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

Report 25-204
May 2025

Lindsey A. Perry
Auditor General

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May 27, 2025

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The Honorable Katie Hobbs, Governor

Governing Board
Western Maricopa Education Center

Dr. Scott Spurgeon, Superintendent
Western Maricopa Education Center

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Western Maricopa Education Center—Report 1 of 2*, conducted pursuant to Arizona Revised Statutes §§41-1279.03 and 15-393.01. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. This performance audit report is the first in a series of 2 reports on the District and focuses on the District's efficiency and effectiveness in 3 key areas described in the overview section: central programs, satellite programs, and administration and support services. The second and final report will address other issues related to spending and management decisions and oversight, due to concerns we identified during the audit.

As outlined in its response, the District agrees with all the findings and plans to implement or implement in a different manner 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 the District's board members and 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

Western Maricopa Education Center Performance Audit Report 1 of 2

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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.

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Western Maricopa Education Center—FYs 2021 through 2024

District information

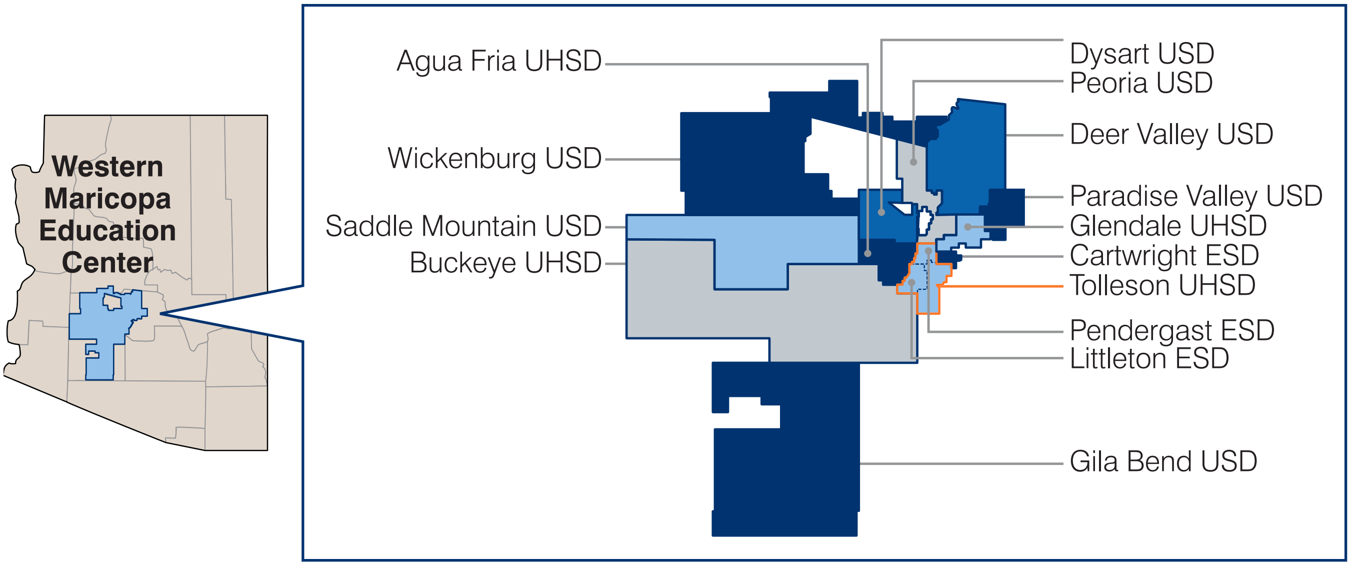
The Western Maricopa Education Center (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school and adult students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General's [November 2020] and [October 2017] CTED special reports. In fiscal year 2023, the District had 27 central programs with 4,442 enrollments and 40 satellite programs with 103,082 enrollments.[1] See Appendix A, page a-1, for enrollment and spending information for central and satellite and programs.

Key CTED terms

- **Member districts:** Arizona public school districts that form or join a CTED.
- **Satellite programs:** CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.
- **Central programs:** CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.

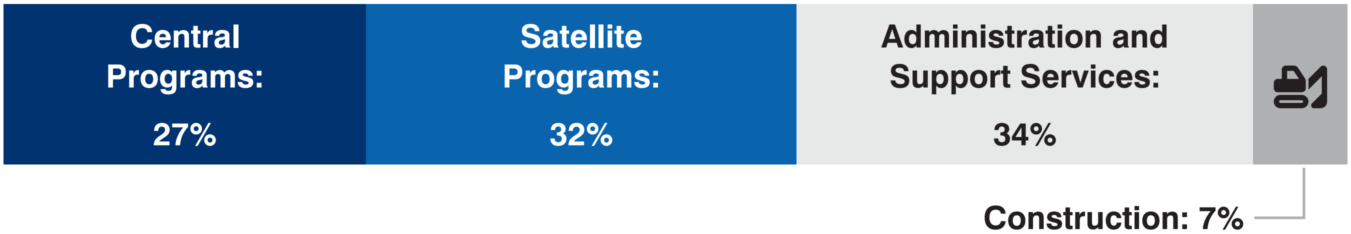
This performance audit report is the first in a series of 2 reports. This first report focuses on issues associated with the District's efficiency and effectiveness in the areas described in the Audit Results Summary section below. The second and final report will address other issues relating to spending and management decisions and oversight, due to concerns we identified during the audit.

Location of CTED and member districts



1 Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Fiscal year 2023 total spending—$50.4 million ($467 per enrollment)



Audit results summary

Central programs

District spent $13.7 million on its central CTE programs, for which it reported a 94% completion rate in fiscal year 2023; however, District lacked processes to validate key outcome data it used to demonstrate its CTE programs effectively prepared students for high-need occupations, and operated its adult education programs at a deficit

In fiscal year 2023, the District had 4,442 student enrollments in its central CTE programs, and according to data the District reported to the Arizona Department of Education (ADE), the District had a 94% central program completion rate in that fiscal year.[1] These CTED programs included high-needs programs such as Construction Technologies, Medical Assisting Services, and Network Security (see Appendix A, pages a-1 through a-8, for more information about District's spending by central campus CTE program).

However, the District's lack of processes to validate key outcome data for all central and satellite students resulted in reporting errors and potentially inaccurate information about CTE programs' success in preparing students for high-need occupations (see Finding 7, page 24). Additionally, the District provided adult CTE programs at its central campuses but did not set adult tuition and fees to cover program expenses and operated these programs at a combined deficit of more than $2.2 million between fiscal years 2019 and 2023 (see Finding 8, page 29).

Member district programs

In fiscal year 2023, the District distributed approximately $16 million to support satellite CTE programs, including $450,000 to elementary member districts, and implemented processes to monitor satellite CTE program quality, but its pass-through funding percentage was the lowest of all CTEDs in the State and it did not monitor member districts' CTE spending to ensure it met requirements

In fiscal year 2023, the District provided approximately $16 million to satellite CTE programs, as well as other support such as curriculum support and professional development. Additionally, consistent with its statutory responsibilities, the District implemented processes to monitor satellite CTE program quality and compliance, such as by conducting triennial quality reviews of satellite CTE programs. We found that the District passed through 42% of the monies generated by its satellite CTE enrollments, which is the lowest pass-through percentage of all Arizona

[1] The program completion rate is calculated as the total number of students who passed all required courses within a specific CTE program divided by the total number of students that enrolled in at least 1 course within the specific program.

CTEDs. If the District had passed through the State average of 70% of these monies, it would have provided an additional $10 million in fiscal year 2023 to support its satellite CTE programs (see Finding 4, page 15).

Additionally, the District did not ensure the monies it provided to its member districts were used to supplement, and not supplant, spending on satellite CTE programs (see Finding 6, page 21). It also did not ensure that elementary member districts spent District-provided monies only for authorized purposes, resulting in 1 elementary member district spending more than $21,000 on unallowable expenditures (see Finding 5, page 18).

Administration, support services, and construction

District spent approximately $17.3 million for administration and support services and nearly $3.5 million on construction in fiscal year 2023, and had numerous financial management and IT deficiencies, resulting in increased risk of errors, fraud, unauthorized access to sensitive District information, and data loss

In fiscal year 2023, the District spent approximately $20.8 million on administration, other support services, and construction. Of this amount, over $7.8 million was used for administrative salaries and benefits and insurance payments and $9.5 million went toward student and instructional support services, plant operations salaries and benefits, and central campus maintenance costs. Additionally, it spent approximately $3.5 million on construction, primarily for the District's Veterinary Science program and parking lot renovations.

In addition to the other findings noted in this overview, our review of the District's statutory and administrative responsibilities identified several issues.

Specifically, the District:

- Paid out more than $71,000 in unsupported vacation and sick leave payouts to employees and made other payments contrary to its policies, in fiscal years 2021 through 2023 (see Finding 1, page 4).
- Had not established a formal policy to govern its $142 million in fund balances, which is necessary to set minimum and maximum general fund balance amounts and to direct how it will spend monies that exceed required reserves (see Finding 3, page 11).
- Lacked important internal controls relating to cash-handling, conflicts-of-interest, credit card and travel expenditures, and other accounting processes (see Finding 2, page 8, Finding 9, page 33, and Finding 10, page 37).
- Allowed excessive access to its sensitive computerized data and had other IT deficiencies, which increased the risk of unauthorized access to sensitive information, errors, and data loss (see Finding 11, page 40).

District improperly paid more than $71,000 for accrued leave and made other payments contrary to its policies, and some policies were unclear, increasing the risk that employees could be treated inconsistently

District improperly paid more than $71,000 to employees for accumulated sick and vacation leave, contrary to its policies

We reviewed approximately $756,000 of payments for unused sick and vacation leave that the District paid to employees between fiscal years 2021 and 2023 and found that more than $71,000 was paid out contrary to the District's leave-payout policies.[1,2]

Specifically:

- **District paid more than $22,300 for accumulated leave without ensuring employees met or maintained minimum leave accrual balances required by its policy**

  We identified sick leave payouts to 3 employees totaling $8,200 that these employees were ineligible to receive under the District's policy. Specifically, these 3 employees requested, and the District approved and paid for 4 days, 5 days, and 10 days, respectively, despite none of these employees having accrued at least 55 days of sick leave, which is the amount the District's policy requires to be eligible for an accumulated sick leave payout. Additionally, 2 employees each received District-approved sick leave payouts for more than 10 days of accrued leave—the maximum annual sick leave payout allowed by District policy without superintendent notification—which reduced their ending sick leave balances to less than the required 55 days and resulted in overpayments totaling nearly $5,600.

  Similarly, we identified vacation leave payouts totaling more than $6,200 to 4 employees that left their year-end vacation leave balances below the policy-required 40-day threshold. For example, in fiscal years 2022 and 2023, the District paid 1 employee for 9 accrued vacation days and another for 4 accrued vacation days that were ineligible to be paid out because the payouts left these employees with ending vacation leave balances of 31 and 36 days, respectively. Additionally, we identified another employee who received a District-approved vacation leave payout before accruing a 40-day minimum balance as required by District policy, resulting in an overpayment of $2,300.

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1 We identified 65 employees during these years who received a sick or vacation leave payout of $1,000 or more. We judgmentally selected and reviewed 62 of these 65 employees to whom the District paid approximately $429,000 for accumulated sick leave and approximately $327,000 for accumulated vacation leave.

2 Employees who received these payouts included the District's superintendent, assistant superintendents, directors, coordinators, administrators, instructors, specialists, and assistants.

- **Contrary to its policy, the District paid some employees more than $14,000 for unused vacation days that should have been forfeited**

  We identified 6 leave payouts to 5 employees totaling more than $14,000 for 23.5 unused vacation days that were ineligible to be paid out and should have been forfeited according to the District's leave-payout policy. District policy allows employees to carry forward a maximum of 40 days of annual vacation leave to the next fiscal year. If an employee ends a fiscal year with more than 40 days, policy indicates that they forfeit half of any unused vacation leave accrued above 40 days and are eligible to request and receive a payout of the remaining half to make their year-end vacation leave balance equal 40 days. Contrary to its policy, the District improperly paid each of these 5 employees between approximately $340 and $6,100 for vacation days that should have been forfeited.

- **District improperly paid 1 employee approximately $34,800 for all accrued sick and vacation leave despite the employee not ending their District employment**

  The District paid 1 employee we reviewed approximately $34,800 for accrued sick and vacation leave under the District's policy for employees who leave District employment, despite the employee continuing to work at the District for an additional 12 months after the District made the payments. According to the District, this employee, the District's former assistant superintendent of human resources, intended to resign when the District initiated the payments.

Although the District has established policies for accumulated leave payouts, it lacked written procedures for staff to follow to help ensure that employees are eligible under District policy for any payouts they receive. Additionally, the District lacked a thorough secondary review process to ensure that accumulated leave payouts are made in accordance with the District's policy.

Contrary to its policy, District did not ensure superintendent was notified of some leave-payout requests

Contrary to its policy, the District issued payment for more than 10 days of unused sick leave to employees without ensuring the superintendent had been notified of such payment requests. District policy requires employees who would like to be compensated for more than 10 unused sick days to notify the superintendent in writing and maintain a sick leave balance of at least 55 days after any paid-out days are deducted. We reviewed 14 sick leave payouts the District made to employees for more than 10 days each in fiscal years 2021 through 2023 and found that all 14 requests had been made in writing, but 10 of the requests had been submitted to the assistant superintendent rather than the superintendent, and the District lacked evidence that the superintendent had been notified of these requests, as required. The District's payroll coordinator indicated that the superintendent had delegated to the assistant superintendent the responsibility for such payout request notifications. However, the District's sick-leave-payout policy does not include a provision for an individual other than the superintendent to be notified.

District's policies do not clearly specify the appropriate accrual and payout rates for years of service, and District provided inconsistent interpretations of its own policy, potentially resulting in employees being treated inconsistently

The District's leave accrual policies are unclear and are likely to be inconsistently interpreted and applied. As shown in Table 1, the District uses a tiered system to determine vacation leave accrual rates and to determine the rate at which an employee's sick leave is paid out when leaving employment. However, the District's policy lacks clarity on the rate that should be applied for employees who are between the years of service listed. For example, District policies for vacation leave accrual and sick leave payout rates specify that District employees who have between 0 and 4 years of employment receive 10 days of annual vacation leave and are not paid out for sick leave upon leaving District employment. However, based on the tiers listed in Table 1, which shows the tiers as listed in the District's policy, it is unclear whether an employee who has more than 4 but less than 5 years of service, should be in the first or second tier.

When we asked the District for clarification, District officials provided a copy of the sick-leave-payout policy with handwritten notes, as shown in Figure 1, page 7, which appear to provide contradictory interpretations of the policy. Specifically, the handwritten notes appear contradictory because the "4.99" written above the first service tier appears to indicate that employees with less than 5 years of service would fall under that tier. However, the "4+" note adjacent to the second tier appears to indicate that the second service tier—5 to 9 years—is interpreted as 4-plus years of service.

