

Western Maricopa Education Center Performance Audit Report 1 of 2

District spent \$50.4 million for career and technical education (CTE) in fiscal year 2023 but lacked processes to validate key outcome data; accumulated fund balances totaling \$142 million while limiting support for its satellite CTE programs, which accounted for 96% of its enrollments; and had poor internal controls and numerous financial oversight issues, increasing its risk for errors and fraud

Audit purpose

To determine whether the District was meeting its statutory purpose to prepare students for high-need occupations, spending State monies appropriately, and following best practices.

Key findings

- ▶ District improperly paid more than \$71,000 to employees for accrued sick and vacation leave contrary to its policies.
- ▶ District did not follow some USFR requirements for cash handling, increasing the risk that cash collections may not be accurately recorded or could be lost or stolen.
- ▶ District accumulated more than \$142 million in fund balances by end of fiscal year 2023 but it did not have a policy regarding amount to be maintained or the intended purpose for the monies.
- ▶ District passed through substantially less money generated by its satellite CTE program students to its member districts than other CTEDs in the State; did not ensure monies it provided to elementary member districts were spent only for allowable purposes; and did not monitor member districts to ensure they complied with statutory requirements to supplement rather than supplant their CTE spending.
- ▶ District lacked processes to validate key outcome data it used to assess CTE program effectiveness, resulting in reporting errors and potentially inaccurate information about CTE programs' success in preparing students for high-need occupations.
- ▶ District operated its adult education programs at a deficit totaling more than \$2.2 million between fiscal years 2019 and 2023 because it did not set tuition and fees to fully cover program costs.

- ▶ District did not comply with some conflict-of-interest requirements, increasing the risk that employees did not disclose substantial interests that could affect their official conduct.
- ▶ District failed to timely pay credit cards, made purchases without prior approval, and improperly reimbursed travel expenses, resulting in wasted spending on late fees and an increased risk of errors, misuse, and fraud.
- ▶ District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, interrupted operations, data loss, errors, and fraud.

Key recommendations to the District

- ▶ Develop written procedures and a secondary payroll review process to ensure leave accrual payments are appropriate, and work with the Board to clarify leave accrual and payout policies to ensure Board's intent for employee compensation is met.
- ▶ Develop and implement written procedures to ensure compliance with USFR requirements and District cash-handling policies and train employees to properly handle cash.
- ▶ Develop and implement a formal fund balance policy for its general fund, including reserve requirements and a plan for spending monies that exceed required reserves.
- ▶ Develop and implement a plan for funding member districts that considers its pass-through percentage, and specify the amount of CTE course support the District will provide to member districts in its IGAs.
- ▶ Develop and implement procedures to thoroughly review elementary member districts' proposed budgets, provide spending guidance, and ensure spending is allowable.
- ▶ Ensure that CTE monies are used to supplement and not supplant member districts' CTE spending.
- ▶ Develop and implement consistent data-collection protocols for all CTE programs, including validating data related to student certifications and postgraduate jobs obtained.
- ▶ Set tuition and fees and/or obtain other funding to recoup the full cost of providing adult CTE programs, and forecast future costs to ensure continued recovery of program costs.
- ▶ Ensure all Board members and employees complete conflict-of-interest disclosure forms annually and receive periodic training, and ensure any disclosed conflicts are remediated.
- ▶ Develop and implement policies and procedures, as applicable, to pay credit cards bills timely, approve purchases in advance, ensure travel expense reimbursements are appropriate, and correctly classify expenditures.
- ▶ Ensure IT system access levels are appropriate; disable unneeded accounts; implement strong authentication controls; and develop a comprehensive IT contingency plan.