</p>	Spending per mile	\$5.06	\$4.38
	Spending per rider	\$2,133 <sup>3</sup>	\$2,048

<sup>3</sup> Spending per rider was recalculated by staff using more accurate data due to errors in the District’s reporting. See Finding 1 on pages 3 through 7 for more information on the District’s transportation reporting.

## The District's errors on annual transportation reports resulted in it being overfunded by \$343,000 for fiscal year 2024

District erroneously reported retiring nearly all its school buses and also substantially overreported miles traveled to ADE, resulting in being allocated approximately \$343,000 more in State aid than it was entitled to receive

Statute requires school districts to report to the Arizona Department of Education (ADE) the miles they drive to transport students to and from school and the number of eligible students they transport for State funding purposes.<sup>4</sup> ADE and State law prescribe how districts calculate the miles traveled and students transported, and the districts' reported numbers are used to determine the transportation funding amounts districts receive from the State.<sup>5</sup> Our review of the District's transportation reporting for fiscal years 2022 and 2023 found substantial discrepancies between the District's internal records and the information it reported to ADE due to errors the District made in its reporting. See the details below.

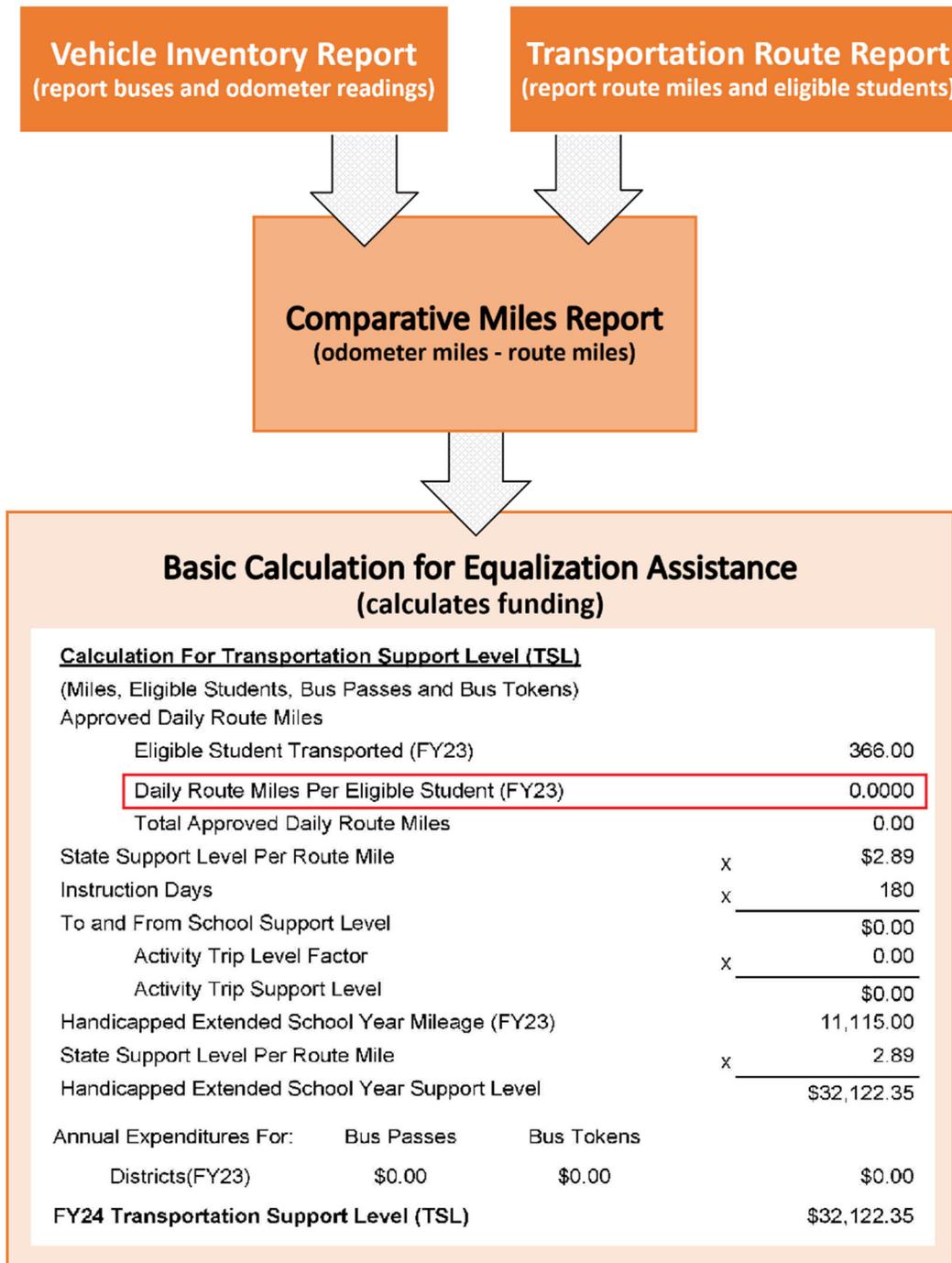
### Issue 1: District erroneously reported to ADE that it had retired 17 school buses that it was still using to transport students, resulting in no reported route miles traveled during fiscal year 2023