Our review found that the District had consistently applied its interpretation of the accrual and payout rate. However, the ambiguous language could result in some employees accruing more leave or receiving higher sick leave payouts than others if this interpretation were not always followed. Additionally, by interpreting its policy to allow employees to receive the higher of the possible leave accruals and payouts, the District paid out approximately $18,600 more to employees than they would have been due under the higher years of service thresholds.

Table 1

District employees accrue vacation leave and are eligible for sick leave payouts at higher amounts based on years of service

Number of years employed	Benefits
Annual vacation leave accrual	
0-4 years	10 days
5-9 years	15 days
10+ years	20 days
Sick leave payout rate upon termination[1]	
0-4 years	No payout received
5-9 years	Days paid out at 50% of daily rate
10-14 years	Days paid out at 75% of daily rate
15+ years	Days paid out at 100% of daily rate

[1] Employees are paid out a percentage of their daily rate for up to a maximum of 180 days of sick leave accruals.

Source: Auditor General staff review of District sick- and vacation-leave-payout policies.

After we brought this to the District's attention, officials stated that the District made revisions in fiscal year 2025 to clarify its policies for vacation accrual rates and accumulated sick leave payouts. However, the policy revisions did not change the confusing years-of-service tier thresholds—0 to 4 years, 5 to 9 years, and so forth—and are unlikely to resolve the issues we identified.

Figure 1

Printed copy of District's sick leave policy with District-handwritten clarifications had inconsistencies for when employees were eligible for payouts

E. Upon leaving the District employment, an employee who gives notice of resignation may be paid for every day of accumulated sick leave up to one hundred eighty (180) days under the following conditions:

4.99

1. Zero to four (0-4) years of District service - no payout.

9.99

4+ 2. Five to nine (5-9) years of District service - payout of fifty percent (50%) of employee's daily rate.

14.99

9+ 3. Ten to fourteen (10-14) years of District service - payout of seventy-five percent (75%) of employee's daily rate.

4. Fifteen plus (15+) years of District service - payout of one hundred percent (100%) of employee's daily rate.

Source: Scan of District's sick-leave-payout policy provided by District officials in April 2024.

Recommendations to the District

1. Identify and correct any overpayments made to employees from fiscal year 2021 to current for vacation leave that should have been forfeited according to the District's vacation-leave-payout policy.

2. Ensure it consistently follows its vacation and sick leave policies by developing and implementing written procedures to ensure that all sick and vacation leave payouts are paid in accordance with District policy.

3. Develop a thorough secondary payroll review process to ensure that requests and payouts for accumulated sick and vacation leave comply with District policies.

4. Work with the Governing Board (Board) to update District policies for vacation accruals and sick leave payouts to clearly identify the appropriate accrual and payout rates for all years of service and ensure the policies meet the Board's intent for compensating employees.

District response: As outlined in its **response**, the District agrees with the finding and will implement or implement in a different manner the recommendations.

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

The District failed to follow certain cash-handling requirements set forth by the *Uniform System of Financial Records for Arizona School Districts* (USFR), and District policy which resulted in an increased risk of errors, loss, or theft.[1, 2] See the details below.

Issue 1: District did not always generate receipts for cash received and deposit cash timely, increasing risk of theft or loss

Contrary to its cash-handling policy and the USFR, the District did not prepare cash receipts for all cash collected and did not consistently make timely deposits. For instance, we determined that less than $45,000 of the nearly $135,000 in fiscal year 2024 lease payments recorded in the District's accounting system were also receipted and recorded in the District's digital receipting system, contrary to the USFR and District policy. We also reviewed all 631 cash receipts that the District had recorded over 2 months—November 2023 and March 2024—and compared the receipts to the District's bank deposits. We identified 143 receipts totaling approximately $19,200 that the District did not deposit within a week, as required by the USFR and District policy. The deposit dates for these 143 receipts ranged from 8 days to nearly 2 months after the District collected the cash.

District officials indicated the District had implemented a new cash receipting system in July 2023, but staff had experienced difficulties using the system, and this had affected their ability to generate receipts for all cash transactions and ensure cash was deposited timely. Additionally, as discussed below, the District did not match total receipts to cash collections and did not perform regular reconciliations to help it identify and resolve discrepancies. However, the District is responsible for properly safeguarding cash and its failure to comply with USFR requirements and its own cash-handling policy increased its risk of errors, loss, or theft.

Issue 2: District did not resolve discrepancies between cash receipted and collected, and did not review voided transactions to ensure they were appropriate

Based on our review of the 2 months of cash receipts previously discussed, we also identified 9 days where the District collected more or less cash than it issued receipts for on the same day. These variances included $71 more being collected than receipted across 2 days and $1,035 less being collected than receipted across 7 days. The District had not investigated these overages or shortages to resolve them because it did not maintain the documentation necessary

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

2 The Arizona Auditor General and the Arizona Department of Education (ADE) jointly developed the USFR pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance 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.

to determine the cause of the discrepancies. However, by not addressing the discrepancies, the District cannot ensure that all cash collected was deposited, as required, and that none of the cash was lost or stolen.

Additionally, we reviewed 33 voided cash receipts totaling more than $6,300 and found that the District lacked documentation to determine whether the voids were appropriate. According to District officials, the District has a process for reviewing voided receipts each day. The process requires cashiers to provide documentation supporting why any transactions are voided to business office staff for review. However, for the voided transactions we reviewed, the District did not have any supporting documentation explaining why the transactions were voided. The District could not explain why it did not follow its process for documenting and reviewing voided transactions. However, by not ensuring that voided transactions were supported and appropriate, the District increases the risk of theft because voided transactions can be used to conceal missing monies.[3]

Issue 3: District did not appropriately secure cash prior to it being deposited

Although the District uses safes to secure cash before it is prepared for bank deposits, it has not established procedures to otherwise safeguard the monies and ensure that none is lost or stolen, as required by the USFR. Because of the relatively high risk associated with transactions involving cash, the USFR requires districts to establish effective safeguards, including separating and/or effectively supervising the activities of receiving cash, securing it, and reconciling accounts. These safeguards also protect employees involved in handling those monies from accusations of misuse.

In fiscal year 2024, the District's cashiers and office staff collected as much as $7,682 in cash daily and stored the cash in 1 or more District safes. However, contrary to the USFR, a separate custodian did not verify that monies placed in the safes were accurately counted, logged, and supported by documentation and that the total of each day's receipts matched the cash count and documentation from the safes. The District's process involved having the cashiers who collected the cash place it into a safe along with any supporting documentation without a separate verification. At the end of each day, the cash from all the safes was collectively removed and prepared for deposit. Although District staff indicated that their process is to reconcile the monies in the safe to the receipts cashiers include with the cash, they do not verify whether the monies in the safes matched the total receipts issued for the day. Additionally, because the District did not maintain a log of who accessed and put money into the safes, there was no way for the staff preparing the bank deposits to know whether every cashier had placed their day's receipts and cash into the safes and the deposit was complete. Further, because the District did not maintain a record of how much cash was placed in the safes or a documented chain of custody for the monies, there was no assurance that monies had not been tampered with or taken prior to being placed in the safes, while in the safes, or after being removed from the safes and prior to deposit at the bank.

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[3] For example, see Arizona Auditor General reports 15-406 *Tolleson Union High School District—Theft and Misuse of Public Monies* and *Kyrene School District No. 28—Theft and Misuse of Public Monies* (July 2010).

District officials indicated that they had not developed a process to verify and log the cash collections placed into safes because they did not believe their collection and deposit method posed a significant risk. However, absent a process to track and verify the accuracy and completeness of cash collections, the District lacks the ability to determine whether monies have been lost or stolen and cannot trace and resolve discrepancies between cash collections, receipts, and deposits.

Recommendations to the District

5. Develop and implement written procedures to ensure compliance with USFR requirements and District policies related to cash handling, and train District employees with cash-handling responsibilities on these procedures.

6. Prepare and maintain evidence for all cash received, including by issuing sequential, prenumbered receipts, and reconcile deposits to cash-collection documentation to ensure all cash received was appropriately deposited.

7. Deposit timely all cash collected.

8. Ensure all discrepancies between system receipts and cash collected are identified and reviewed with documented resolution for all variances.

9. Follow its process for maintaining and evaluating supporting documentation for all voided cash receipt transactions.

10. Ensure all cash collections are appropriately secured, verified, and tracked prior to deposit so that the District can ensure that all cash received is deposited.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

District accumulated more than $142 million in fund balances by end of fiscal year 2023 but did not have a policy regarding amount to be maintained or its intended purpose

To help ensure public transparency and accountability, best practices recommend districts establish a fund balance policy for unspent general fund monies

The Government Finance Officers Association (GFOA), an association of more than 20,000 public finance officials from all levels of government whose mission is to advance excellence in public finance, recommends that governments, including school districts, establish formal policies governing the unrestricted fund balance to be maintained in their general funds.[1] The unrestricted fund balance consists of monies that a district can spend for any purpose that its governing board deems appropriate.

According to GFOA, establishing a general fund balance policy that considers a district's unique circumstances and risks will help mitigate the impact of unexpected revenue shortfalls or unanticipated expenditures. The policy is also necessary to explain to stakeholders why the district may be maintaining a higher-than-normal fund balance. GFOA further recommends that when the fund balance exceeds the formal reserve requirement established by its policy, even after factoring in potential risks, the district's policy should specify how the district will address the overage. When establishing a minimum general fund balance, GFOA indicates that the balances of other funds, such as restricted funds, should be considered since these funds may be available to pay expenses that would otherwise require general fund monies. Currently there is not a minimum general fund balance requirement for Arizona school districts, but GFOA recommends that most government entities, regardless of size, maintain an unrestricted general fund balance equal to at least 2 months of either regular general fund operating revenues or expenditures.

Contrary to best practices, the District has not determined the general fund balance it needs to mitigate unexpected revenue shortfalls and expenditures, and currently holds general fund balances equating to nearly 2 years of operating expenditures

Contrary to best practices, the District has not adopted a policy to govern its $81.9 million general fund balance, which at the end of fiscal year 2023 equated to nearly 2 years of general fund

[1] GFOA. (2015). *Fund balance guidelines for the general fund.* Retrieved 3/4/2025 from https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund.

operating expenditures compared to the 2 months of expenditures recommended by GFOA.[2,3] In terms of revenues, the District's general fund balance was equal to almost 18 months of general fund revenues. Based on GFOA's minimum general fund balance recommendation, the District had accumulated as much as $74.7 million of excess monies in its general fund without a documented purpose for these monies.

Additionally, the District held approximately $60.2 million in unspent restricted monies, a majority of which are in its Bond Building Fund.[4] Although the District is restricted in how it is allowed to spend these monies, GFOA recommends that both restricted and unrestricted balances should be considered when developing a general fund balance policy since some restricted funds may be available to pay for items that would otherwise require the use of unrestricted general fund monies. According to the District's fiscal year 2023 financial statements disclosure, when the District incurred an expenditure that could be paid from either restricted or unrestricted fund balances, it used restricted fund balances first. The possibility of the District's continued expenditure, when allowable, of restricted funds before unrestricted funds further supports its need to consider the availability of restricted monies when establishing its general fund balance policy.

Considered together, the District's accumulated fund balances totaled more than $142 million at the end of fiscal year 2023, as shown in Figure 2, page 13, but the District lacks a formal policy to govern its fund balances. The District indicated it plans to use these monies for future campus expansions and provided to us a fiscal year 2025 budget for planned capital spending of $84 million, including outstanding monies it received through bond issuances. However, the District lacks a formal policy specifying the amount of reserves to be maintained in its general fund and the purpose for any monies accumulated in excess of its reserve amount, as recommended by best practices. Any policies that the District establishes for its general fund should establish minimum and maximum reserve amounts, including a plan for replenishing the reserves if necessary, and outline the purposes for which the District will spend monies that are in excess of required reserves. As part of this process, the District may have opportunities to use any identified excess fund balance to improve program effectiveness and student outcomes. For example, it could determine what resources are needed to ensure it collects high-quality data to help evaluate its programs and ensure that it is meeting its mission to prepare students for high-need occupations (see Finding 7, pages 24 through 28) or reduce the burden on taxpayers.[5]

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2 The $81.9 million in the District's general fund comprises the District's Maintenance and Operation (M&O) and Unrestricted Capital Outlay funds.

3 Although not included as part of our review, the District's fiscal year 2024 AFR indicates that in fiscal year 2024, the District spent approximately $53.6 million in monies from its general fund, and its general fund balance increased to approximately $83.2 million as of June 30, 2024. Similarly, in fiscal year 2024, the District's overall fund balance increased to over $159.3 million as of June 30, 2024..

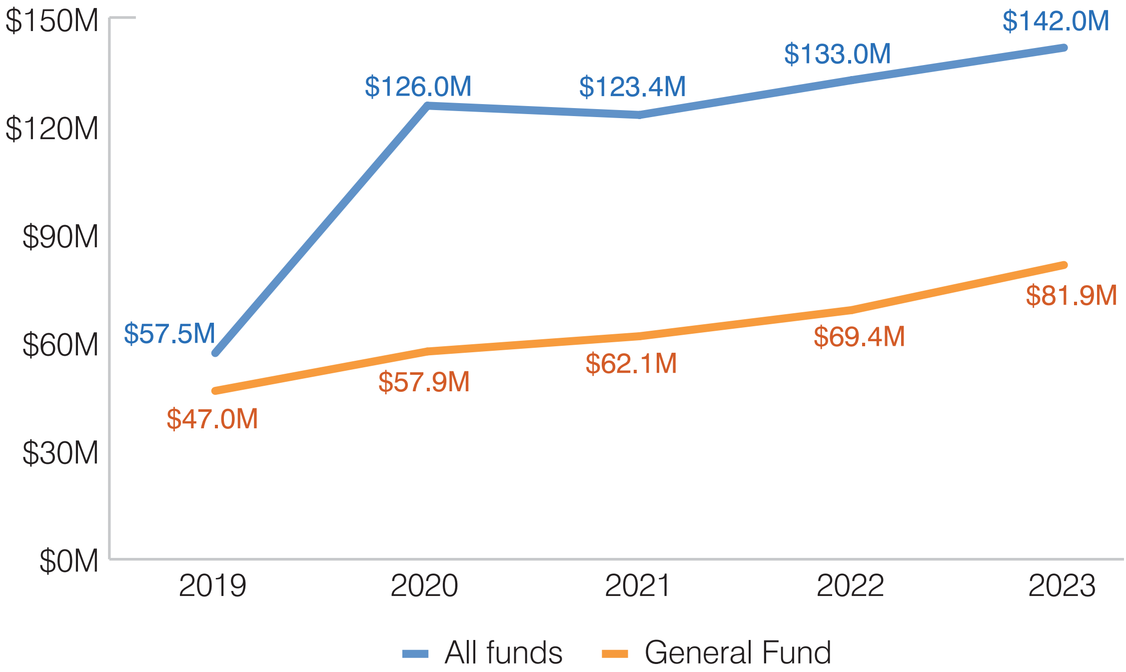
4 The District's Bond Building fund is designated primarily for capital purchases, such as acquiring school sites; constructing or renovating school facilities; or purchasing furniture, equipment, and technology.

