






Cochise Technology District

Initial Followup of Report 24-203

The February 2024 Cochise Technology District performance audit found that the District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into its activities; did not comply with important internal control requirements, increasing risk of errors, fraud, and unauthorized purchases; and lacked key outcome data preventing it from demonstrating how the \$4.5 million it spent on CTE programs in fiscal year 2022 effectively prepared students for high-need occupations. We made **20** recommendations to the District.

District's status in implementing 20 recommendations

Implementation status		Number of recommendations
	Implemented	3 recommendations
	Partially implemented	1 recommendation
	In process	8 recommendations
	Not yet applicable	1 recommendation
	Not implemented	7 recommendations

We will conduct a 24-month followup with the District on the status of the recommendations that have not yet been implemented.

Recommendations to the District

Finding 1: District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into the District's activities and increasing the risk that the District may not be able to recover monies it improperly paid in advance

1. The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest in conformance with State law. These policies and procedures should specifically disallow District employees from participating in matters for which they have a substantial interest, including approving payments to a relative or themselves.

► Status: **Not implemented.**

Although the District's legal counsel reviewed and approved its conflict-of-interest policies in August 2024, the District had not developed conflict-of-interest procedures to ensure District staff consistently follow its policies. Additionally, since the audit, the District superintendent participated in a matter for which he indicated that he had a substantial interest. Specifically, in March 2024, the superintendent created a lease agreement between himself as lessor and the District as lessee for fiscal years 2024 through 2027 because the superintendent's home serves as the District's business office. Additionally, the superintendent participated by determining the annual rental payment amounts of \$6,600 as well as the discounted rate the District would receive by prepaying the rent each fiscal year, which was 10% less than the full rental rate, or \$6,000 (see explanation for recommendation 4 for more information about the District's rental payments to the superintendent). After we brought the potentially improper participation to the District superintendent's attention during the followup, the superintendent indicated he would not participate in matters for which he has a substantial interest, as required by State conflict-of-interest laws.¹ Additionally, the District indicated that it will reassess the existing lease agreement between the superintendent and the District by June 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. The District should develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

► Status: **Implemented at 12 months.**

The District provided conflict-of-interest training to employees in June 2024 and March 2025. The District's training included information about conflict-of-interest requirements for employees, such as the need to complete a conflict-of-interest form to disclose substantial interests and refrain from participating in any manner in matters related to disclosed interests. Additionally, the training included information relevant to staff

¹ Arizona Revised Statutes (A.R.S.) §38-503(A).

involved in purchasing. Our March 2025 review found that all of the District's full-time employees had completed the conflict-of-interest training.

3. The District should ensure District employees follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 2), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as office space rental prepayments, for which they have a substantial interest.

► Status: **Not implemented.**

As explained in recommendation 1, the District's superintendent may have acted contrary to State conflict-of-interest laws when he participated in a matter in which he indicated he had a substantial interest, including determining annual rental payments to himself. Although the superintendent disclosed he had a substantial interest with the District lease in both his January 2024 and January 2025 conflict-of-interest disclosure forms, the superintendent failed to refrain from participating in the lease transaction by creating a lease agreement between himself and the District and determining the rental payment amount he would receive from the District. The superintendent reported he will ensure he follows the State conflict of-interest laws and District policy and refrain from participating in any manner for which he has a substantial interest. We will assess the District's efforts to implement this recommendation at the 24-month followup.

4. The District should revise existing lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements for prepayments, and recover all improperly prepaid amounts from District employees.

Status: **Partially implemented at 6 months.**

During the initial audit, the District improperly prepaid rent of \$6,000 annually each to its superintendent and program director. The prepayment was improper because the USFR and State laws allow districts to prepay only for items that are normally prepaid to procure them, such as insurance premiums, or to receive a discounted price, which the District did not receive. Since the audit, the District has continued to prepay the same 2 employees the same amount of rent as during the audit—\$6,000 annually each. However, the District revised its fiscal year 2025 lease agreements with the 2 employees to provide what it purports to be a discount to the District when it prepays for rent, and the District's Governing Board (Board) approved the revised lease agreements in June 2024. The revised lease agreements require the District to pay each employee rent of \$550 monthly (\$6,600 in total for the year) or the District can receive a 10% discount by prepaying a rental amount of \$6,000 annually, which appears to meet USFR and State law requirements for prepayments. However, by continuing to prepay rent to employees, the District continues to increase the risk that it may not be able to recover prepaid rent if a District employee leaves District employment before the end of the lease term. Additionally, although the Board approved the rent prepayment in its June 2024 meeting, the District lacked documented support for why it elected to prepay rent to the 2 employees, contrary to USFR requirements. District officials reported the

District would provide written documentation supporting its decision to prepay rent in accordance with USFR requirements by June 2025.

