

The October 2023 Ganado Unified School District performance audit found that the District failed to maintain required accounting records, limiting the scope of our review; limited public access to some Board meetings and wasted more than \$48,000 on unnecessary travel; operated its schools far below capacity; and failed to comply with other important requirements putting public monies, student safety, and sensitive computerized data at risk. We made 20 recommendations to the District, and its status in implementing the recommendations is as follows:

Status of 20 recommendations

Implemented	2
In process	11
Not implemented	7

Additionally, in January 2024, we sent a letter to the Arizona State Board of Education (SBE) notifying it that Ganado Unified School District had not corrected its deficiencies with the *Uniform System of Financial Records for Arizona School Districts* (USFR) based on internal control deficiencies identified in our October 2023 performance audit report in addition to its fiscal year 2022 financial audit reports and Compliance Questionnaire.¹ We originally notified the District of its noncompliance with the USFR in December 2022. We will assess the results of this initial follow-up report as well as the District’s fiscal year 2023 financial audit reports and Compliance Questionnaire to determine the deficiencies the District needs to address in its required corrective action plan (CAP) and update SBE, as appropriate. We will conduct our next followup with the District on the status of the recommendations that have not yet been implemented in coordination with any updates it makes to its required CAP.

Audit Scope Limitation: District failed to maintain required accounting records, thereby limiting the scope of our review of payroll, purchasing, and cash-handling documentation and procedures, and increasing the risk of undetected fraud, waste, and misuse

1. The District should comply and cooperate with the Auditor General’s Office, including providing timely and complete information requested for audit followups, special studies and reviews, and status reviews on USFR compliance.
Implementation in process—Since the performance audit, the District has complied and cooperated with our Office, including providing timely responses and relevant information in response to our requests for this followup. We will continue to assess the District’s compliance and cooperation during subsequent followups, special studies and reviews, and status reviews to assess USFR compliance.
2. The District should submit its annual financial statement audit and compliance questionnaires to the Auditor General’s Office by March 31 each year, as required.
Implementation in process—The District submitted its fiscal year 2023 financial statement audit and Compliance Questionnaire to our Office by March 31, 2024, as required. We will continue to assess the District’s timeliness in submitting its annual financial statement audit and Compliance Questionnaire during the next followup after its fiscal year 2024 reports are due.

¹ Our Office reviews all school district audit reports and USFR Compliance Questionnaires submitted by independent audit firms to determine whether districts have established and maintained effective internal control policies and procedures that comply with the USFR at a satisfactory level. In accordance with Arizona Revised Statutes 15-271, we notify districts that are in noncompliance with the USFR and give them 90 days to correct their deficiencies.

3. The District should update its CAP to ensure it adequately addresses the significant deficiencies identified, including what actions have been taken to correct the deficiencies, the date the process was implemented, and the results of the District's review of transactions processed under the newly implemented process. Additionally, the District should ensure it timely submits its completed CAP to the Auditor General's Office as required.

Implementation in process—The District submitted an update to its CAP to our Office in January 2024. However, due to the results of its fiscal year 2023 financial statement audit, the District will be required to prepare a new CAP based on deficiencies identified in its fiscal year 2023 audit report. We will assess the District's efforts to implement its CAP at the next followup.

4. The District should comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions.

Implementation in process—We judgmentally selected and reviewed 30 of 278 fiscal year 2024 District employees and found that the District maintained required supporting documentation for all 30 employees, including details necessary to calculate prorated hourly employees' compensation and track employees' use of paid leave. Additionally, we found that the 30 employees were paid correctly and in accordance with their contract or work agreements, including prorated hourly employees.

We also judgmentally selected and reviewed 22 of 4,731 fiscal year 2024 non payroll expenditures, including 10 expenditures made using District credit cards, and found that the District maintained supporting documentation for all 22 expenditures demonstrating appropriate prior approvals and receipts as well as evidence that the purchases were appropriate.

However, our review of the District's cash-handling procedures and transactions identified concerns with the District's cash-handling process and supporting documentation maintained similar to the concerns identified during the audit. We reviewed supporting documentation for all cash received and deposited in September 2023 and January 2024 and found that although the District maintained adequate supporting documentation that demonstrated appropriate separation of duties and made timely deposit for the 16 checks it received at the District's business office, it could not demonstrate the same for the 23 prepared deposits it received from the school sites during these months. For example, 17 of the 23 deposits did not contain supporting documentation such as receipts, tracked ticket numbers, or another type of log that supported the amount collected. One deposit that included a log of items sold was \$20 more than what the log indicated was collected without any explanation for the overage. Additionally, the USFR requires that cash be deposited at least weekly. However, the District did not deposit 9 of the 23 deposits totaling more than \$4,100 from the school sites within 7 days of collection, as required, and in 1 case, did not deposit cash collected by a student club for 213 days, or approximately 7 months, after being collected. Without formal written policies and procedures for cash collected at its school sites, the District is unable to ensure all cash received is appropriately safeguarded to prevent its loss or misuse, as required by the USFR. We will assess the District's efforts to improve its cash-handling procedures during the next followup.