5 A.R.S. §15-1024 requires outstanding bond proceeds remaining after acquisition or construction of facilities is complete and no outstanding bond indebtedness exist be used to reduce school district taxes.

Figure 2

District accumulated large fund balances

Fiscal years 2019 through 2023



Source: Auditor General staff analysis of District's audited financial statements' ending fund balance data for fiscal years 2019 through 2023.

Statutory changes, bond proceeds, and lower-than-average payments to member districts likely contributed to large general fund balance

According to District officials, its general fund balance had accumulated over time, and District administration had not established a fund balance policy because the District was in between business managers. Additionally, we identified several factors that likely contributed to the District's large general fund balance, including statutory changes as well as the way the District manages monies it receives from bonds and based on member districts' CTE enrollment.

Specifically:

- In fiscal year 2016, the Legislature eliminated the 4% budget balance carryforward cap for CTEDs and also removed the statutory requirement for school districts to use any remaining cash balances beyond the cap to reduce taxes.[6] These changes have allowed the District's general fund balance to grow well beyond what the cap would have allowed.
- Additionally, in fiscal year 2016, the District used its bonding authority to issue a $141 million capital bond upon voter approval.[7] The $51.7 million remaining in proceeds from

[6] Laws 2016, Ch. 364, §§1 and 2 amended A.R.S. §§15-943.01(A) and (C) to remove these requirements effective August 6, 2016.

[7] The District's stated purpose for the bond was to construct, renovate, and equip new and current career and technical education facilities; purchase leased facilities and land for future career and technical programs; and construct mandatory roadways, sidewalks, and utility connections adjacent to facilities.

this 10-year bond comprise most of the monies in the District's restricted funds and are designated for central campus construction projects. These monies, while restricted, can be spent for projects that may otherwise have required general fund expenditures.

In fiscal year 2023, the District reported spending more than $5.7 million in bond interest, and total interest paid on its outstanding general obligation bonds outstanding was $46 million as of the end of fiscal year 2023. The District would not have paid a substantial portion of this interest if it had not issued bonds in excess of what it needed for campus construction projects. Additionally, as of February 2025, the District was considering seeking $364 million in new bonds in calendar year 2025 to build a new campus on land it has leased.[8] These new bond proceeds would be in addition to the $51.7 million in Bond Building Fund balance that the District indicated it planned to spend on fiscal year 2025 construction projects.

- Finally, the District retained approximately 58% of the monies it received for students attending satellite CTE programs operated by its member districts. This was the highest percentage of these pass-through monies retained by any of the State's 14 CTEDs in fiscal year 2023 and provided the District with additional general fund revenues. The District's annual revenues exceeded its expenditures each year between 2019 and 2023, with the difference contributing to its general fund balance. In comparison, other CTEDs in the State retained, on average, about 30% of the monies they received from satellite CTE program enrollment. As discussed in Finding 4, pages 15 through 17, if the District had passed through a similar percentage to the State-wide average for CTEDs it would have provided an additional $10 million in fiscal year 2023 to its member districts for CTE programs and thus reduced the amount accumulated in its general fund.

  As the District develops a fund balance policy for its general fund, it should evaluate the level of support it provides to member districts and monitor distributions to ensure that it complies with any established policies and meets satellite CTE program needs.

Recommendations to the District

11. Implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund that considers the financial resources available in other restricted funds, including bond proceeds; establishes minimum and maximum reserve amounts; and outlines the purposes for which the District will spend monies that are in excess of required reserves.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendation.

[8] As of April 2025, the District did not have an estimate of the full cost of building the new campus.

District provided substantially less money to its satellite CTE programs than other CTEDs in the State, limiting its support for satellite programs, and its member-district agreements do not specify the amount of funding it will provide, as required

To support member districts, statute allows CTEDs to receive State aid funding based on the number of students attending CTE programs

CTEDs are funded like other school districts in the State—primarily from the average daily membership (ADM) generated by the number of students attending CTED programs at their central and member district satellite campuses.[1] CTEDs pass through monies to their member districts to support the member districts' approved satellite CTE programs and provide other support, such as curriculum development and professional development for CTE teachers. Although State law does not specify a minimum amount that CTEDs are required to pass through to their member districts, statute requires that intergovernmental agreements (IGAs) between CTEDs and their member districts include the amount that the CTED will contribute to a course and the amount of support required by the school district.[2]

Although the District's ADM-based funding is primarily attributable to students attending satellite CTE programs, the District retained most of these monies, limiting its support for member districts and potentially contributing to funding disparities among them

Like other CTEDs in the State, the District provides pass-through payments and support services to its member districts and estimates it spent approximately $430,000 in fiscal year 2023 on these support services, including curriculum, professional development for CTE teachers, counselor grants, and other services. However, we found that the District's pass-through rate to support its member districts' satellite CTE programs was the lowest of all CTEDs in fiscal year 2023, despite these programs comprising approximately 96% of total District enrollments and generating most of its ADM-based funding. As shown in Table 7, Appendix A, pages a-1 through a-8, in fiscal year 2023, the District spent an average of $2,633 per enrollment for its central campus CTE programs but provided an average of $148 per enrollment at its member districts' satellite programs. The monies the District passed through to its satellite CTE programs that year equated to 42% of the ADM-based funding generated by satellite CTE program enrollments—far short of the 70% average pass-through rate across the State's 14 CTEDs. As shown in Table 2, page 16, satellite CTE program enrollments generated approximately $36.9 million for the District. The District

[1] ADM is a measure of total student enrollment based on the number of days a student is enrolled during the first 100 days of the school year. ADM is used for funding purposes and does not represent the actual number of students participating in CTE.

[2] A.R.S. §15-393(L).

passed through less than half—approximately $15.6 million—to support their CTE students in satellite programs.

Table 2

Satellite enrollments generated most of the District's funding in fiscal year 2023, but the District retained most of these monies, limiting its support for satellite programs

Monies generated from satellite CTE program enrollments	Amount District passed through to support satellite programs[1]	Number of student enrollments at central CTE programs	Number of student enrollments at satellite CTE programs
$36,875,000	$15,590,000 (42%)	4,442 (4%)	103,441 (96%)

[1] In fiscal year 2023, the District also separately distributed an additional $447,960 to elementary member districts, which do not have CTE enrollments and do not generate ADM-based funding for the District.

Source: Auditor General staff analysis of fiscal year 2023 school district spending in the State and review of fiscal year 2023 reports available from ADE.

If the District had passed through 70% of the monies it received, consistent with the State-wide average among all 14 CTEDs, it would have provided an additional $10 million to its 11 satellite CTE programs in fiscal year 2023. These additional monies could have allowed member districts to potentially upgrade equipment, improve instruction, or expand CTE program offerings. Although none of the officials from the 11 member districts we spoke with indicated that their satellite CTE programs were underfunded, 1 CTE teacher we spoke with indicated that their school had reprioritized some of its spending. According to the teacher, their school had not paid to recertify safety equipment used in its Bioscience program because it preferred to use the money to pay for other program costs. Additionally, the member district officials we spoke with were not aware of how little pass-through monies the District provided for their satellite CTE programs compared to other CTEDs. Consequently, they may not have considered how additional monies, if available, could benefit their programs.

In addition to limiting the monies available for member districts' CTE programs, the District's low pass-through rate to its member districts also contributed to the following concerns:

- **3 elementary member districts without CTE programs received more funding than 1 high school member district received to support its 8 CTE programs**

  In fiscal year 2023, the District provided its 3 elementary member districts, which did not generate any ADM-based funding for the District, between $30,000 and $50,000 more than it provided to 1 high school member district with 8 satellite CTE programs (see Finding 5, pages 18 through 20, for information about the problems we found with the elementary member district spending). Specifically, the District provided between $140,000 and $159,800 to each of its 3 elementary member districts. In comparison, the high school member district, which generated ADM-based funding for the District, received approximately $110,000 to support its 8 satellite CTE programs, including Construction Technologies, Culinary Arts, and Engineering. The District did not have an explanation as to why it chose to provide more support for elementary member districts than for satellite CTE programs serving students at the high school member district.

- **District's low pass-through rate to member districts' satellite CTE programs contributed to the District's excessive fund balances**

  The District's low pass-through rate also contributed to its large fund balances, which reached $159.3 million as of June 30, 2024, as discussed in Finding 3, pages 11 through 14. The availability of monies in its fund balances may have also led the District to spend for items not directly related to its CTE programs. The issues we identified relating to this spending will be addressed in a second and final District performance audit report.

District did not monitor the percentage of ADM-generated monies it passed through to support satellite CTE programs and did not specify a pass-through rate in its IGAs with member districts as required

During the audit, various District officials provided contradictory explanations for how the District determined member district pass-through payments. However, the District's IGAs with its member districts did not specify an amount or rate of pass-through monies that the District will provide to support satellite CTE courses, contrary to statute. As noted above, statute requires the IGAs between a CTED and its member districts to include the amount that the CTED will contribute to a course and the amount of support required by the school district.[3] The District's failure to specify its required financial support for member districts' CTE courses within its IGAs and implement processes to ensure it provides the required support has resulted in the District limiting its support for satellite CTE programs and has allowed the District to retain most of the ADM-based funding they generate.

Recommendations to the District

12. Develop and implement a plan for funding to its member districts that considers its pass-through percentage; member districts' program enrollment and needs; policies established to govern its general fund balance; and other CTE requirements, such as validating key outcome data.

13. Update its IGAs with member districts to include the amount that the CTED will contribute to a course and the amount of support required by the school district, as required by statute.

14. Develop and implement procedures to monitor payments to its member districts to ensure that the funding it provides meets the requirements of its IGAs and any member-district funding plan it develops.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

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[3] A.R.S. §15-393(L)(7).

District did not ensure monies it provided to elementary member districts were spent only for allowable purposes and misreported these monies in its *Annual Financial Report*

The District provided restricted-use monies to its elementary school member districts, but did not ensure these monies were spent only for allowable purposes

In fiscal years 2022 through 2024, the District provided a total of more than $1.3 million to its 3 elementary member school districts, including $918,000 that could only be spent for grade 8 students and not students in lower grades (see Table 3).[1] Despite this statutory restriction, the District did not ensure all spending by its elementary school member districts was allowable.[2] Although statute allows elementary school districts to join CTEDs, students attending these districts do not generate any ADM-based funding for CTEDs.[3] Certain CTED monies, however, such as those generated from property taxes, can be used for CTE programs serving grade 8 students but not for students in lower grades.[4]

Table 3

Most of the monies the District provided to its elementary school members were statutorily restricted to supporting 8th grade students

Fiscal year	Amount restricted to grade 8 students[1]	Amount allowed for all grade levels K-8[1]	Total amount District provided to elementary member districts
FY 22[2]	$299,800	$0	$299,800
FY 23	148,160	299,800	447,960
FY 24	470,000	100,000	570,000
Total	**$917,960**	**$399,800**	**$1,317,760**

[1] The District passed-through $917,960 of monies from the Maintenance and Operations (Fund 001) that were limited to 8th grade students and $399,800 of monies that could be spent on career exploration in any school grade from a credentials incentive grant (Fund 597).

[2] Both Cartwright ESD and Pendergast ESD received fiscal year 2022 payments because they were CTED member districts in that fiscal year. Voters in Littleton ESD elected to become a member district in November 2021 and Littleton ESD did not receive any pass-through payments in fiscal year 2022.

Source: Auditor General staff review of the District's accounting data from fiscal years 2022 through 2024.

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[1] A.R.S. §15-393(D)(4).

[2] The remaining monies the District provided to the elementary school member districts were grant monies the District received from the Arizona Industry Credentials Incentive Program. According to A.R.S. §15-249.15(H)(5), these monies are allowed to be used for career exploration activities in any grade.

[3] Statute allows elementary school districts to elect to join CTEDs, but elementary school member districts do not generate ADM funding for the CTED because statute only provides funding for CTE students in grades 9 through 12. See A.R.S. §§15-393(D)(9) and 15-395.

[4] A.R.S. §15-393(D)(4).

Although the District distributed restricted-use monies to its elementary member districts in fiscal years 2022 through 2024, it did not provide sufficient oversight to ensure all spending was allowable.

Specifically:

- **District did not ensure that elementary member districts' planned uses for CTE monies were in accordance with statutory requirements**

  Although most of the monies the District provided to its elementary member districts could be used to support only grade 8 students and programs, the District did not ensure that these member districts understood the spending restrictions and budgeted only for approved uses. The District requires elementary member districts to annually submit budgets showing planned expenditures of District-provided monies, but it has not provided clear guidance or training about how CTE monies may be spent.

  Additionally, the District did not consistently evaluate the budgets to determine whether the planned expenditures were statutorily allowable. For example, in fiscal year 2023, all the monies the District provided to 1 elementary school member district were restricted and could be spent only for grade 8 students. However, only $12,000 of the $140,000 of spending in the elementary member district's District-approved budget specified that the spending was for grade 8 students. The remainder of the budgeted spending had no details about the grade level the spending would support. Because this budget and others we reviewed lacked sufficient detail to demonstrate that the elementary school districts' planned spending was only for allowable purposes, it is not clear how the District determined that the spending should be approved. Further, the District lacked written procedures to help ensure staff thoroughly and consistently reviewed elementary member district budgets and requested any necessary changes prior to approval.

- **District did not effectively monitor how its elementary school member districts spent CTE monies or take action when elementary school member districts spent money for unapproved items**

  In addition to deficiencies we found with the budget approval process discussed previously, we also found the District did not take steps to ensure all the elementary school districts spent monies for those approved purposes. For example, in fiscal year 2023, 1 elementary member district reported spending more than $21,350 on iPads and coding software marketed to students aged 5 to 10 but did not include this spending in the initial budget it submitted to the District for approval.[5] The District became aware of the unapproved spending when the member district submitted a required year-end statement summarizing its spending, but even then, the District did not take any action to recover these monies, such as seeking reimbursement for the unapproved spending or reducing future funding amounts.

  According to District officials, the member district was unfamiliar with spending restrictions, and the District currently has no policy for what actions it should take when member districts spend on items other than what is included in their District-approved

[5] The member district reported spending $17,976 for iPads with AppleCare and $3,374 for coding starter kits marketed for children ages 5 to 10.

budgets. Additionally, as previously discussed, the District has not developed clear training and spending guidance for elementary member districts. However, because the majority of monies available to elementary programs have restricted uses, additional District efforts are needed to ensure these monies are spent appropriately. By establishing policies and procedures addressing which programs and students are eligible for funding, how the District will monitor compliance, and consequences for unapproved spending, the District could better meet its fiduciary responsibilities and ensure its elementary member districts spend monies only for authorized purposes.