As part of the required annual transportation reporting, districts complete a *Vehicle Inventory Report* to provide information for each bus in their inventory. When districts permanently take a school bus out of service due to its age or sale, districts enter an odometer reading and end date on the *Vehicle Inventory Report*. By entering an end date, the district indicates that no additional miles will be reported for that school bus in the future. A district's *Vehicle Inventory Report* to ADE includes actual odometer readings and an end date for any retired buses. ADE compares this total to the mileage reported in the district's *Transportation Route Report* that districts use to report the number of route miles traveled to ADE. If the reported mileage is inconsistent between the 2 reports, ADE determines whether an adjustment to the transportation funding calculation is necessary and adjusts the district's funding accordingly. In its fiscal year 2023 *Vehicle Inventory Report*, the District erroneously retired 17 school buses by including an odometer end date instead of only the odometer reading. As a result, no route miles were reported for all 17 of these school buses despite the District having used them for student transportation. As shown in Figure 1, ADE adjusted the District's transportation funding calculation due to inconsistent mileage reported in the District's *Vehicle Inventory* and *Transportation Route Reports* and as a result of these adjustments, the District's fiscal year 2024 State aid transportation funding was calculated to be \$32,122.

<sup>4</sup> Arizona Revised Statutes (A.R.S.) §15-922.

<sup>5</sup> A.R.S. §15-945.

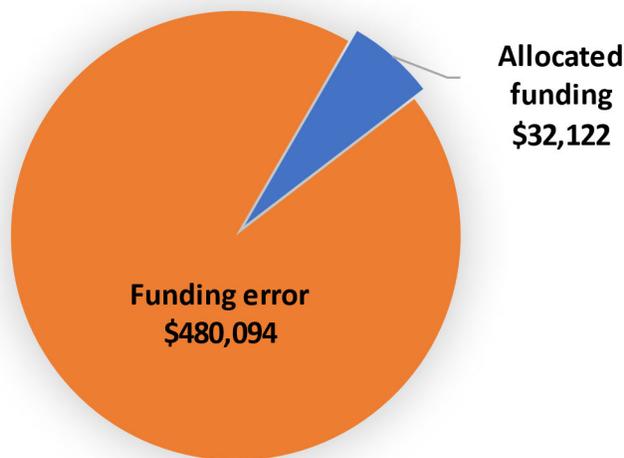
**Figure 1: District’s daily route miles were adjusted to 0 for fiscal year 2024 due to retiring its buses**



Source: Statute and ADE transportation reporting requirements and ADE’s BSA 55-1 ‘Basic Calculations for Equalization Assistance’ report for the District for fiscal year 2024.

Based on the District’s transportation program operations, it should have received an estimated \$512,000 in State aid transportation funding for fiscal year 2024.<sup>6</sup> Additionally, from the beginning of fiscal year 2024 through February 2024, the District spent over \$586,000 on transportation program costs, including salaries and benefits, fuel, maintenance and supplies, and other costs associated with its transportation program. Although District officials were aware of the reporting error that caused its buses to be retired, the District was not aware that it had not received the correct transportation funding amount when we brought this issue to the District’s attention during the audit.