Finding 1: District held Governing Board (Board) meetings out of town, limiting public access and wasting more than \$48,000 of public monies on unnecessary travel expenses

5. The District should consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

Not implemented—Our October 2023 performance audit found that in fiscal years 2020 and 2022 the District improperly limited public access to 3 Board meetings where the Board discussed topics that did not meet the statutory definitions of when the public could be lawfully excluded and would have likely been of interest to members of the public such as discussion about the District's Classroom Site Fund monies and future capital purchases. By doing so, the District limited access for the public, staff, parents, and students to participate in the District's governance. District officials stated that they discussed the October 2023 performance audit report with the District's legal counsel and that as of August 2024, the District has no plans to speak with the Arizona Attorney

General's Office or to take steps to ensure that any District actions taken contrary to open meeting laws during these meetings are appropriately addressed to be made valid.

6. The District should discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and an unnecessary expense to the District.

Implemented at 6 months—We reviewed agendas for all Board meetings, including regular and special meetings and work study sessions, from October 2023 through June 2024 and found that all took place in Ganado, Arizona. District officials stated that the District plans to continue to hold all future Board meetings within District boundaries.

7. The District should develop and implement Board meeting policies and procedures, including the locations selected outside the District's boundaries for conducting public meetings and the content of public meeting agendas, in consultation with legal counsel, to ensure all Board meetings comply with open meeting law and are accessible to the public.

Implemented at 6 months—During fiscal year 2024, the Board approved updates to Board meeting policies and procedures that include guidance on locations selected for Board meetings and content of public meeting agendas. For example, the updated policies and procedures include guidance that the Board shall meet in the most convenient public facility in the District and requirements for information to be included on the meeting agenda such as the specific matters to be discussed, considered, or decided at the meeting. Additionally, the updated policies and procedures specify that the meeting notice and agenda should include the times that the public will have physical access to the meeting place. As discussed in recommendation 6, we reviewed the District's meeting agendas from October 2023 through June 2024 and found that the District had complied with its updated policy.

8. The District should implement procedures to ensure that all travel expenditures and reimbursements are planned using the most reasonable and economic means and do not exceed Arizona Department of Administration (ADOA)-established maximum rates in accordance with District policy, and follow USFR requirements.

Implementation in process—During its fiscal year 2024 District-wide employee orientation, the District provided instructions to staff for planning travel in accordance with District policy and the ADOA-established maximum rates. Additionally, the District included physical copies of its policy and the *State of Arizona Accounting Manual* (SAAM) fiscal year 2024 maximum rates for mileage, lodging, meals, and incidentals in the District's business services binder for staff to reference when reviewing and approving travel claims. However, despite these improvements, our review of 2 Board member travel claims and 4 employee travel claims for 6 separate trips found that Board members and employees did not always follow District policy and SAAM requirements. Specifically, the District calculated 2 mileage reimbursements for miles driven in a personal vehicle using a generic city-to-city mileage table instead of actual miles driven, inconsistent with SAAM requirements, similar to during the audit. These 2 travel claims also did not contain information necessary to correctly calculate the mileage reimbursement, such as the Board member's address. We will assess the District's efforts to implement this recommendation at the next followup.

Finding 2: District operated its schools far below capacity, using at least an estimated \$353,000 annually that may have been effectively used for other priorities such as improving student achievement

9. The District should evaluate how it utilizes building space at its schools and determine and implement ways to reduce it, including considering whether to consolidate school operations in order to increase its operating capacity to a more efficient level and focus more of its resources on other district priorities like improving its student achievement.

Implementation in process—The District has identified buildings at some of its sites that are unused and in disrepair and reported that it plans to have these buildings demolished, which may lead to a reduction in the District's overall square footage but may not substantially impact its available capacity as calculated by the

Arizona Department of Administration's School Facilities Oversight Board. During fiscal year 2023, the District was forced to consolidate students temporarily after weather damaged 1 of the schools operating at the elementary school campus, where the District operates 3 of its 4 schools. Principals at 2 of the schools provided written feedback on the operations during the temporary consolidation, indicating concerns with grade configurations increasing behavioral issues and limited bathroom facilities for the number of students attending. District officials indicated that they attempted a different configuration to consolidate students during the 2024 summer school session and experienced similar concerns. As of August 2024, the District is still providing instruction to students at all 4 of its schools. However, District officials stated they will continue to review enrollment numbers and are open to the possibility that other consolidation plans might be possible in the future. We will assess the District's efforts to implement this recommendation at the next followup.

Finding 3: District did not systematically perform school bus preventative maintenance, putting student safety at risk

10. The District should develop and implement a formal, written school bus preventative maintenance policy in accordance with the State's Department of Public Safety (DPS) *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) that outlines what specific preventative maintenance activities will be completed in addition to oil changes and states at what mileage and time frame preventative maintenance will be completed.