District misreported some monies it provided to its elementary school member districts on its *Annual Financial Report*, reducing transparency into the District's spending

As shown in Table 3, page 18, in addition to the property tax monies the District provided to its elementary school member districts, the District also provided them with $299,800 of Arizona Industry Credentials Incentive Program (Incentive Program) monies in fiscal year 2023. However, the District inaccurately reported spending these same monies to pay certification costs for high school CTE students on its *Annual Financial Report* (AFR). Statute requires Incentive Program monies to be separately accounted for on the AFR to provide detailed information for how CTEDs used these monies.[6] By inaccurately reporting how it used program monies on its AFR, the District limited transparency into its spending and the public's ability to monitor the District's use of program monies. According to the District, its AFR reporting was inaccurate because staffing turnover in the business office resulted in the AFR being completed by a staff member who was new to the process.

Recommendations to the District

15. Develop and implement procedures to thoroughly review proposed budgets from elementary school member districts; approve only the budgets that contain spending allowed by the funding source; and ensure elementary member districts comply with approved budget spending, including taking appropriate action for unapproved spending.

16. Develop and provide additional guidance and training to elementary school member districts on relevant spending restrictions and preparing budgets such that the District can ensure spending is only for allowable purposes.

17. Accurately report spending of Arizona Industry Credentials Incentive Program monies on its AFR.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

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6 A.R.S. §15-249.15(I). A.R.S. §§15-249.15(H)(1) through (H)(5) specify the permissible uses of program monies.

Contrary to statute, District did not monitor member districts' spending and establish consistent reporting requirements to help identify supplanting and protect satellite program quality

CTEDs should ensure member districts use CTE monies to supplement and not supplant CTE satellite program spending

Statute requires member districts to use all CTED monies received to supplement and not supplant base year member district spending on CTE courses. The base year is defined as the complete school year in which voters of a member district elected to join the CTED. Supplementing occurs when a member district spends monies received from the CTED in addition to the amount the member district spent in the base year on CTE programs. Supplanting occurs when a member district uses monies received from the CTED to replace some or all of its base year spending amount on CTE programs. For example, a member district that spent $1,000 per student on CTE courses in its base year is required to continue annually spending at least $1,000 per student of non-CTED monies for its CTE programs.[1] If, after joining the CTED, the member district reduced its spending of non-CTED monies to $300 per student for its CTE programs and used CTED monies to cover the remaining $700 per student that it previously spent on CTE courses with non-CTED monies, it potentially supplanted $700 in spending per student, contrary to statute.[2,3]

Statute further requires member districts to report to their CTED's governing board and ADE how monies the member district received from the CTED were used to supplement, and not supplant, their base year CTE spending, and also requires CTEDs to evaluate and support member districts' satellite campus programs to ensure quality and compliance.[4,5] Our Office developed a worksheet that member districts are required to annually complete to determine if they potentially used CTED monies to supplant CTE program spending in the current year. The District's IGAs with unified and union high school member districts require member districts to complete and submit supplanting worksheets and supporting documentation to the District annually by October 15. The District's IGAs with elementary member districts state that monies shall not be used to supplant existing spending on elementary member district programs and activities and that an annual report defining project goals, completion, and outcomes is due to the District annually by October 15.

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[1] The CTED supplanting worksheet adjusts the District's base year per student spending amount for inflation.

[2] A.R.S. §15-393(AA)(1) defines base year as the complete school year in which voters of a school district elected to join a CTED.

[3] A.R.S. §15-393(D)(7).

[4] A.R.S. §15-393(D)(7). Member districts are required to include a copy of the CTED supplanting worksheet when submitting their AFR to ADE annually by October 15.

[5] A.R.S. §15-393(L)(10)(b).

District's failure to monitor its member district's spending and its use of out-of-date, inconsistent reporting requirements hinders its ability to identify potential supplanting

The District did not ensure that its member districts submitted required supplanting worksheets and reports to its Board and ADE and that its member districts did not supplant their base-year CTE program spending. According to District officials, none of the District's 14 member districts submitted required documentation to the District's Board to demonstrate that they were using District monies only to supplement their base-year CTE program spending for fiscal year 2023, and 5 member districts similarly did not submit required completed worksheets to ADE within required timeframes.[6,7] Additionally, we found that 1 member district's worksheet showed that the member district appeared to be supplanting its base-year CTE spending, which could result in it offering a lower-quality CTE program since fewer resources were spent to provide quality equipment and supplies.[8] District officials were unaware of the possible supplanting and lack of reporting until we brought these issues to their attention in December 2023. According to the District, there has been turnover in the position assigned to monitor member district spending, and the employee responsible for obtaining and reviewing the fiscal year 2023 reports was unaware of the reporting requirements and had not monitored the required supplanting worksheets.

Additionally, the District's IGAs with its member districts include outdated and inconsistent language, hindering the District's ability to determine whether supplanting occurred. Specifically, the District's IGAs with unified and union high school districts call for member districts to submit USFR Memorandum 219, which was replaced by the current required supplanting worksheet and instructions in September 2017—over 7 years ago. The outdated reference could lead to confusion about what reports member districts are required to submit. Further, the District's IGAs with its elementary member districts do not include language requiring them to submit the required supplanting worksheet, but instead require an annual report that does not contain information that would allow the District to determine whether supplanting occurred. As a result, the District lacks procedures for ensuring that all its member districts comply with the statutory requirement to supplement, and not supplant, CTE program spending.

Recommendations to the District

18. 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 and requiring all member districts to complete and submit supplanting worksheets and supporting documentation to the District annually.

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6 Nadaburg USD became a member district in fiscal year 2023 and therefore was not required to submit a worksheet for that fiscal year.

7 Cartwright ESD and Wickenburg USD did not submit required fiscal year 2023 worksheets to ADE. Additionally, although Littleton ESD and Pendergast ESD submitted worksheets to ADE, Littleton ESD's worksheet was submitted in February 2024, approximately 4 months after ADE's deadline, and Pendergast ESD submitted a blank worksheet. Further, Gila Bend USD submitted the wrong worksheet in September 2024, approximately 10 months after ADE's deadline, which ADE rejected.

8 Buckeye UHSD appeared to be supplanting in fiscal year 2023.

19. Develop and implement procedures to ensure all member district complete and provide the required CTED supplanting worksheet and any supporting documentation to the District's Board, ADE, and the District annually by required deadlines; take appropriate action when member districts do not completed the required worksheet; thoroughly review submitted worksheets to identify supplanting; and take appropriate action when supplanting is identified.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

District lacked processes to validate key outcome data used to assess program effectiveness, resulting in reporting errors and potentially inaccurate information about CTE programs' success

District is responsible for preparing students for high-need occupations and has been directed to collect, validate, and use key student outcome data to help assess program effectiveness

> **Key term**
>
> - **High-need occupations:** Occupations that the Arizona Office of Economic Opportunity and the Arizona Department of Education (ADE) have identified as being high-skill, high-wage, or in-demand occupations within the State.

According to State statute, Arizona's high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation.[1] Additionally, statute requires CTEDs to contractually agree to provide ongoing evaluation and support of their member districts' satellite campus programs to ensure quality and compliance.[2] Therefore, it is important that CTEDs determine whether their programs are preparing students for high-need occupations and then use that information to evaluate and support their member districts' satellite campus programs to ensure quality and compliance. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including number of students obtaining postgraduation employment related to their CTE program and number of students earning industry certifications. Additionally, reports from national research organizations like Advance CTE have also identified these student outcome measures as important for evaluating CTE programs' effectiveness.[3] These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

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1 A.R.S. §§15-781 and 15-391.

2 A.R.S. §15-393(L)(10)(b).

3 Advance CTE is a national nonprofit that represents state CTE directors and leaders and seeks to advance high-quality CTE policies and best practices. New Skills for Youth, Advance CTE, Council of Chief State School Officers, Education Strategy Group, Data Quality Campaign, and Workforce Data Quality Campaign. (2019). *The state of career technical education: Improving data quality and effectiveness.* Retrieved 3/28/2025 from https://cte.careertech.org/sites/default/files/files/resources/State_CTE_Data_2019.pdf; New Skills for Youth, Council of Chief State School Officers, Advance CTE, Education Strategy Group, and Achieve. (2019). *Making career readiness count 3.0.* Retrieved 3/28/2025 from https://cte.careertech.org/sites/default/files/files/resources/Making_Career_Readiness_Count_2019.pdf; and Results for America and MDRC. (2019). *What works in career and technical education: Evidence underlying programs and policies that work.* Retrieved 3/28/2025 from https://www.mdrc.org/publication/what-works-career-and-technical-education/file-full.

Consistent with these national research organization reports, the District and other CTEDs and ADE have been directed to collect and report data related to student postgraduation employment and industry certifications earned to assess their CTE programs' effectiveness in preparing students for high-need occupations as follows:

- To implement accountability measures for Arizona CTE programs and to help ensure CTE programs prepare students for high-need occupations, statute requires ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTEDs' annual achievement profiles.[4] Further, in our October 2017 and November 2020 Arizona CTED special studies, we recommended that CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, and use this data to help evaluate CTE programs' effectiveness in preparing students for jobs related to their CTE program.[5]

- To determine CTE programs' quality and compliance with statutory requirements, ADE's Quality and Compliance Monitoring Document (Monitoring Document), which ADE has used to review CTE programs since fiscal year 2021, indicates that CTEDs should collect valid and reliable outcome data, including student postgraduation employment and industry certification information, to determine whether CTE programs meet State-determined performance levels.[6]

- To comply with federal Perkins Act accountability requirements, districts that received federal Perkins Act funding were directed to track and report student postgraduation employment data and industry certifications students earned to ADE.[7]

- To receive Incentive Program monies, districts that voluntarily participated in the Incentive Program were required to track and report student industry certification data to ADE.[8]

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[4] Laws 2016, Ch. 4, §§4, 8, enacted A.R.S. §15-393.01 and included legislative intent language that stated that CTEDs "are an important component of a well-rounded education system by providing access to Career and Technical Education programs that offer training to students to equip them with the tools needed to enter the workforce after high school in jobs that demand highly skilled employees. Restoring funding to CTEDs and implementing accountability measures to the programs was an important priority of members of the Arizona House of Representatives."

[5] See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*. In February 2025, we issued a followup report on the implementation status of the recommendations from our November 2020 special study. Of the 10 recommendations made in our report, we found that 1 had been implemented, 3 had been partially implemented, 5 had not been implemented, and 1 was not yet applicable.

[6] The State-determined levels of performance for each measure are included in the State's Perkins V State Plan that ADE submits to the U.S. Department of Education for review and approval.

[7] The Perkins Act requires each state receiving Perkins Act funding to report certain outcome measures, such as positive student placements, meaning that students are employed, attending postsecondary school, or serving in the military or on a religious mission. Beginning in fiscal year 2020, states were also required to report industry certifications students earned. The District's unified and union high school member districts receive federal Perkins funding, but the District's central programs and elementary member districts did not apply for or receive Perkins monies for the years we reviewed as part of the audit.

[8] A.R.S. §15-249.15. The Incentive Program provided an incentive award of up to $1,000 to school districts, charter schools, and CTEDs for high school graduates who completed a CTE program and obtained a qualifying certification, credential, or license. The District and 9 of its 14 member districts participated in the Incentive Program in fiscal year 2023. The Incentive Program has not received additional funding since fiscal year 2022, and ADE distributed unexpended monies from previous fiscal year appropriations. For fiscal year 2023, ADE distributed incentive awards based on the CTE programs for high-need sectors, and each graduate generated no more than $361.27 in incentive monies. In fiscal year 2023, the District and its member districts that participated in the program received approximately $660,000, in total.

Member districts inconsistently collected postgraduation placement and certification data, and District lacked processes for validating this data, limiting the District's ability to demonstrate its programs effectively prepared students for high-need occupations

In fiscal year 2023, the District spend $50.4 million on CTE programs. The District and its member districts collected and reported to ADE some postgraduation placement and certification data for former students who had completed a CTE program, but they did not collect all the data necessary to demonstrate whether their CTE programs were successful in helping students obtain jobs in high-need occupations and earn industry certifications. Although the District collected some student employment and certification data for central campus students, each member district was responsible for collecting its own data. However, the District had not provided member districts with consistent data-collection guidance, and member districts had varying priorities and strategies for collecting postgraduation placement and certification data, such as emailed surveys, telephone calls, and contacting students using social media. These varying priorities and strategies resulted in substantial variations in the levels of data accuracy and completeness. For example, 1 member district collected postgraduation placement data for 793 of 831, or 95%, of its CTE program graduates in fiscal year 2023. Another member district reported that it collected postgraduation placement data for only 272 of 935, or 29%, of its CTE program graduates in the same fiscal year.

Additionally, the District did not validate the postgraduation job placement and certification data it and its member districts collected. District officials shared that central program teachers were responsible for asking students if they were placed after graduation or passed a certification exam and maintaining this information in a spreadsheet to submit to the District. District staff then reported the information teachers collected to ADE without any effort to validate it, such as by attempting to verify employment, collecting reports from certification-testing vendors, or retaining copies of certifications students earned. Similarly, member district teachers were generally responsible for collecting job placement and certification data for satellite program students, but the District had not provided guidance to member districts about validating the data they collected and directly reported to ADE. Therefore, the District lacked documentation to support the accuracy of the job placement and certification data it reported to ADE. ADE's Monitoring Document indicates that valid and reliable outcome data is an important component of outcome data collection and analysis, and by not validating the outcome data it collects, the District increases the risk that teachers may report inaccurate student outcome data, including the certifications it reported to ADE to receive incentive program monies. CTE directors at all 11 of the District's unified and union high school member districts confirmed their processes did not include validating the information collected by teachers.

Our review of the outcome data the District reported to ADE identified at least 60 instances where the District reported that CTE program graduates were placed in jobs related to their CTE programs when their reported job instead appeared to be unrelated to their CTE program—errors that likely would have been identified by the District through a data validation process. These errors accounted for approximately 23% of the graduates the District reported to ADE as having been placed in jobs related to their CTE program (see Table 4, page 27). We also identified approximately 20 instances where the District reported to ADE that students who had graduated were placed in jobs unrelated to their CTE programs despite their reported jobs appearing to have been related to their CTE program. By not taking steps to validate its postgraduation employment data, such as correcting apparent errors like those we identified during our review, the District may not be accurately reporting its program outcomes to ADE, which could impact member districts' federal Perkins Act funding.