Regarding the District recovering all improperly prepaid amounts, all District employees we identified with a prepaid lease agreement during the audit remained employed at the District through June 2024, the end of the previous lease agreement. Therefore, the District did not need to recover any prepaid amounts from District employees. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 2: District did not comply with important internal control requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

5. The District should develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.

► Status: **Implementation in process.**

The District developed and implemented cash-handling policies and procedures for cash collection, deposit, and review in July and August 2024. However, our September 2024 review of the District's cash-handling process continued to identify deficiencies. Specifically, our review of cash the District collected in July and August 2024 found that the District deposited 7 of 11 cash transactions between 10 and 19 days after collection, contrary to its policy and the USFR requirement to deposit cash at least weekly, or daily when amounts are significant. Additionally, the District did not separate cash-handling duties from recordkeeping responsibilities as required by District policy and the USFR (see explanation for recommendation 6). Further, the District does not complete monthly bank and County Treasurer reconciliations, as required by the USFR. District officials reported the District will review and update its cash-handling policies and procedures to include monthly bank and County Treasurer reconciliations, follow its policy by depositing cash at least weekly, and investigate ways it can better separate cash-handling duties from record-keeping responsibilities by June 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

6. The District should separate cash-handling duties from recordkeeping responsibilities, such as requiring a separate employee to be present when opening mail before recording checks on its mail log or implement other controls to ensure all checks received are accounted for and deposited.

► Status: **Not implemented.**

As stated in recommendation 5, our September 2024 review of the District's cash-handling process found that the District did not separate cash-handling duties from recordkeeping responsibilities. Specifically, the District did not require a separate employee to be present when opening mail before recording checks on its mail log, and the District did not implement other controls to ensure all checks received are accounted for and deposited. Based on our review, the superintendent is the only employee to receive, record, and deposit checks sent through the mail. Further, our review of the District's mail log found that the log was not regularly updated by employees involved in the cash-handling process. District officials reported the District

will implement cash-handling controls to ensure all checks received are accounted for and deposited and implement compensating controls to separate cash-handling duties from record keeping by July 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

7. The District should prepare and maintain evidence, such as sequential, prenumbered receipts or a complete mail log, for all cash received.

▶ Status: **Implemented at 6 months.**

We reviewed 11 cash collections from July and August 2024 and found that the District prepared and maintained evidence of sequential, prenumbered receipts for all 11 cash collections we reviewed.

8. The District should deposit all cash at least weekly, or daily when amounts are significant.

▶ Status: **Not implemented.**

As stated in recommendation 5, our review of cash the District collected in July and August 2024 found that the District did not deposit 7 of 11 cash transactions we reviewed within a week, contrary to District policy and USFR requirements. District officials reported it began depositing all cash at least weekly, or daily when amounts are significant, in March 2025. However, due to the District having recently implemented this process and the timing of our followup, we will assess the District's efforts to implement this recommendation at the 24-month followup.

9. The District should provide training on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit.

▶ Status: **Implementation in process.**

The District provided training in July 2024 on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit. However, as stated in recommendation 5, our review of 11 cash receipts from July and August 2024 found that District staff did not follow the District's policies and procedures and USFR requirements despite having been trained, indicating that the District's training may not have been effective or may need to be updated. District officials reported the District will review and update its cash-handling policies and procedures, continue to provide cash-handling training, and begin to follow its policies and procedures and USFR requirements by June 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

10. The District should separate responsibilities over credit cards among more than 1 employee so that no employee can make purchases, reconcile purchase receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.

▶ Status: **Implementation in process.**

The District has taken steps to separate responsibilities over credit cards among more than 1 employee. Specifically, our September 2024 review of 15 District credit card

purchases between July and August 2024 found that all 15 credit card purchases were reviewed and approved by more than 1 employee and no employee could independently complete a credit card purchase. However, the District reported that it does not complete monthly credit card reconciliations, as required by the USFR. As of January 2025, the credit card purchases we reviewed had not been reconciled and reviewed by District staff for appropriateness, despite being made between 5 and 6 months prior. District officials reported the District began performing reconciliations and reviewing credit card purchases for appropriateness in accordance with USFR requirements in March 2025. However, due to the District having recently implemented this process and the timing of our followup, we will assess the District's efforts to implement this recommendation at the 24-month followup.

11. The District should require an independent review and approval of its purchases prior to the purchases being made.

► Status: **Not implemented.**

Based on our October 2024 review of 8 District purchases from June through August 2024, the District did not require an independent review and approval of its purchases prior to the purchases being made for 2 of 8 purchases reviewed. District officials reported the District began requiring an independent review and approval of its purchases prior to the purchases being made in March 2025. However, due to the District having recently implemented this process and the timing of our followup, we will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

12. The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

► Status: **Implemented at 12 months.**

Our March 2025 review of the District's current IGAs with its member districts found that the District had updated all of its 11 member districts' IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219, which was an outdated report that was replaced by the required worksheet and instructions in September 2017. The updated IGAs require its member districts to complete and submit the CTED supplanting worksheet to the District by October 15 annually. Additionally, all 11 updated IGAs have been approved by the respective member districts' boards and the District's Board.