Implementation in process—The District has developed a formal, written school bus preventative maintenance policy that outlines some preventative maintenance activities and includes a mileage interval at which preventative maintenance will be completed. However, the District's school bus preventative maintenance policy is still missing some of the preventative maintenance activities required by DPS' Minimum Standards, such as inspections of the exterior school bus body, brakes, and tires. Additionally, the policy does not include a time frame for when preventative maintenance will be completed. District officials reported they will further update and implement a formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards by June 2025. We will assess the District's efforts to implement this recommendation at the next followup.

11. The District should maintain sufficient documentation to demonstrate that it is following its formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards.

Not implemented—As stated in recommendation 10, the District has not developed and implemented a formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards. In addition, our June 2024 review of preventative maintenance services performed in fiscal years 2023 and 2024 on 11 of the District's 25 school buses found that for 5 of the school buses, the District did not perform preventative maintenance within the 7,500-mile interval as its policy required. District officials reported that the District will monitor, perform, and document bus preventative maintenance systematically and on schedule in accordance with the District's formal written policy and the State's Minimum Standards by June 2025. We will assess the District's efforts to implement this recommendation at the next followup.

Finding 4: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

12. The District should 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.

Implementation in process—Our June 2024 review of the District's student information system (SIS) password requirements found that the District had implemented strong password requirements that align with credible industry standards. However, our July 2024 review of the District's network password requirements found that the District had updated some, but not all, of its network password requirements to be consistent with credible industry

standards. District officials reported that the District will update its network password requirements for all network users by September 2024. We will assess the District's efforts to implement this recommendation at the next followup.

13. The District should develop and implement policy and procedures to review the District's password standards against industry password standards at least annually.

Not implemented—The District has not developed and implemented policy and procedures to review the District's password standards against credible industry password standards at least annually. The District reported it will develop and implement such policy and procedures by October 2024. We will assess the District's efforts to implement this recommendation at the next followup.

14. The District should review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access.

Implementation in process—Our August 2024 review of the District's administrator-level access to its critical systems found that although the District had reduced the number of users with administrator-level access to its network, we still identified 1 user with administrator-level access who did not require it to perform their job responsibilities. Further, the District reported it does not have separate nonadministrative accounts for its 5 appropriate network administrators. Additionally, since the audit, the District improperly granted 2 District employees administrator-level access to its accounting system. The District reported it will review and reduce the number of users with administrator-level access to its critical systems by September 2024.

15. The District should develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assessing their access level and need for network and critical systems access to ensure that access level was appropriate and access was promptly disabled when it was no longer needed, including for terminated employees.

Implementation in process—The District has implemented systematic maintenance reminders to annually review accounting system user accounts and to monthly review network user accounts. However, as stated in recommendation 14, our August 2024 review of the District's accounting system and network found that the District did not limit administrator-level access to only those individuals who needed it to perform their job duties. In addition, our review of the District's accounting system found that 4 District employees had full access to its purchasing and/or payroll processes. Further, we identified 1 active accounting system user account that was no longer needed and should have been disabled. Our August 2024 review of the District's network and SIS also found that the District was not immediately disabling accounts when no longer needed, and we identified 13 network user accounts and 4 SIS user accounts associated with terminated employees. The 17 accounts we identified were associated with District employees who had not been employed by the District for between 1 month to nearly 2 years prior to our review. The District's SIS also had 1 active account that was no longer needed and should have been disabled. The District reported it will develop and implement a more detailed review of administrative and user accounts within its critical systems by December 2024. We will assess the District's efforts to implement this recommendation at the next followup.

16. The District should upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems.

Implementation in process—The District reported it has taken steps to upgrade its IT equipment, including purchasing some new supported IT infrastructure for its network, which we confirmed during the followup. Additionally, the District reported it will purchase new IT equipment and infrastructure beginning in November 2024 for each school and will continue to do so during fiscal years 2025 and 2026. We will assess the District's efforts to implement this recommendation at the next followup.

17. The District should develop and implement policies and procedures to ensure its computer and network infrastructure are properly maintained and up to date.

Not implemented—The District has not developed and implemented policies and procedures to ensure its computer and network infrastructure are properly maintained and up to date, but it reported it would do so by February 2025. We will assess the District's efforts to implement this recommendation at the next followup.

18. The District should establish and implement procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner.

Not implemented—The District has not established and implemented procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner, but it reported it would do so by June 2025. We will assess the District's efforts to implement this recommendation at the next followup.

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

Not implemented—The District has not established and implemented a District policy to conduct mandatory employee security awareness training at least annually. Further, our June 2024 review of the District's security awareness training found that the training content is limited to specific topics and does not cover the set of information security topics relevant for school districts as recommended by credible industry standards. The District stated it will establish and implement a District policy to conduct mandatory employee security awareness training at least annually and expand its training content by December 2024. We will assess the District's efforts to implement this recommendation at the next followup.

20. The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies.

Not implemented—The District has not developed and implemented an IT contingency plan that meets USFR requirements and credible industry standards and therefore has not yet performed documented tests against its plan, at least annually, to identify and remedy any deficiencies. The District reported it will develop and implement an IT contingency plan by June 2025. We will assess the District's efforts to implement this recommendation at the next followup.