Further, ADE's guidance on related placements emphasizes that related job placements must "directly align to the technical skills and standards taught in the student's high school CTE program" for the placement to be considered a related placement.[9] In addition to the apparent errors we identified in the District's job placement data, we also found that certain programs' job placement data that the District reported to ADE had a high proportion of errors that further limited the District's ability to rely upon the data to make decisions to improve its CTE programs' quality. For example, 1 program had apparent errors in 10 of 20, or half, of its reported job placements for the year we reviewed, reporting those 10 students as using program skills as part of their employment when their job duties were not related to their CTE program. Inaccurate and incomplete data makes it difficult for the District to use data it collects to make decisions to improve the quality of their CTE programs because the inaccurate data may lead to misleading information about which CTE programs are leading to successful job placements and earned industry certifications.

Table 4

Examples of apparent errors in the District's job placement data it reported to ADE

District program title	Postgraduation employment	Job duties	District reported
Medical Assisting Services	Clothing store	Customer service	Using program skills despite unrelated job duties
Network Security	Sandwich shop	Cooking and cleaning	Using program skills despite unrelated job duties
Pharmacy Support Services	Pharmacy	Filling prescriptions	Not using program skills despite related job duties
Welding Technologies	Industrial equipment supplier	Welding	Not using program skills despite related job duties

Source: Auditor General staff analysis of District's fiscal year 2023 placement data reported to ADE.

9 ADE. (2022). *Placement guidance*. Retrieved 3/27/2025 from https://www.azed.gov/sites/default/files/2022/05/CTE-Guidance-on-Related-Placements.pdf

District reported it did not validate student job placement and industry certification data because it is difficult and would require significant investment

District officials reported that the District did not develop processes to validate data because of the associated difficulty and potential substantial investment of resources. However, during multiple interviews over the course of the audit, District officials and staff shared opportunities the District had to validate the data it was collecting, while also indicating the District was not completing these validation steps. For example, the District indicated that it could independently verify certain certifications, such as certain licenses earned by cosmetology students, using the license-issuing entity's public website, but it had not done so. Other validation steps such as a review to determine whether reported job placements appear to be related to CTE program skills, could have helped the District to identify the reporting errors previously discussed. Although both of these steps would require some staff time to perform, they would not require a substantial investment of resources and would help to improve the quality and completeness of the District's job placement and certification data.

Similarly, the District had not taken steps to ensure that member districts consistently collected and validated job placement and certification data, such as providing detailed guidance on the member districts' data collection efforts or steps the member districts could take to validate the data teachers collected. Instead, the District relied on the member districts to collect job placement and certification data and report to ADE on their own, which likely contributed to the substantial differences in the completeness of member districts' data previously described.

Recommendations to the District

20. 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 postgraduate jobs obtained, as well as developing a process to track all outcome data.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendation.

District's adult education program tuition and fees did not cover program expenses, resulting in a combined deficit of more than $2.2 million between fiscal years 2019 and 2023

Contrary to best practices, District did not calculate the full cost of providing adult education services to provide a basis for setting program tuition and fees

The GFOA has developed best practices that governments, including school districts, should follow for establishing charges and fees.[1] Specifically, GFOA best practices recommend calculating the full cost of providing a service to provide a basis for setting the charges or fees for recipients who benefit from the service. Entities should also provide information on charges and fees to the public and review and update charges and fees periodically, which may limit the need for large or uneven adjustments to charges and fees. GFOA best practices also recommend that entities use long-term forecasting to ensure that charges and fees anticipate any future costs to provide a service, and when an entity does not recover the full cost of providing a service through the charges and fees paid by recipients, the entity should provide a rationale or explanation for not having done so.

However, in fiscal years 2019 through 2023, the District did not calculate the full cost of providing adult education services to provide a basis for setting tuition and fees for its adult education programs or use long-term forecasting to help ensure its program tuition and fees cover future program costs. District officials reported that they had not reviewed adult education programs' tuition costs since 2015 but that they increased the tuition costs for fiscal year 2025. However, District officials also indicated that the District tries not to make large increases year-to-year, which means the increase may not resolve the operating deficit based on previous years' expenditures. Moreover, the District was not able to track all revenues and expenses for its adult education programs during these years, and the District could not provide support such as official enrollment projections for the analysis it reported conducting after setting fiscal year 2025 tuition rates.

District operated its adult education programs at a combined deficit of more than $2.2 million between fiscal years 2019 and 2023, and new tuition increases appear unlikely to resolve the issue

Our review of the District's adult education program revenues and expenditures found that the District operated these programs at a deficit of at least $300,000 each year that we reviewed, resulting in a combined deficit of more than $2.2 million between fiscal years 2019 and 2023. As shown in Figure 3, page 30, the District spent approximately $400,000 more on providing adult

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[1] GFOA. (2014). *Establishing government charges and fees*. Retrieved 9/18/2024 from https://www.gfoa.org/materials/establishing-government-charges-and-fees.

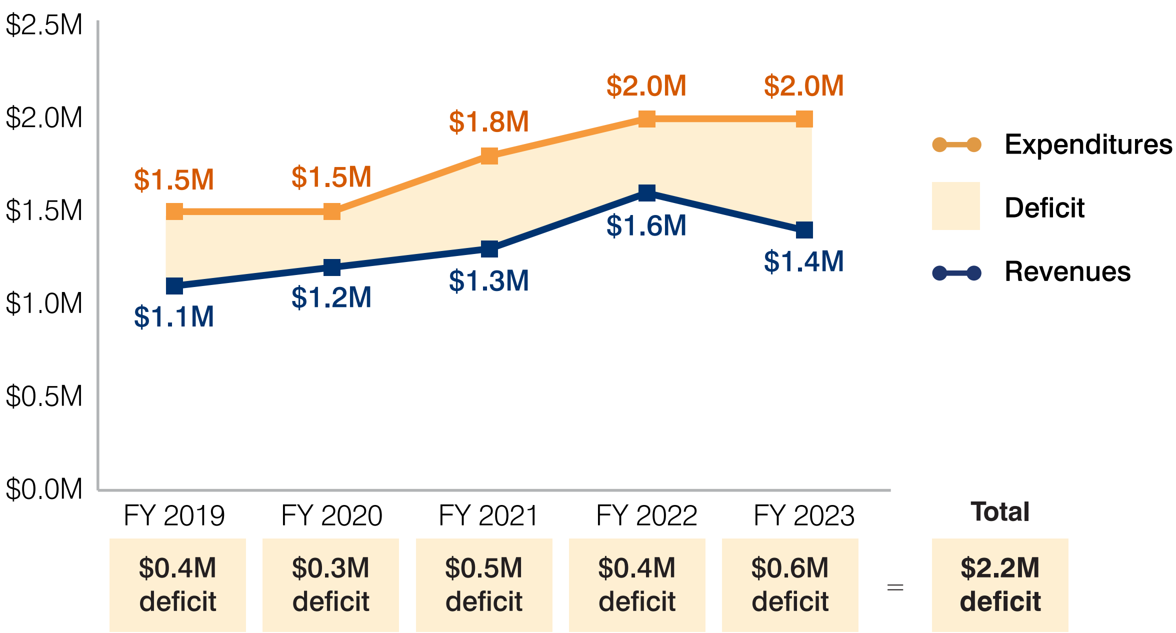
education programs than it received in tuition and fees from adult students in fiscal year 2019, with the deficit increasing to over $600,000 in fiscal year 2023.[2]

Figure 3

District adult's education program ran at a deficit of more than $2.2 million between fiscal years 2019 and 2023, putting continued operation of programs at risk

Fiscal years 2019-2023

(Unaudited)



Source: Auditor General staff analysis of District's accounting data from fiscal years 2019 through 2023.

In April 2024, the Board approved a tuition increase of $1 per clock hour and increased lab and supply fees for the 2024-2025 school year, resulting in an approximate 20% increase in tuition and fee costs for adult education programs overall.[3] With the recent fee increases, the District projects that its adult education program revenues will be over $3.8 million in fiscal year 2025—nearly 2.7 times the approximately $1.4 million its adult education programs collected in tuition and fees in fiscal year 2023—but it could not support this projection. Specifically, the District could not provide documentation supporting how it projected its fiscal year 2025 adult education program revenues and did not have an explanation for the large projected increase in adult education program revenues. The District's projections do not seem reasonable compared to the additional revenue that the Board-approved increases will generate. Because the District had not calculated the full cost of providing its various adult education programs, it lacked important information necessary to provide a basis for setting tuition and fees for its programs.

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2 In fiscal year 2023, the District's adult education expenditures (Program 700) were primarily paid for from Community Schools Fund revenues (Fund 520). These expenses included expenditures and salaries for Project SEARCH, a vocational program for individuals who have completed high school and have a disability that is a barrier to employment. District officials stated that they believed the District also had additional revenues for their adult students, but they did not have a way to track those monies in the fiscal years we reviewed.

3 A clock hour represents 50 to 60 minutes of instructional time within a 60-minute class period. For example, in fiscal year 2024, the District's IT Security program required 600 clock hours to complete while its Welding Technology Program required 900 clock hours.

By not setting adult education program tuition and fees to cover program costs and misusing other funds to cover the deficit, District erroneously reported its spending and risks negatively impacting adult education programs

Although the District ended fiscal year 2023 with a Community Schools Fund balance of approximately $1.6 million, which it is allowed to use for adult education programs, the District could deplete this fund balance in less than 3 years if it continues to operate its adult education programs at a deficit similar to fiscal year 2023. Further, community school programs, including the District's adult education programs, are required to be funded by fees, tuition, grants, or donations.[4] However, contrary to statute, the District spent nearly $3.6 million out of ordinary school district monies from fiscal years 2019 to 2023 on its adult education programs.[5] If the District had not used ordinary school district monies to fund its adult education programs, the District would have depleted its Community Schools Fund balance prior to the end of fiscal year 2020 and would have ended fiscal year 2023 with a nearly $2 million fund deficit.

The District substantially reduced its spending of ordinary school district monies for adult education in fiscal year 2024, but it still used nearly $80,000 of these monies to cover a portion of the year's approximately $730,000 program deficit.[6] As noted above, by failing to set tuition and fees to cover the full cost of providing its adult education programs, the District may soon deplete its accumulated Community Schools Fund balance. Additionally, the District risks negatively impacting the quality of the adult education courses and services offered to students if it becomes necessary to cut costs by reducing the hours of operations, program offerings, student support, or the quality of course materials.

Further, the District's use of ordinary school district monies to pay for adult education programs in past years was improper and limited the availability of monies that could be spent to improve its key student outcomes and improve its efficiency as discussed in Finding 7, pages 24 through 28. By improperly using these monies for its adult education programs, the District also misreported its program costs and spending to the public. We notified the District in January 2025 that it has until June 2025 to address the improper expenditures for fiscal year 2022 by submitting necessary corrections to ADE in accordance with A.R.S. §15-915. By statute, districts may only make revisions to the data they report to ADE for up to 3 past fiscal years. Because of the time limitation, the District should also include any necessary corrections to its spending for adult education for subsequent years when it submits fiscal year 2022 corrections.

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4 Op. Atty. Gen. No. I82-136. See also A.R.S. §15-1142, which allows a school district governing board to establish and operate an educational community school program and establish tuition and fee charges for educational community school programs. Ordinary school district funds may be used for the employment of a qualified adult education program director, but otherwise, community school programs should be self-sustaining. However, the District did not use monies from these funds to pay for an adult education program director's salary in fiscal year 2023.

5 Between fiscal years 2019 and 2023, the District used nearly $3.6 million of ordinary school district monies from its Maintenance and Operations Fund (Fund 001) for its adult education programs, which covered the over $2.2 million program deficit and allowed its Community Schools Fund carryforward balance to increase since these monies were not being used to cover program costs, as required.

6 The nearly $80,000 of ordinary school district monies spent for adult education programs was from the District's Civic Center Fund. A.R.S. §15-342(29) allows school districts to expend surplus monies in the civic center fund for maintenance and operation or unrestricted capital outlay purposes once it meets the needs of its civic center programs, which do not include adult education.

Recommendations to the District

21. Routinely calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered; and regularly provide the Board with updated program tuition and fees information.

22. Conduct and document long-term forecasting to anticipate future costs of providing adult education programs to ensure its adult education program tuition and fees cover program expenses.

23. Charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating its adult education programs consistent with statutory requirements and Arizona Attorney General Opinion No. I82-136.

24. Stop using ordinary school monies, such as Maintenance and Operations monies or other monies that may be used for maintenance and operation purposes, for adult education community schools program costs that are not allowable for that purpose.

25. Immediately work with ADE to submit necessary corrections to address the improper expenditure of ordinary school monies on adult education community schools programs in fiscal years 2022, and any subsequent years as necessary, to bring the respective funds back to the correct balances.

District response: As outlined in its **response**, the District agrees with the finding and will implement or implement in a different manner the recommendations.

District did not comply with some conflict-of-interest requirements, increasing the risk that employees did not disclose substantial interests that might influence or could affect their official conduct

Statute addresses conflicts of interest for school district employees and Board members

State conflict-of-interest laws, the USFR, and District policy require District public officers and employees to avoid conflicts of interest that might influence or affect their official conduct. To determine whether a conflict of interest exists, employees/public officers must first evaluate whether they or a relative has a "substantial interest" in (1) any contract, sale, purchase, or service to the District or (2) any decision of the District.[1] Additionally, according to the USFR, districts should establish procedures to ensure that all employees and Board members comply with conflict-of-interest laws.

Key terms

- **Substantial interest:** Any direct or indirect monetary or ownership interest that is not hypothetical and is not defined in statute as a "remote interest."
- **Remote interest:** Any of several specific categories of interest defined in statute that are exempt from the conflict-of-interest requirements. For example, an employee or public officer who is reimbursed for actual and necessary expenses incurred while performing official duties.

Source: Auditor General staff review of A.R.S. §38-502 and the *Arizona Agency Handbook.* Arizona Office of the Attorney General. (2018). *Arizona agency handbook.* Phoenix, AZ. Retrieved 1/21/2025 from https://www.azag.gov/office/publications/agency-handbook.

If an employee/public officer or a relative has a substantial interest, statute and District policy require the employee/public officer to fully disclose the interest and refrain from voting upon or otherwise participating in the matter in any way as an employee/public officer.[2,3] The interest must be disclosed in the District's official records, either through a signed document or the Board's official minutes. Further, conflict-of-interest recommended practices indicate that employees should attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no" on their conflict-of-interest disclosure form (disclosure form). In addition, statute requires school districts to maintain a special file of all

[1] A.R.S. §38-503(C) contains an exception applicable to purchases from school board members related to purchasing supplies, materials, and equipment.

[2] A.R.S. §§38-502 and 38-503(A) and (B).

[3] A.R.S. §38-502(8) defines "public officer" as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State constitution, or statute. A.R.S. §38-502(6) defines "public agency" to include political subdivisions, and A.R.S. §38-502(5) defines "political subdivision" to include school districts. According to the *Arizona Agency Handbook*, public officers may or may not be paid. A.R.S. §38-503; Arizona Office of the Attorney General, 2018.

documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and Board meeting minutes, and to make this file available for public inspection.[4]

In response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employee/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.[5] Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employee/public officers of the importance of complying with the State's conflict-of interest laws.[6] Specifically, conflict-of-interest recommended practices indicate that all public employees and public officers complete, or be reminded to update, a disclosure form annually. Recommended practices also indicate that the disclosure form include a field for the individual to provide an "affirmative no," if applicable. These recommended practices also advise developing a formal remediation process and providing periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met.