13. The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member

districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

► Status: **Implementation in process.**

As stated in recommendation 12, the District updated its IGAs with all 11 member districts to require member districts to provide the required CTED supplanting worksheet to the District by October 15 annually. Additionally, the District's Board approved a supplanting policy in September 2024 that states any member district that does not complete and submit the required CTED Supplanting Worksheet by October 15 each year will not receive any additional funding from the District until it submits the required worksheet. The District reported it will implement and communicate the new policy to member districts in fiscal year 2025. Although we found that all 11 member districts submitted the required worksheets to ADE by the ADE deadline of November 15, 2024, 2 member districts did not meet the deadline specified in District policy of October 15. Further, the member districts submitted the worksheets to the District superintendent, and not to the District's Board, as required by statute.² District officials stated that they will continue to work with member districts to ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board by the required 2025 deadlines. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 14.** The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending, and if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

► Status: **Implementation in process.**

As stated in recommendation 13, the District's Board approved a supplanting policy in September 2024 and reported it will implement and communicate the new policy to member districts in fiscal year 2025. The District's policy states that if a member district's form indicates it supplanted CTE spending in a previous year, the District will reduce the member district's current year funding allocation by the amount supplanted. Our January 2025 review of the member districts' 2024 CTED supplanting worksheets found that 3 of 11 member districts worksheets indicated they had supplanted CTE monies in fiscal year 2024. The District reported that it will not enforce its new policy until fiscal year 2025 reporting and plans to work with the 3 member districts to identify the cause of the supplanting to help ensure the member districts do not supplant in future years. The District also indicated it will take appropriate action outlined in the supplanting policy if it identifies supplanting in future years. We will assess the District's efforts to implement this recommendation at the 24-month followup.

² A.R.S. §15-393(D)(7).

Finding 4: District's lack of key outcome data prevents it from demonstrating how the \$4.5 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

- 15.** The District should develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

► Status: **Not implemented.**

At the time of our review in March 2025, the District had not developed consistent data collection protocols for all CTE programs related to collecting data on student certifications earned and post-graduate jobs obtained. Instead, the District relies on its member districts to collect outcome data and provide it to the District. However, because the District has not developed consistent data collection and validation protocols, member districts may be inconsistently collecting and reporting outcome data. The District reported it plans to review the accuracy of fiscal year 2024 data collected from its central and satellite programs by working closely with teachers and reviewing any documentation provided by May 2025. However, because it has not provided guidance on the types of supporting documentation to collect, the District continues to increase the risk that its outcome data is incomplete or inaccurate. As a result, the District continues to lack reliable information supporting that its spending on CTE programs is effectively preparing students for high-need occupations. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 16.** The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

► Status: **Not yet applicable.**

As stated in recommendation 15, the District has not developed consistent data collection protocols for all CTE programs related to collecting data on student certifications earned and post-graduate jobs obtained. Additionally, the District has not reviewed the accuracy of outcome data for students who graduated from its central and satellite programs in fiscal year 2024. District officials reported they plan to evaluate each CTE program's effectiveness by assessing student enrollment data, interest levels, certifications earned, program completion rates, State assessment scores, and post-graduate job placement data. However, by lacking processes for consistently collecting and validating program outcome data, the District's planned approach for evaluating its programs may result in inaccurate or incomplete information about its CTE programs' effectiveness. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 5: 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

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

► Status: **Not implemented.**

Our October 2024 review of the District's accounting system found that the same 2 District employees with excessive access during the audit continued to have more access than needed to perform their job duties. These users' access allowed them the ability to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. Similarly, the District continued to grant inappropriate administrator-level access to 1 District employee who had inappropriate administrator-level access during the audit. In March 2025, the District reported it had not yet made changes to the District's accounting system access and that it will limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including administrator-level access by June 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 18.** The District should establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure employees have access to only those accounting system functions needed to perform their job duties.

► Status: **Implementation in process.**

The District established written policies and procedures in September 2024 related to assigning and periodically reviewing accounting system user access to ensure that employees have access only to the functions necessary for their job responsibilities. However, as stated in recommendation 17, our October 2024 review of the District's accounting system found that the District continued to not limit user access for 2 employees and continued to inappropriately grant administrator-level access to 1 employee. In March 2025, the District reported it had not yet made changes to the District's accounting system access and that it will limit access to its accounting system and will follow its written policies and procedures by June 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

► Status: **Implementation in process.**

The District established and implemented a policy in November 2024 to require employee security awareness training upon hire and at least annually thereafter. Additionally, the District conducted security awareness training in April 2024, and all 6 District employees completed the training. However, our October 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 indicated it will expand its security awareness training content by April 2025. We will assess the District's efforts to implement this recommendation at the 24-month 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.

▶ Status: **Implementation in process.**

The District developed and implemented an IT contingency plan in February 2024. However, the District's IT contingency plan lacked critical components, including the order in which critical systems should be restored or criticality of the systems; clearly outlining who is responsible for which activities during a system outage or attack; complete contact information; and contingencies for continued business operations during a system outage. Further, at the time of our followup review, the District has not performed documented tests against the plan it developed. District officials stated they will update the District's IT contingency plan to include all critical components and will perform a documented test against the plan by September 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.