**Figure 2: District was inaccurately funded due to errors in transportation reporting**

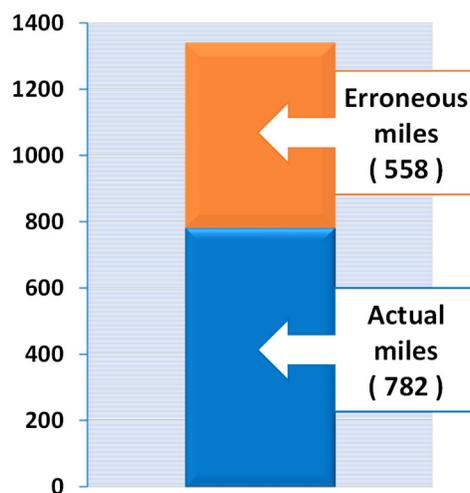


Source: Walker & Armstrong staff analysis of District records and reporting for fiscal year 2023 and resulting fiscal year 2024 ADE funding.

## Issue 2: District overreported its average daily mileage for State funding purposes by 558 miles, or over 71 percent more than its actual daily mileage

School districts receive transportation funding based on a formula that uses primarily the number of route miles traveled and secondarily the number of eligible students transported. However, we reviewed the District’s fiscal year 2023 recorded mileage and riders and compared it to the fiscal year 2023 *Transportation Route Report* the District submitted to ADE and found that the District made errors in its reporting, causing it to overstate its average daily mileage by 558 miles, or more than 71 percent more than its actual average daily mileage (see Figure 3). Specifically, the District appeared to have inadvertently added an additional digit to its regular route mileage for July 2022, reporting 62,002 miles instead of the correct mileage of 6,202 miles. District officials were unaware of this reporting error until we brought it to their attention during the audit. As a result of this error, the District's funding was based on the incorrectly reported average daily mileage of 1,340 miles rather than the correct amount of 782 miles.

**Figure 3: Average daily mileage reported for fiscal year 2023**



Source: Walker & Armstrong staff review of District transportation records and reporting to ADE for fiscal year 2023.

<sup>6</sup> Based on staff calculations of transportation support level funding using the statutory formula in A.R.S. §15-945 and the District’s actual mileage.

### Issue 3: District did not correct error in daily route mileage reporting in a timely manner after correcting inaccurately retired buses, causing funding to be recalculated and paid out using overstated miles

At the time of our review in November 2023, District officials stated that they were aware of the error related to retiring active school buses and were in the process of working with ADE to file a correction to the District's State aid reporting.<sup>7</sup> Upon also becoming aware of the fiscal year 2023 mileage reporting error we identified during our review, the District indicated that it would also update its reported mileage in the corrected reporting it submitted to ADE. However, the District did not correct the error in reported mileage when it corrected the erroneously retired school buses. Consequently, the District's fiscal year 2024 transportation funding then became based on the overreported mileage discussed in Issue 2, resulting in fiscal year 2024 overfunding of approximately \$343,000. As of April 2024, the District indicated it was working with ADE to correct the mileage reporting error and resulting overfunding.

### District lacked secondary review process before submitting its transportation reporting to ADE, which may have identified these errors and avoided the substantial impact to the District's transportation funding

District officials indicated that the errors in its transportation funding were caused by mistakes in entering data into the ADE reporting system. However, our review also found that the District lacked a process for a secondary review of its required transportation reporting prior to submitting it to ADE, which may have identified the errors in its fiscal year 2023 transportation reporting. Specifically, although the District's transportation director is responsible for completing the District's required transportation reporting, no other District employee reviews the information or checks its accuracy before the District submits the reports to ADE. Additionally, as previously discussed, District officials were not aware that the District had not received the correct transportation funding amount until we brought it to their attention during the audit because it lacked a process for reviewing the transportation funding amounts received and reconciling these amounts to budgeted amounts. A secondary review process and process for reviewing transportation funding amounts may have identified the errors previously discussed and provided the District an opportunity to correct them before they impacted the District's fiscal year 2024 State aid transportation funding. Additionally, establishing review processes would help ensure that future years' transportation funding is based on accurate reporting.

### Recommendations

The District should:

1. Annually submit accurate and complete required transportation reporting to ADE.
2. Develop and implement procedures to ensure transportation information, including eligible students transported and miles driven, is properly reported to the ADE for State funding purposes. The procedures should include a secondary review process before submitting transportation reporting to ADE.

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<sup>7</sup> A.R.S. §15-915 requires that errors in the calculations of State aid be corrected within 3 years.

3. Develop and implement procedures to review transportation funding amounts received and compare the amounts to budgeted amounts.
4. Work with ADE regarding needed corrections to its transportation funding reports until all transportation reporting and funding errors are fully corrected.