District's conflict-of-interest procedures were not aligned with State requirements, District policy, and recommended practices

We identified issues with the District's conflict-of-interest policies and practices that could increase the risk that employees or Board members may not disclose substantial interests that may influence or could affect their official conduct and may limit public transparency into the District's operations.

Specifically:

- **The District did not enforce its policy for employees to complete disclosure forms annually**

  Although all Board members completed annual conflict-of-interest disclosure forms in fiscal years 2022 and 2023, the District required employees to complete a disclosure form only if they had a potential conflict of interest. This practice was contrary to recommended practices and District policy, which requires District employees to complete a disclosure form annually whether or not they have an interest to disclose. By not enforcing its policy, the District increased the risk that employees may not disclose interests that could influence or affect their official conduct. Additionally, although statutorily required to do so, the District did not retain substantial interest disclosures in a separate file available for public inspection.

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4 A.R.S. §§38-509 and 38-502.

5 See, for example, Auditor General reports: 24-211 *Concho Elementary School District,* 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery,* 19-105 *Arizona School Facilities Board—Building Renewal Grant fund,* and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies.*

6 Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide.* Retrieved 3/28/2025 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; *Recommendation of the council on OECD guidelines for managing conflict of interest in the public service.* Paris, France. Retrieved 3/28/2025 from https://legalinstruments.oecd.org/public/doc/130/130.en.pdf; Ethics & Compliance Initiative (ECI). (2016). *Conflicts of interest: An ECI benchmarking group resource.* Arlington, VA. Retrieved 3/28/2025 from https://www.ethics.org/wp-content/uploads/2016-ECI-WP-Conflicts-of-Interest.pdf; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities.* Retrieved 3/28/2025 from https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf.

- **The District lacked a formal process for ensuring that disclosed conflicts were appropriately addressed and remediated, contrary to recommended practices**

  In fiscal years 2022 and 2023, the District's conflict-of-interest policy did not specifically address how it would address and remediate substantial interest conflicts when employees and/or Board members disclosed them. Instead, District officials indicated that the District had an informal process where employees and Board members submit conflict-of-interest documents to the District's Human Resources (HR) department, which is then responsible for passing the documents along to the relevant parties, such as the purchasing department, to take action to remediate disclosed conflicts. However, District officials responsible for purchasing stated that they did not receive conflict-of-interest documentation from the District's HR department in fiscal years 2022 and 2023. Although our review did not identify any employee or Board member participation in matters in which they had a substantial interest, lacking a formal, documented process for addressing and remediating disclosed conflicts increases the risk that disclosed conflicts are not remediated and that employees and/or Board members who disclosed them may not refrain from participating in matters related to their interests, as required by State law.

- **The District's conflict-of-interest forms for employees were inadequate and served only as an acknowledgement of District policy, rather than a disclosure of potential conflicts or affirmation that no conflicts exist**

  Rather than requiring the disclosure of conflicts of interest, the District's conflict-of-interest form used by employees required only a signature indicating the employee had read and agreed to abide by the District's conflict-of-interest policy. Unlike the District's disclosure form for Board members, the conflict-of-interest form used by District employees did not include space for employees to disclose conflicts or require employees to affirm that they had no conflicts, inconsistent with requirements and recommended practices. Additionally, as stated above, District policy requires all employees and Board members to annually complete a disclosure form whether they have a substantial interest to disclose or not. Although all Board members completed a disclosure form in fiscal years 2022 and 2023 that aligned with the District's policy and State requirements, District employees did not, likely due to deficiencies we identified in the District's conflict-of-interest form for employees. As a result, the District could not demonstrate that employees had fully disclosed any substantial interests as required by law or that it had fully evaluated and remediated employees' conflicts that may have influenced their conduct.

- **The District could not support that all employees and Board members had received conflict-of-interest training**

  Although the District indicated it had provided conflict-of-interest training to business office employees and employees at each of the District's campuses in fiscal years 2022 and 2023, it did not track attendance at these trainings and could not support that all employees had been trained on the District's conflict-of-interest process. The District provided 1 employee sign-in log for a training in October 2022, showing that 32 of 36 District employees who registered for the training had signed the log documenting their attendance. Additionally, although the District indicated that it held separate training for Board members, it could not provide any evidence that Board members had participated in the training. By not fully documenting that all employees and Board members are regularly trained on the District's conflict-of-interest policy and procedures, the District increases the risk that employees or Board members do not take the required trainings and may not follow its policy by failing to disclose substantial interests or refrain from participating in matters in which they have a substantial interest.

Recommendations to the District

26. Enforce its existing conflict-of-interest policies for employees by requiring employees to annually submit conflict-of-interest disclosure forms describing any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.

27. Store all substantial interest disclosures in a special file available for public inspection, including disclosure forms and Board meeting minutes where a disclosure is documented.

28. Update its conflict-of-interest policies and establish written procedures to include a documented process for remediating disclosed conflicts-of-interest.

29. Update its conflict-of-interest form for employees to provide space for employees to disclose conflicts of interest or attest that no conflicts exist.

30. Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that includes information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

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

As part of our review, we identified 5 areas where the District's internal controls were deficient, resulting in its failure to follow requirements set forth by the USFR and State laws. See the details below.

Deficiency 1: District wasted more than $600 of public monies on credit card late payment fees

Although the USFR and District policy requires credit card balances to be paid in full each billing cycle to avoid late fees, the District did not do so. We reviewed fiscal year 2023 credit card statements for the District's 12 credit cards and found the District wasted approximately $600 making 4 late fee payments over the span of 4 months for 1 credit card account because it did not always make payments by the required due date for this credit card. The District lacked procedures for ensuring timely payments, which could have enabled it to avoid its wasteful spending on late fees and ensured that public monies were used only for appropriate, CTE-related purposes.

Deficiency 2: District wasted more than $500 of public monies when it paid some employees both vehicle stipends and mileage reimbursements

During fiscal year 2023, the District made 7 mileage reimbursement payments totaling $546 to 2 employees while also providing vehicle stipends totaling more than $9,000 in accordance with their employment contracts. These reimbursements effectively resulted in these employees being paid twice for the same expense. For example, an assistant superintendent who received a $9,000 vehicle stipend in fiscal year 2023 was also reimbursed $412 for mileage accumulated while traveling for the District during that time frame. Similarly, another District administrator who received a vehicle stipend received $134 in mileage reimbursements from the District. The District indicated that its practice was to allow such reimbursements for travel outside of Maricopa County, but there is no provision in District policy allowing such double payments. Further, the practice resulted in the District unnecessarily expending funds that could have been better used supporting the District's CTE programs. District officials reported that the District stopped reimbursing mileage for employees who receive vehicle stipends in fiscal year 2024.

Deficiency 3: District did not ensure that expenditures were approved prior to purchases being made, increasing the risk of unallowable purchases

The District made purchases without prior approval, contrary to the USFR, which requires districts to have effective controls in place to ensure expenditures are for an allowable purpose and are approved in advance. Specifically from 6,691 fiscal year 2023 purchases, we judgmentally selected and reviewed 23 purchases totaling $1.3 million and found that 7 purchases totaling approximately $41,000 were made without prior approval. Additionally, we determined that 1 of the 7 purchases made without prior approval may not have been for an allowable purpose. Specifically, the District spent $1,000 of public monies for 4 District employees to participate in a golf tournament, and the District failed to document or support the expenditure's public purpose. By not ensuring that all expenditures were approved before purchase, the District spent $1,000 in public monies on a purchase that may have lacked a valid public purpose and increased the risk that other purchases District employees completed were not for allowable purposes.

Deficiency 4: District paid for employee lodging expenses in excess of allowable rates, resulting in nearly $3,000 in overpayments

The Arizona Department of Administration (ADOA)'s *State of Arizona Accounting Manual* (SAAM) provides detailed guidance and rate tables for maximum lodging expenses when governing board members and staff are on authorized travel status, but the District did not consistently apply these rates when paying for staff travel. From the 402 fiscal year 2023 travel-related expenditures, we judgmentally selected and reviewed 8 lodging payments the District made for 5 administrative staff. Our review found that 5 of 8 payments exceeded the maximum allowable ADOA rate, resulting in the District paying nearly $2,100 more than allowed for employee lodging. For example, in February 2023, the District's superintendent spent 6 nights in San Antonio, Texas, while attending a conference. The ADOA's maximum allowable rate for lodging at that time in San Antonio was $124 per night plus taxes. Further, the conference brochure included 15 conference hotel options, with nightly rates ranging from a minimum of $169 per night plus taxes to a maximum of $339 per night plus taxes. Contrary to SAAM guidance, the District paid for the superintendent's lodging at a rate of $339 per night plus taxes—the most expensive available nightly rate—and lacked support that this was the least expensive option available, resulting in an overpayment of $1,290.[1] Although the District's guidelines for reimbursing employees on authorized travel status included steps for reimbursing mileage and meals in accordance with SAAM rates, these guidelines lacked similar steps for reimbursing lodging expenses, which likely contributed to the overpayments we identified. As a result of these overpayments, the District expended funds on unallowable lodging expenses that could have been used for instruction or other District priorities.

Deficiency 5: District misclassified expenditures and its AFR misreported how it spent public monies

The District did not follow expenditure classification guidance in the Uniform Chart of Accounts, which the USFR requires to ensure accurate financial reporting and comparability among Arizona school districts and nationally. We reviewed a stratified random sample of nearly $1.6 million of

[1] SAAM states that when traveling to conferences, employee lodging reimbursements may not exceed the least expensive single room rate published in the conference brochure and that those traveling must inquire about the availability of lower rates.

the District's $50.4 million fiscal year 2023 expenditures and found that the District misclassified over $159,000, or about 10% of the sample we reviewed. By not following the Uniform Chart of Accounts, the District's AFR and supporting accounting data may not accurately present the District's expenditures to the public and decision makers who rely on the report and supporting data to know how the District spent its public monies.[2]

The District attributed several of these deficiencies, including the lack of preapprovals for purchases, excess travel reimbursements, and misclassified expenditures to its employment of a CFO who was unfamiliar with the USFR, District policies, and other State requirements. The District no longer employs the CFO, but it has not developed and implemented written procedures and provided regular training to mitigate such problems in the future. Detailed procedures and proper training could help ensure that any current and future employees understand and adhere to State laws, USFR requirements, and District policies and prevent noncompliance.

Recommendations to the District

31. Develop and implement a process to ensure that credit card payments are made in a timely manner to avoid unnecessary late fees and finance charges.

32. Develop and implement written policies and procedures to prevent employees who receive vehicle stipends from receiving additional mileage reimbursements.

33. Develop and implement written procedures to ensure purchases are independently reviewed and approved prior to the purchases being made.

34. Develop and implement written procedures to ensure that all travel expenditures and reimbursements do not exceed ADOA-established maximum rates in accordance with District policy and the USFR.

35. Determine whether staff and Board members are required to reimburse the District for overpayments of travel-related reimbursements and seek legal counsel, as necessary, in making these determinations. If, based on these determinations, the District identifies an amount that staff and Board members would be required to reimburse the District, recover all identified reimbursements.

36. Classify all expenditures in accordance with the Uniform Chart of Accounts for school districts.

37. Ensure employees responsible for classifying expenditures review the Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending throughout the year.

District response: As outlined in its **response**, the District agrees with the finding and will implement or implement in a different manner the recommendations.

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[2] In addition to the stratified random sample, we judgmentally selected and reviewed $20.4 million in transactions, which included all the District's payments that were coded as passthrough payments, and found that the District had misclassified approximately 3% of the judgmentally selected amount.

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

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 data loss, errors, and fraud.[1] 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 did not enforce authentication and password policies in accordance with the USFR

Although the District's password policy aligned with credible industry standards as required by USFR, as of October 2023, some critical District systems' password requirements were not consistent with its policy. Additionally, the District did not require multifactor authentication (MFA) to sign in to some systems to adequately secure these systems and related data, contrary to USFR requirements. District officials reported they were not aware that some systems' password requirements were inconsistent with the District's password policy. Similarly, District officials reported lacking awareness of all instances where MFA should be implemented and enforced. 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 network and critical systems

Our October 2023 review of accounts on the District's network student information system and accounting system found that the District did not regularly review and limit users' access to what they need to perform job duties, contrary to USFR requirements (see Table 5, page 42). Specifically, we reviewed accounting system access levels for the 65 active users at the time of our review and found that 22 users' access was more than what was necessary to complete their job duties and allowed these users the ability to initiate and complete payroll and/or purchasing transactions without another employee reviewing and approving the transactions.

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[1] National Institute of Standards and Technology (NIST). (2020). *NIST Special Publication 800-53(R5): Security and privacy controls for information systems and organizations*. Gaithersburg, MD. Retrieved 1/15/2025 from https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r5.pdf

Further, the District granted unnecessary administrator-level access in its accounting system to 1 business office employee and 2 business office consultants. These users' access provided them with full control over accounting system settings, such as the ability to add new users, modify other accounting system users' access, and grant themselves full access to view and edit all accounting system data. Although we did not identify any improper transactions due to these deficiencies, by not restricting access to its systems consistent with USFR requirements and credible industry standards, the District increases the risk of unauthorized access to sensitive information, data loss, errors, and fraud. For example, users with administrator-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection.

We also identified user accounts associated with terminated employees and users with unneeded remote access privileges, contrary to the USFR requirement that system access be immediately disabled when no longer needed. Specifically, as shown in Table 5 on page 42, we identified 10 accounts in the District's network, student information system, or accounting information system associated with employees who had not worked at the District for between 4 months and 2 years. After we brought these accounts to its attention during the audit, the District revoked system access for all 10 accounts. Similarly, we found 9 accounts with unnecessary remote access privileges. The District reported that it had provided remote access to some employees in accordance with its COVID-19 remote work policy, but the access was no longer necessary. After we brought these accounts to the District's attention, it revoked the unnecessary remote network access for all 9 accounts. Our review did not identify any unauthorized system or network access resulting from the District not disabling unneeded accounts and unneeded remote access privileges. However, by not doing so, the District increased its risk of unauthorized access to its systems and any sensitive information on those systems, and potential data loss.

District officials reported that users had excessive access because employees had not fully revoked remote access privileges or disabled some past employee accounts upon request by Human Resources. The District also lacked a process for regularly reviewing and updating user access levels to ensure they were appropriate and only the access necessary to perform each user's job duties.