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

## District did not comply with important cash-handling requirements, putting the District at an increased risk of errors and fraud

### District's lack of internal controls over student activity accounts increased its risk of errors and fraud

The *Uniform System of Financial Records for Arizona School Districts* (USFR) requires districts to implement policies and procedures that provide effective internal controls over cash collection and deposits and requires all cash and/or checks to be safeguarded and handled appropriately.<sup>8,9</sup> However, our review of the District's cash-handling procedures for fiscal year 2022 found that the District did not have a documented policy for cash-handling of student activity funds because they weren't overseen by the District's business office. Further, our review of the District's informal procedures found that the District lacked internal controls requiring: (1) 2 signatures when counting and documenting the cash receipts, (2) school secretaries, who were collecting the funds, to sign for the amounts received from a student activity representative for deposit, and (3) separation of duties for receiving, depositing, reconciling cash deposits, and recording the transactions into the accounting software. By failing to establish and maintain effective procedures to safeguard student activity monies, the District's student activity accounts were at an increased risk of errors and fraud. District officials stated that they identified discrepancies in information reported for the student activity accounts and implemented written policies and improved safeguards for the accounts in July 2023. Our review of the recently implemented policies appears to address the control deficiencies we identified in our review of the District's previously informal procedures. As of this report's release date, the Arizona Auditor General is conducting a financial investigation related to this matter to determine whether there may have been inappropriate activity within the student activity accounts.

### Recommendations

The District should:

5. Ensure that its newly established cash-handling policy includes all internal controls necessary to properly safeguard student activity funds in compliance with USFR requirements for cash handling.

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<sup>8</sup> The Arizona Auditor General and the Arizona Department of Education developed the USFR pursuant to A.R.S. §15-271. The USFR 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.

<sup>9</sup> The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other physical form of payment, such as money orders.

6. Develop and implement processes to monitor and enforce staff compliance with its cash-handling policies, such as by performing regular reviews of cash receipt and deposit documentation and taking action when it identifies staff noncompliance with cash-handling policies.

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

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

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

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

#### Deficiency 1: District's password policies did not align with credible industry standards, increasing risk of unauthorized access to sensitive District information and disrupted operations

The USFR requires that districts implement strong passwords that align with credible industry standards. However, as of November 2023, some critical District systems' password requirements were not aligned with credible industry standards. As a result, the District increased the risk that unauthorized individuals could access sensitive District information and disrupt District operations.

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

The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. Credible industry standards recommends that districts develop policies and procedures to regularly review and limit user access, which would help the District ensure it meets these USFR requirements. However, our November 2023 review of accounting and student information system access levels for system users found the District did not regularly review and limit users' access to what they need to perform job duties. Specifically, our review of 35 accounting system users found that 5 of the users' access was more than what was necessary to perform their job duties and allowed the ability to view and modify employee information

and pay rates, including their own, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. In addition, the District granted administrator-level access to its accounting system to 2 of these users, including 1 business office employee. This level of access gave the employee full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system. Additionally, users with broad or administrator-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection. Further, our review of 78 student information system users found that 4 of the users' access was more than necessary to perform their job duties and allowed the ability to see teacher comments and other personal information or enter/edit attendance information. Although we did not identify any improper transactions due to these deficiencies, system access beyond what is needed for an employee's job duties increases the risk of errors and fraud.

According to District officials, due to the District's limited staff, it was necessary for multiple people to have access to different modules in the student information system and accounting system. However, if adequate separation was not possible because of the District's limited staff, the District should have implemented additional management review procedures or other controls to compensate for allowing employees access to incompatible functions.

### Deficiency 3: District did not safeguard its network and sensitive information, increasing its risk of data loss

The USFR requires that districts implement security-related controls over access to IT systems and data, including enabling encryption to mitigate unauthorized access. Credible industry standards recommend that districts prevent unauthorized access to systems and data by initiating an automatic device lock after a defined period of inactivity. However, our review of the District's logical access controls during our onsite visit in November 2023 found that the District did not have safeguards in place to ensure its network was secure because system settings that were previously in place, were modified by IT personnel when new software applications were implemented. Specifically:

- District allowed computers connected to a power source to remain unlocked until manually locked by a user. District IT personnel stated that after implementing multifactor authentication, they received complaints from teachers that they were getting kicked out of the system during instruction, so the District changed the setting to allow computers to remain unlocked indefinitely if the computer was connected to a power source.
- The District had not encrypted its Domain Name System (DNS) server, which is used to translate domain names into IP addresses in order to recognize each other on the network. Encrypting DNS server communication increases privacy and security by preventing unauthorized interception, manipulation, or redirection of searches to protect users from cyber threats and phishing attempts. According to District IT personnel, an application the District used would not work if the DNS server was encrypted and therefore the District chose not to encrypt its DNS server. As of October 2023, the District no longer used the application it reported to be incompatible with the encryption. However, as of January 2024, the District had

not encrypted its DNS server because the District indicated it planned to review the server's encryption incompatibility with a consultant when the District's IT personnel had time to prioritize it.

Allowing indefinite access when systems are inactive and not encrypting data increases the risk of unauthorized access to the District's network and possible loss of sensitive data.

## Deficiency 4: District's IT contingency plan lacked some key components, increasing its risk of interrupted operations and data loss

As of November 2023, the District's IT contingency plan lacked key components required by the USFR or recommended by credible industry standards. To help ensure continued operations and data recovery in the event of a system outage, the USFR requires, and credible industry standards recommend, that districts develop and implement an IT contingency plan. The plan should identify all critical systems, including the order in which they should be restored; clearly outline who is responsible for which activities during a system outage or attack; contain contingencies for continued business operations during a system outage; and contain detailed procedures for restoring critical systems and equipment. In addition to developing and implementing a comprehensive contingency plan, the District should test the plan at least annually to help ensure it is effective, which should include ensuring all parties understand their roles and responsibilities, identifying internal and external vulnerabilities, taking action to update equipment or remedy any issues identified, testing its ability to restore electronic data files for critical systems from backups, and documenting the results of the test. However, based on our November 2023 review, the District's IT contingency plan lacked some key components. Specifically, the District's IT contingency plan did not contain detailed procedures and tasks for staff to follow in the event of a system outage to successfully restore operations. Additionally, the IT contingency plan did not identify whom to contact in the event of a disaster or how to contact them. Further, the District did not test its plan at least annually to help ensure it is effective and that each member of staff knows their duties. Lacking a complete contingency plan and not regularly testing the plan increases the District's risk of being unable to continue operations and restore its systems in the event of a system outage.

District IT personnel stated that the District did not have a contingency plan in place prior to fiscal year 2024 and that the District's recently-developed contingency plan was still in its initial phase, which is why it was missing key components, key personnel had not been trained, and the plan had not been tested.

## District failed to develop and implement adequate IT policies and procedures

The District had not taken steps required by the USFR, such as developing policies and procedures, to ensure it complied with important IT security requirements. Although the District had some policies and procedures relating to IT, its policies and procedures were not adequate to prevent the deficiencies we identified.

## Recommendations

The District should:

7. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.
8. Develop and implement policies and procedures to regularly review the District's password standards against credible industry password standards at least annually.
9. Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employees' administrator-level access.
10. Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties. If separation of duties is not feasible due to a limited number of personnel, the District should implement other controls such as a process for a supervisor to regularly review system logs, balancing reports, and other relevant indicators, as required by the USFR.
11. Develop and implement written policies and procedures to initiate automatic device locks after a defined period of inactivity.
12. Protect sensitive computerized systems and data by evaluating and implementing security measures, such as encryption, for its DNS servers.
13. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.
14. Develop comprehensive IT security policies and procedures in alignment with USFR requirements, and ensure they are consistently communicated to and implemented by staff to address any identified deficiencies and discrepancies in current operations.

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

# SUMMARY OF RECOMMENDATIONS

## Walker & Armstrong makes 14 recommendations to the District

The District should:

1. Annually submit accurate and complete required transportation reporting to ADE (see Finding 1, pages 3 through 7, for more information).
2. Develop and implement procedures to ensure transportation information, including eligible students transported and miles driven, is properly reported to the ADE for State funding purposes. The procedures should include a secondary review process before submitting transportation reporting to ADE (see Finding 1, pages 3 through 7, for more information).
3. Develop and implement procedures to review transportation funding amounts received and compare the amounts to budgeted amounts (see Finding 1, pages 3 through 7, for more information).
4. Work with ADE regarding needed corrections to its transportation funding reports until all transportation reporting and funding errors are fully corrected (see Finding 1, pages 3 through 7, for more information).
5. Ensure that its newly established cash-handling policy includes all internal controls necessary to properly safeguard student activity funds in compliance with USFR requirements for cash handling (see Finding 2, pages 8 and 9, for more information).
6. Develop and implement processes to monitor and enforce staff compliance with its cash-handling policies, such as by performing regular reviews of cash receipt and deposit documentation and taking action when it identifies staff noncompliance with cash-handling policies (see Finding 2, pages 8 and 9, for more information).
7. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations (see Finding 3, pages 10 through 13, for more information).
8. Develop and implement policies and procedures to regularly review the District's password standards against credible industry password standards at least annually (see Finding 3, pages 10 through 13, for more information).
9. Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employees' administrator-level access (see Finding 3, pages 10 through 13, for more information).
10. Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties. If separation of duties is not feasible due to a

limited number of personnel, the District should implement other controls such as a process for a supervisor to regularly review system logs, balancing reports, and other relevant indicators, as required by the USFR (see Finding 3, pages 10 through 13, for more information).

11. Develop and implement written policies and procedures to initiate automatic device locks after a defined period of inactivity (see Finding 3, pages 10 through 13, for more information).
12. Protect sensitive computerized systems and data by evaluating and implementing security measures, such as encryption, for its DNS servers (see Finding 10, pages 10 through 13, for more information).
13. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results (see Finding 3, pages 10 through 13, for more information).
14. Develop comprehensive IT security policies and procedures in alignment with USFR requirements, and ensure they are consistently communicated to and implemented by staff to address any identified deficiencies and discrepancies in current operations (see Finding 3, pages 10 through 13, for more information).

## Objectives, scope, and methodology

We have conducted a performance audit of Benson Unified School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2022, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Arizona Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions.

Noninstructional spending reviewed for this audit includes the following operational categories:

### Operational spending

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

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

**Financial accounting data and internal controls**—We evaluated the District's internal controls related to processing expenditures and scanned fiscal year 2022 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 34 of 304 individuals who received payments through the District's payroll system in fiscal year 2022 and reviewed supporting documentation for 119 of 1,829 fiscal year 2022 accounts payable transactions. In addition, we reviewed fiscal year 2022 spending compared to the previous year and trends for the

different operational categories to assess reasonableness and identify significant changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District’s policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District’s network and systems; and reviewing controls over reporting various information used for this audit. We reported our results on applicable internal control procedures in Findings 2 and 3 (see pages 8 through 13).

**Peer groups**—The Arizona Auditor General developed 3 types of peer groups for comparative purposes. To compare the District’s student achievement, the Arizona Auditor General developed a peer group using district type, location, and poverty rates because these factors are associated with student achievement. We used this peer group to compare the District’s fiscal year 2022 student passage rates on State assessments as reported by ADE. We also reported the District’s fiscal year 2022 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, the Arizona Auditor General developed a peer group using district size, type, and location. To compare the District’s transportation efficiency, the Arizona Auditor General developed a peer group using 5-year historical average of miles per rider and location. They used these factors because they are associated with districts’ cost measures in these areas.

**Table 1**

Criteria for selecting peer school districts for comparative purposes—Fiscal year 2022

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	19% or higher but less than 23% Unified school districts Towns and rural areas	15
Administration, plant operations and maintenance, and food service	District size District type Location	1,200 to 1,999 students Unified school districts Towns and rural areas	18
Transportation	Miles per rider Location	361 to 510 miles per rider Towns and rural areas	16

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis – Fiscal year 2022*.

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

- **Interviews**—We interviewed various District employees about their duties, in the operational areas we reviewed. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.

- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the operational areas we reviewed. This included facility tours, food services operations, and transportation services.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, Single Audit reports, reports submitted to ADE for transportation funding, ADE State aid reports, and compliance questionnaire results that its external audit firm completed. We also reviewed District-provided accounting system and network user account reports and documentation related to the District’s fiscal year 2022 IT security awareness training.
- **Documentation reviews**—We reviewed various documentation provided by the District including credit card and fuel card statements and supporting documentation for fiscal year 2022 purchases; cash receipts documentation and bank statements from July 2021 to June 2022; Governing Board meeting minutes; fiscal year 2022 employment contracts and payroll records; Governing Board member and District employee conflict-of-interest disclosure forms for fiscal years 2022 and 2023; student bus rider counts and monthly bus mileage usage records for fiscal years 2022 and 2023; and 18 school bus driver files for fiscal years 2022 and 2023, 30 of 1,251 school bus preventative maintenance records, and pre and post-trip bus inspection checklists for 1 week of each quarter for the District’s 20 school buses for fiscal year 2022. We also reviewed Department of Public Safety school bus inspection reports for the school buses inspected in calendar years 2021 through 2023.
- **Analysis**—We reviewed and evaluated the District’s fiscal year 2022 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also compared the District’s square footage per student, use of building space, and meals served per student to peer districts.