Table 5

District did not consistently restrict access to its critical IT systems

Requirement	Network	Student information system	Accounting system	Summary
Limit the number of users with administrator-level access	✓	✓	✗	We identified 3 accounting system administrator accounts associated with District users that did not require this level of access.[1]
Disable/remove accounts that no longer need access	✗	✓	✓	In addition to user accounts associated with terminated employees, we identified 1 network service account that was no longer needed.[2]
Remove terminated employees' access	✗	✗	✗	We identified 2 network, 1 accounting system, and 7 SIS user accounts that were associated with terminated employees.[3]

1 Our review also identified 6 accounting system administrator accounts associated with external parties (see deficiency 3 below).

2 When we brought this service account to the District's attention, it terminated access for the account.

3 When we brought these accounts to the District's attention, it terminated access for all 10 of the accounts, which had been active for between 4 months and 2 years after the associated employees no longer worked for the District.

Source: Auditor General staff analysis of October 2023 District network, student information system, and accounting system accounts.

Deficiency 3: District did not monitor external party access to its accounting system

Our October 2023 review of accounting system access levels identified 6 external users with active administrator-level access associated with County employees, but the District had not implemented processes to regularly monitor these external users' activity to ensure it was authorized and appropriate. District officials stated administrator-level access was necessary because County employees provide assistance to the District with both the accounts payable and payroll processes. When limiting system access is not possible, credible industry standards recommend that entities implement compensating controls to monitor user activity and reduce the risks associated with broad system access.[2] However, the District had not implemented compensating controls, such as regularly reviewing County employee user activity logs, to ensure their system activities were authorized and appropriate. By failing to do so, unauthorized activities performed by these County users may go undetected by the District.

2 National Institute of Standards and Technology (NIST). (2020). *NIST Special Publication 800-53B: Control baselines for information systems and organizations.* Gaithersburg, MD. Retrieved 1/15/2025 from https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53B.pdf.

Deficiency 4: District's IT contingency plan lacked some key components

The District did not have a complete, up-to-date IT contingency plan. 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 or the criticality of systems; 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. Testing 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, and determining the District's ability to restore electronic data files and documenting the test results.

Based on our January 2024 review, the District's IT contingency plan lacked some key components. Specifically, the District's IT contingency plan did not include details for maintaining typical processes in the event that some critical systems are unavailable. Additionally, the District did not formally test its plan at least annually to ensure that it is effective. District officials reported that it did not have a complete and up-to-date IT contingency plan due to informal processes and testing procedures being in place to maintain typical functions. However, the lack of formal contingency planning increases the risk that the District will be unable to communicate with staff to effectively continue operations or retrieve data while system restoration is in progress.

Recommendations to the District

38. Enforce MFA and its existing password policy to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

39. Develop and implement a formal process to regularly perform and document, at least annually, detailed reviews of network, accounting system, and student information system users' accounts that includes assessing the need for network and system access to ensure that access level is appropriate, and ensuring access is promptly disabled when it is no longer needed.

40. Limit employees' access in the accounting system to only those accounting system functions needed for their job duties, including transferring administrator-level access to an employee outside the business office.

41. Work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited due to the responsibilities they perform for the District, the District should implement compensating controls, such as a process for regularly reviewing County employee user activity logs and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

42. 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: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

The Arizona Auditor General makes 42 recommendations to the District

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

Recommendations to the District

FINDING 6 21

18. 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 and requiring all member districts to complete and submit supplanting worksheets and supporting documentation to the District annually. 22

19. Develop and implement procedures to ensure all member district complete and provide the required CTED supplanting worksheet and any supporting documentation to the District's Board, ADE, and the District annually by required deadlines; take appropriate action when member districts do not completed the required worksheet; thoroughly review submitted worksheets to identify supplanting; and take appropriate action when supplanting is identified. 23

FINDING 7 24

20. 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 postgraduate jobs obtained, as well as developing a process to track all outcome data. 28

FINDING 8 29

21. Routinely calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered; and regularly provide the Board with updated program tuition and fees information. 32

22. Conduct and document long-term forecasting to anticipate future costs of providing adult education programs to ensure its adult education program tuition and fees cover program expenses. 32

23. Charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating its adult education programs consistent with statutory requirements and Arizona Attorney General Opinion No. I82-136. 32

24. Stop using ordinary school monies, such as Maintenance and Operations monies or other monies that may be used for maintenance and operation purposes, for adult education community schools program costs that are not allowable for that purpose. 32

25. Immediately work with ADE to submit necessary corrections to address the improper expenditure of ordinary school monies on adult education community

36. Classify all expenditures in accordance with the Uniform Chart of Accounts for school districts. 39

37. Ensure employees responsible for classifying expenditures review the Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending throughout the year. 39

FINDING 11 40

38. Enforce MFA and its existing password policy to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations. 43

39. Develop and implement a formal process to regularly perform and document, at least annually, detailed reviews of network, accounting system, and student information system users' accounts that includes assessing the need for network and system access to ensure that access level is appropriate, and ensuring access is promptly disabled when it is no longer needed. 43

40. Limit employees' access in the accounting system to only those accounting system functions needed for their job duties, including transferring administrator-level access to an employee outside the business office. 43

41. Work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited due to the responsibilities they perform for the District, the District should implement compensating controls, such as a process for regularly reviewing County employee user activity logs and documenting these reviews, to limit risks of unauthorized access, errors, and fraud. 43

42. 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. 44

District's fiscal year 2023 spending

Tables 6, 7, and 8 detail the District's fiscal year 2023 spending. Table 6, page a-2, shows the District's spending for satellite programs shown by member district, the number of student enrollments in satellite programs at each member district, and the District's spending per enrollment at each member district.[1] Most of the District's spending for satellite programs was in the form of allocation payments to its member districts based on the funding those programs generated for the District. In fiscal year 2023, the District received more than $36.9 million in revenues generated from student enrollments in satellite programs and spent approximately $15.2 million on allocation payments to its unified and union high school member districts. In addition to the District's spending for satellite programs shown in Table 6, member districts spent over $46.2 million in fiscal year 2023 on their satellite programs from other funding sources, primarily M&O monies. This spending is not included in the amounts shown in Table 6. Table 6 also does not include approximately $380,000 the District spent in fiscal year 2023 for its satellite programs at partner charter schools or approximately $450,000 the District provided to its elementary member districts.

[1] Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Table 6

District spending for satellite programs by member district[1]

Fiscal year 2023

Member district	District spending amount	Student enrollments	District spending per enrollment
Peoria Unified School District	$3,089,367	19,448	$159
Glendale Union High School District	2,669,291	19,862	134
Deer Valley Unified School District	1,857,395	11,772	158
Agua Fria Union High School District	1,723,180	12,596	137
Paradise Valley Unified School District	1,522,814	8,489	179
Dysart Unified School District	1,472,637	8,987	164
Tolleson Union High School District	1,454,504	14,264	102
Buckeye Union High School District	1,068,347	6,290	170
Saddle Mountain Unified School District	241,333	646	374
Wickenburg Unified School District	109,770	581	189
Gila Bend Unified School District[2]	–	147	–
Total	**$15,208,638**	**103,082**	**$148**

1 Although Nadaburg Unified School District voted to join the CTED in fiscal year 2023, it is not included in the above table because it did not become a member district until fiscal year 2024. The member district did not have any CTE student enrollments or receive any pass-through monies in fiscal year 2023.

2 According to the District and member district officials, the District did not provide passthrough payments to Gila Bend USD in fiscal year 2023 because the member district joined the CTED in fiscal year 2023, and no pass-through payments are made until a member district's second year in the CTED.

Source: Auditor General staff analysis of fiscal year 2023 member district-reported accounting and enrollment data.

Table 7 below shows the District's spending for central programs shown by CTE program, the number of student enrollments in each CTE program, and the District's spending per enrollment for each CTE program. The District's central program spending also includes salaries and benefits for the District's teachers, classroom supplies, textbooks, and student certification testing fees. Additionally, the District spent approximately $600,000 on instructional spending that was not associated with a specific CTE program for substitute teachers who taught classes for multiple programs and for purchases such as technology and equipment purchases that were for multiple central CTE programs. Table 7 also does not include approximately $2 million the District spent in fiscal year 2023 for its adult education programs.

Table 7

District spending for central programs by CTE program

Fiscal year 2023

CTE program name	CTE program description	Spending	Student enrollments	District spending per enrollment
Medical Assisting Services	Provide medical office administrative services and perform clinical duties such as patient intake and care	$1,212,067	689	$1,759
Automotive Technologies	Repair, service, and maintain all types of automobiles	1,179,702	352	3,351
Veterinary Assisting	Prepare students to provide veterinary patient management, care, and clinical procedures assistance	1,097,644	555	1,978
Energy and Industrial Technology	Prepares students to apply basic engineering principles and technical skills in support of industrial engineers and managers	1,033,935	113	9,150
Cosmetology and Related Services	Help others care for their hair, skin, and nails	673,921	290	2,324
Welding Technologies	Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment	601,038	176	3,415

Table 7 (continued)

District spending for central programs by CTE program

Fiscal year 2023

CTE program name	CTE program description	Spending	Student enrollments	District spending per enrollment
Aircraft Mechanics	Prepares students to apply technical knowledge and skills to repair, service, and maintain all aircraft components	590,107	118	5,001
Dental Assisting	Prepare students to provide dental patient care, conduct dental radiographs, and discharge office administrative functions	554,584	344	1,612
Network Security	Assess security needs and manage implementation of security devices, systems, and procedures	433,327	176	2,462
Software and App Design	Prepare students to support engineers in developing, implementing, and evaluating computer software and program applications	388,876	191	2,036
Marine, Power and Extreme Sport Technologies	Prepares students to apply technical knowledge and skills to repair outboard and inboard engines and other marine maintenance.	345,818	85	4,068
Construction Technologies	Prepare students to apply technical knowledge and skills to residential and commercial building construction and remodeling	333,865	96	3,478
Pharmacy Support Services	Develop a foundation of knowledge, skill sets, and resources for understanding the pharmacist's role in health promotion and disease prevention	309,920	159	1,949

Table 7 (continued)

District spending for central programs by CTE program

Fiscal year 2023

CTE program name	CTE program description	Spending	Student enrollments	District spending per enrollment
Physical Therapy Assistant	Prepares students to implement physical therapy treatment care plans, train patients, conduct treatment interventions, use equipment, and observe and record patient progress	264,908	195	1,359
Electrical and Power Transmission Installation	Prepares students install electrical systems and associated power transmission lines.	263,111	142	1,853
Law and Public Safety	Apply management and criminal justice practices to law enforcement administration and operations	229,949	103	2,233
Heating, Ventilation and Air Conditioning	Repair, install, and maintain heating, air conditioning, and refrigeration systems	222,116	47	4,726
Diesel Engine Repair	Apply skills to repair, service, and maintain diesel engines	219,962	67	3,283
Aesthetics	Prepares students to provide a variety of skin care services.	204,412	79	2,587
Automotive Collision Repair	Repair, reconstruct, and finish automobile bodies and external features	186,103	40	4,653
Nursing Services	Provide routine nursing-related care of patients in hospitals or long-term facilities	153,597	77	1,995

Table 7 (continued)

District spending for central programs by CTE program

Fiscal year 2023

CTE program name	CTE program description	Spending	Student enrollments	District spending per enrollment
Bioscience	Prepares student to apply scientific principles and technical skills in support of biologists and biotechnologists in research, industrial and government settings	132,595	44	3,014
sUAS Drones	Prepares students to build, program, and fly unmanned aircraft systems (UAS) to perform various missions	108,625	38	2,859
Emergency Medical Services	Prepare students to recognize, assess, and manage medical emergencies in a prehospital environment	109,434	139	787
Laboratory Assisting[1]	Prepares students to perform approved testing procedures, phlebotomy, and other duties in support of laboratory teams	102,268	–	–
Fire Service	Apply principles, theory, and practices of fire operations and firefighting services	48,205	72	670
Culinary Arts	Apply technical knowledge and skills for food production and service in commercial food service establishments	35,654	40	891
Precision Machining[1]	Develop technical skills to properly use precision measuring tools	30,054	–	–

Table 7 (continued)

District spending for central programs by CTE program

Fiscal year 2023

CTE program name	CTE program description	Spending	Student enrollments	District spending per enrollment
Electronic Technologies	Prepares students to apply basic engineering principles and technical skills in support of electrical, electronics and communication engineers.	27,665	15	1,844
Water Quality and Wastewater Treatment Management and Recycling Technology[1]	Prepares students to apply basic engineering principles and technical skills in support of engineers and other professionals engaged in developing and using water storage, waterpower, and wastewater treatment systems	434	–	–
Non-program specific central spending for CTE programs	District instructional spending for CTE programs that was not coded to a specific CTE program. This spending included costs for substitute teachers who taught among multiple programs, special eduation salaries, and technology and equipment purchases that were for multiple central CTE programs	603,506	4,442	136
Total		**$11,697,402**	**4,442**	**$2,633**

1 Although the District had programs expenses for its Laboratory Assisting, Precision Machining, and Water Quality and Wastewater Treatment Management and Recycling Technology programs in fiscal year 2023, the District did not have any enrollments in these programs based on review of the information in the District's student information system (SIS). However, all 3 of these programs were offered in fiscal year 2024.

Source: Auditor General staff analysis of ADE's CTE program descriptions and fiscal year 2024 enrollment data, the District's course catalog, and fiscal year 2023 District-reported accounting and enrollment data.

Table 8 below shows the District's spending for construction, administration, and support services shown by spending category, including a brief description of the primary expenditures in each category, and the spending per enrollment for each category. Spending per enrollment in Table 8 is calculated using the District's fiscal year 2023 total satellite and central program enrollment of 107,524 students.

Table 8

District spending for administration, support services, and construction

Fiscal year 2023

Spending category	Spending description	District spending amount	District spending per enrollment
Administration	Primarily includes salaries and benefits for administrative staff and spending for insurance payments.	$7,801,184	$73
Instruction support and student support services	Primarily includes salaries and benefits for support staff.	5,218,849	49
Other support services	Primarily includes salaries and benefits for plant operations staff and maintenance of central campuses.	$4,281,227	40
Construction	Primarily includes spending for costs associated with construction related to the District's Veterinary Science program and parking lot renovations	3,474,052	32
Total		**$20,775,311**	**$193**

Source: Auditor General staff analysis of fiscal year 2023 District-reported accounting and enrollment data.

Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2023 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing CTE statutes, rules, and policies and procedures and other District-provided documentation; interviewing District and member district staff; touring District facilities and member district satellite programs; and interviewing officials from ADE and reviewing information from ADE's website.

We also used the following specific methods to meet the audit objectives:

- To determine if the District accrued and paid leave in accordance with its policies, we reviewed District records of leave accrual and related payments and identified all District employees who received leave payouts of more than $1,000 between fiscal years 2021 and 2023, totaling 65 employees and approximately $835,000 in payments. We judgmentally selected and reviewed the payments to 62 of these employees to determine whether the District had followed its leave-payout policies.