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

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

We express our appreciation to the District’s governing board members, superintendent, and staff for their cooperation and assistance throughout the audit, as well as the Arizona Auditor General’s Office for their support.

# DISTRICT RESPONSE



Governing Board  
Brett Barney, President  
Vicky Konrad, Clerk  
Robert Bernal, Member  
John "Jack" Comaduran, Member  
Ann Roberts, Member

## Benson Unified School District #9

360 S. Patagonia Street • Benson, AZ 85602 • Phone: 520-720-6700

Superintendent  
Micah Mortensen

April 23, 2024

Lisa S. Parke, CPA  
Audit & Assurance Partner  
Walker & Armstrong  
1850 N. Central Avenue, Suite 400  
Phoenix, AZ 85004

Dear Ms. Parke:

Please accept Benson Unified School District's response to the performance audit that has recently been completed. The administration and governing board accept the findings, have already implemented some recommendations and will continue to diligently work to implement the remaining recommendations.

The District would like to share our appreciation to the audit team for their professionalism and patience while conducting the audit. Thank you for working with us in such a positive way that helped us grow through this process.

Sincerely,

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

Micah Mortensen  
Superintendent

**Finding 1:** The District's errors on annual transportation reports resulted in it being overfunded by \$343,000 for fiscal year 2024

**Recommendation 1:** Annually submit accurate and complete required transportation reporting to ADE.

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

Response explanation: The district will submit accurate and complete reporting to ADE

**Recommendation 2:** Develop and implement procedures to ensure transportation information, including eligible students transported and miles driven, is properly reported to the ADE for state funding purposes. The procedures should include a secondary review process before submitting transportation reporting to ADE.

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

Response explanation: The district has updated procedures to have a secondary review process before the submittal of the transportation reports to ADE

**Recommendation 3:** Develop and implement procedures to review transportation funding amounts received and compare the amounts to budgeted amounts.

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

Response explanation: The district has updated procedures to review and compare transportation funding amounts received to budgeted amounts

**Recommendation 4:** Work with ADE regarding needed corrections to its transportation funding reports until all transportation reporting and funding errors are fully corrected.

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

**Finding 2:** District did not comply with important cash handling requirements, putting the District at an increased risk of errors and fraud

**Recommendation 5:** Ensure that its newly established cash handling policy includes all internal controls necessary to properly safeguard student activity funds in compliance with USFR requirements for cash handling.

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

Response explanation: The district has implemented and updated procedures regarding cash handling that comply with USFR requirements

**Recommendation 6:** Develop and implement processes to monitor and enforce staff compliance with its cash handling policies, such as performing regular reviews of cash receipt and deposit documentation and taking action when it identifies staff noncompliance with cash handling policies.

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

Response explanation: The district has implemented regular reviews of cash receipt and deposit documentation and identifies staff noncompliance with cash handling policies.

**Finding 3:** District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to its network and sensitive information, errors, fraud, and data loss

**Recommendation 7:** Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Response explanation: The district has implemented and enforces strong password requirements

**Recommendation 8:** Develop and implement policies and procedures to regularly review the District's password standards against credible industry standards at least annually.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 9:** Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employees' administrator-level access.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 10:** Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties. If separation of duties is not feasible due to a limited number of personnel, the District should implement other controls such as a process for a supervisor to regularly review system logs, balancing reports, and other relevant indicators as required by USFR.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 11:** Develop and implement written policies and procedures to initiate automatic device locks after a defined period of inactivity.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 12:** Protect sensitive computerized systems and data by evaluating and implementing security measures, such as encryption, for its DNS servers.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 13:** Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

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

Response explanation: The district is in the process of implementing this recommendation

**Recommendation 14:** Develop and implement IT security policies and procedures in alignment with USFR requirements, and ensure they are consistently communicated to and implemented by staff to address any identified deficiencies and discrepancies in current operations.

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

Response explanation: The district is in the process of implementing this recommendation