- To determine whether the District followed USFR cash-handling requirements, we compared the District's accounting, digital cash receipting system, and bank deposit records for 1 lessee who paid lease payments to the District in fiscal year 2024 totaling $135,000 and for all 631 cash receipts from the 2 months of November 2023 and March 2024 totaling approximately $142,000. We also reviewed the 33 voided cash receipts from November 2023 and March 2024, totaling approximately $6,300.

- To determine whether the District maintained its unspent fund balances in accordance with recommended practices, we reviewed District *Annual Financial Reports* for fiscal years 2023 and 2024 and audited financial statements for fiscal years 2019 through 2023 to determine its unspent fund balances and interviewed District officials about the District fund balance policy and intended purposes of accumulated fund balances. We also reviewed District bond indebtedness reporting for fiscal year 2023 and available District plans for capital spending in fiscal year 2025.

- To determine how the District allocated funding it received for its central and member districts' satellite CTE programs, we reviewed allocation payments it made to its member districts in fiscal year 2023 and compared these payments to the payments the 13 other CTEDs in the State made to their respective member districts in fiscal year 2023. We also reviewed the District's estimated spending for other goods and services it provided to member districts in fiscal year 2023.

- To determine how the District ensured funding it allocated to its elementary member districts was spent in accordance with statutory requirements, we reviewed payments it made to its elementary members districts in fiscal years 2023 through 2024, including the relevant statutory requirements for the funding sources of these payments, and corresponding District-approved elementary member district budgets for the allocation payments' planned spending. For 1 of the District's 3 elementary member districts, we also compared District-approved elementary member district spending budgets to end-of-year reports for actual spending for fiscal year 2023.

- To determine whether the District ensured that monies paid to member districts were used to supplement and not supplant base year spending on CTE satellite programs, we reviewed fiscal year 2023 supplanting worksheets member districts provided to ADE.

- To determine whether the District collected, validated, and used outcome measure data to assess the effectiveness of its CTE programs in accordance with requirements and recommended practices, we reviewed CTE performance measure reports and available District documentation of outcome data, including postgraduation placements and industry credentials earned. We reviewed all 474 of the District's job placements reported to ADE in fiscal year 2023. However, we were unable to review the validity of the District's reported certification data because the District did not maintain evidence such as copies of certifications or reports from testing vendors of the credentials students earned.

- To determine if adult education tuition rates were sufficient to cover program costs, we evaluated the District's adult education program revenues and expenditures for fiscal years 2019 through 2024. Additionally, we reviewed the District's tuition and fees for adult education programs for fiscal year 2025 and the District's analysis of expected fiscal year 2025 adult education program revenues and expenses.

- To determine whether the District complied with conflict-of-interest requirements, we reviewed available District conflict-of-interest disclosure documentation for all Board members and staff in fiscal years 2022 and 2023 and conflict-of-interest requirements and recommended practices. We also reviewed registration and attendance logs for the October 2022 training the District provided its staff.

We completed work to assess internal controls, including controls over payroll, purchasing, credit cards, travel reimbursements, and classification of expenditures, which consisted of reviewing the District's policies and procedures; interviewing District staff; and, where applicable, additional testing of the District's compliance with its policies and procedures, the USFR and related guidance, and IT industry frameworks. We also evaluated other internal controls that we considered significant to the audit objectives. We reported our conclusions on applicable internal controls in Findings 1, 2, and 10 (see pages 4 through 10, and 37 through 39).

We also reviewed controls over the District's relevant computer systems and reported our conclusions on applicable controls over the District computer systems in Finding 11 (see pages 40 through 44).

Specifically:

- To determine whether the District's authentication controls for critical IT systems were consistent with USFR requirements and credible industry standards, we reviewed the District's password policies and procedures and its use of MFA for critical IT systems.

- To determine whether the District appropriately limited system access to only those functions needed for employees to perform their job duties, we reviewed all active users' accounting information system access and compared their access levels with their job responsibilities. We also reviewed all accounts with administrator-level access.

- To determine whether the District had appropriately terminated user access to its network, SIS, and accounting information system, we compared the District's network, SIS, and accounting information system user listings with a list of terminated District employees whose District employment ended between January 2021 and September 2023 to identify accounts potentially associated with terminated employees. From these identified accounts, we judgmentally selected and reviewed 5 of 8,235 network accounts, 4 of 29 SIS accounts, and all 65 accounting information system accounts to determine whether the accounts were associated with terminated employees.

- To determine whether the District appropriately limited remote access to the District's network to only those users and vendors who needed remote access, we reviewed all 15 network accounts with remote access to the District's network.

- We assessed the District's IT contingency plan to determine whether it included key components required by the USFR and recommended by credible industry standards.

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 board members and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

The subsequent pages were written by the District to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by the Arizona Auditor General.

West-MEC
5405 North 99th Ave
Glendale, AZ 85305
623-738-0022

May 16, 2025

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 North 44th St, Suite 410
Phoenix, AZ 85018

Ms. Perry,

For over 20 years, Western Maricopa Education Center (West-MEC) has made a significant impact on the community by equipping high school students and adults with hands-on career training that leads directly to employment opportunities or further education. By offering programs in high-demand fields like healthcare, aviation, IT, and construction, West-MEC helps build a skilled workforce that meets the needs of local and national industries.

West-MEC has received and reviewed the Performance Audit Report. As this audit process has taken over 2 years to complete, it has presented numerous challenges and required extensive coordination and documentation. Despite the difficulty and complexity of the process, we remained committed to full transparency and accountability. Throughout the audit, we diligently responded to the findings and addressed all recommendations with comprehensive data, ensuring compliance and demonstrating our dedication to continuous improvement and responsible stewardship of resources.

During the past academic year, West-MEC high school students earned over 7,000 industry-recognized credentials. Additionally, 93% of our students passed the Arizona Department of Education's Technical Skills Assessment, far surpassing the state average of 79%. These results demonstrate strong career readiness and have drawn national attention. As a result, West-MEC has welcomed numerous CTE districts across the United States and internationally for tours of our campuses and systems.

West-MEC serves as a powerful example of how local tax dollars can be strategically reinvested to strengthen and stimulate the regional economy. By cultivating a skilled workforce, West-MEC not only responds to current economic demands but also plays a proactive role in shaping the economic landscape, supporting the growth of existing businesses and enhancing the region's ability to attract new employers.

Regards,

Dr. Scott Spurgeon
West-MEC Superintendent

Finding 1: District improperly paid more than $71,000 for accrued leave and made other payments contrary to its policies, and some policies were unclear, increasing the risk that employees could be treated inconsistently

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC administration agrees that the language in its current leave policy can be clearer. We are actively in the process of revising and updating the policy language to enhance clarity and reduce the risk of inconsistent, interpretation or application.

Recommendation 1: Identify and correct any overpayments made to employees from fiscal year 2021 to current for vacation leave that should have been forfeited according to the District's vacation-leave-payout policy.

District Response: The audit recommendation will be implemented in a different manner.

Response explanation: West-MEC will conduct a comprehensive review of all leave payments made to employees from fiscal year 2021 to present. Based on the findings, administration will determine the appropriate action to address any issues identified.

Recommendation 2: Ensure it consistently follows its vacation and sick leave policies by developing and implementing written procedures to ensure that all sick and vacation leave payouts are paid in accordance with District policy.

District Response: The audit recommendation will be implemented.

Response explanation: The administration is in the process of developing and implementing clear, written procedures to ensure that all sick and vacation leave payouts are processed in full compliance with District policy. These procedures will help ensure accuracy, consistency, and accountability moving forward.

Recommendation 3: Develop a thorough secondary payroll review process to ensure that requests and payouts for accumulated sick and vacation leave comply with District policies.

District Response: The audit recommendation will be implemented.

Response explanation: All sick and vacation payout calculations prepared by the Payroll Office are submitted to the HR Administrator for secondary review and final approval. Payroll provides all necessary supporting documentation to substantiate the payout amount. This documentation includes a copy of the Personnel Action Request (PAR), the employee's current salary as recorded in the payroll system, and a detailed leave balance report showing the actual remaining hours.

Recommendation 4: Work with the Governing Board (Board) to update District policies for vacation accruals and sick leave payouts to clearly identify the appropriate accrual and payout rates for all years of service and ensure the policies meet the Board's intent for compensating employees.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC administration will present updated policy language to the Governing Board related to vacation accruals and sick leave payouts. The goal is to clearly define the appropriate accrual and payout rates for all years of service and to ensure that the policies accurately reflect the Board's intent for employee compensation.

Finding 2: 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 Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC remains committed to ensuring that all funds are deposited in a timely and accurate manner. We will continue to provide targeted training and raise awareness among campus administrators regarding the requirements outlined in the Uniform System of Financial Records (USFR). The District will continue to perform regular reconciliations of deposits and related records. These procedures are designed to minimize the risk of errors, loss, or theft, and to ensure ongoing compliance with financial reporting standards.

Recommendation 5: Develop and implement written procedures to ensure compliance with USFR requirements and District policies related to cash handling, and train District employees with cash-handling responsibilities on these procedures.

District Response: The audit recommendation will be implemented.

Response explanation: To ensure compliance with USFR requirements and District policies, West-MEC will develop written cash-handling procedures. These procedures will include internal controls such as segregation of duties, timely deposits, and accurate documentation. The District will conduct mandatory training for all employees with cash-handling responsibilities to ensure they understand and follow the procedures.

Recommendation 6: Prepare and maintain evidence for all cash received, including by issuing sequential, prenumbered receipts, and reconcile deposits to cash-collection documentation to ensure all cash received was appropriately deposited.

District Response: The audit recommendation will be implemented.

Response explanation: The District understands the importance of following the USFR cash collection guidelines and will continue to train staff on the established procedures. West-MEC will continue to require two signatures, one from the instructor and one from business staff to verify the total cash being deposited. This dual verification process helps ensure the accuracy and integrity of all deposits. Additionally, a deposit log sheet has been implemented at each site and is securely stored in the campus safe. This log is completed for every deposit, further supporting accurate recordkeeping and reinforcing the District's internal controls. The District will also continue regular reconciliations of deposits and associated records. These procedures are designed to minimize the risk of errors, loss, or theft, and to ensure ongoing compliance with financial reporting standards.

Recommendation 7: Deposit timely all cash collected.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and is committed to ensuring all cash collected is deposited in a timely manner, in accordance with USFR guidelines. Staff are trained to follow established procedures, which require deposits to be made at least weekly. To support compliance, deposit log sheets are maintained at each site and monitored by business staff. These logs help track the timing of deposits and ensure consistency with cash collection records. The District will continue to review deposit activity regularly to reinforce timely practices and maintain strong internal controls.

Recommendation 8: Ensure all discrepancies between system receipts and cash collected are identified and reviewed with documented resolution for all variances.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and is confident that the implementation of its new Point-of-Sale (POS) system in the spring of 2023 will enhance its ability to accurately track and verify all campus receipts. The new system includes built-in controls to help identify and flag discrepancies between system receipts and cash collected. As part of the updated procedures, any identified variances will be reviewed, investigated, and resolved with clear documentation to ensure proper oversight. These improvements will support the integrity of the District's cash-handling processes and help ensure continued compliance with USFR standards.

Recommendation 9: Follow its process for maintaining and evaluating supporting documentation for all voided cash receipt transactions.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC's new Point-of-Sale (POS) system includes strengthened internal controls, such as a dual-signature requirement for all voided transactions, and supports the consistent maintenance and evaluation of supporting documentation. These measures will ensure that all voided cash receipt transactions are properly documented and reviewed in accordance with District policy.

Recommendation 10: Ensure all cash collections are appropriately secured, verified and tracked prior to deposit so that the District can ensure that all cash received is deposited.

District Response: The audit recommendation will be implemented.

Response explanation: The District acknowledges the importance of securing and verifying all cash collections to ensure proper accountability and transparency. To address this recommendation, the District will review and strengthen internal cash handling procedures across all sites. Staff involved in cash collection will receive updated training on cash control protocols, including immediate receipting, dual verification, secure storage, and timely deposits. Additionally, site audits will be conducted periodically to ensure compliance with the updated procedures.

Finding 3: District accumulated more than $142 million in fund balances by end of fiscal year 2023 but did not have a policy regarding amount to be maintained or its intended purpose

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC recognizes the importance of maintaining a sound fiscal policy, including a clearly defined general fund balance policy, to support financial stability and ensure continued service delivery during times of economic uncertainty. We acknowledge the Government Finance Officers Association (GFOA) guidance and agree that establishing a formal general fund balance policy tailored to the District's specific operational risks and financial structure is a prudent and necessary step. While Arizona currently does not require school districts to adopt a minimum general fund balance policy, West-MEC acknowledges GFOA's recommendation to maintain an unrestricted general fund balance equivalent to at least two months of regular operating revenues or expenditures. As part of our commitment to financial transparency and responsible stewardship of public funds, West-MEC will initiate the development of a formal general fund balance policy. The development and implementation of this policy will involve collaboration with the Governing Board, District leadership, and other stakeholders to ensure alignment with West- MEC's long-term financial goals and strategic priorities.

Recommendation 11: Implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund that considers the financial resources available in other restricted funds including bond proceeds; establishes minimum and maximum reserve amounts; and outlines the purposes for which the District will spend monies that are in excess of required reserves.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the importance of adopting a formal fund balance policy aligned with GFOA best practices. A comprehensive policy will be developed and adopted by the Governing Board, establishing clear parameters for minimum and maximum reserve levels, taking into account the availability of resources in other restricted funds, such as bond proceeds. The policy will also define the purposes for which excess reserves may be used, ensuring transparency, fiscal responsibility, and alignment with the District's long-term financial planning goals.

Finding 4: District provided substantially less money to its satellite CTE programs than other CTEDs in the State—limiting its support for satellite programs—and its member-district agreements do not specify the amount of funding it will provide, as required

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC acknowledges the statutory framework governing Career and Technical Education Districts (CTEDs), including funding based on average daily membership (ADM) and the requirement to support member districts through intergovernmental agreements (IGAs). We fully recognize our responsibility to provide an appropriate level of support for approved satellite Career and Technical Education (CTE) programs in our member districts and to ensure transparency in these partnerships. In accordance with A.R.S. §15-393(L)(7), West-MEC will ensure that every IGA includes "the amount that the career technical education district will contribute to a course and the amount of support required by the school district, the charter school or the community college." In addition, West-MEC complies with A.R.S. §15-393(L)(11), which requires "an itemized listing of other goods and services that are provided to the member district and that are paid for by the retention of satellite campus student funding." West-MEC provides a comprehensive array of goods and services to support our member districts' CTE programs. These include, but are not limited to, professional development for CTE instructors, curriculum resources, industry certifications, software licensing, equipment, and technical assistance. These services are documented and reviewed annually with member district CTE directors at monthly local director meetings to ensure alignment with program needs and to promote efficient use of funds. Although state law does not establish a minimum pass-through amount, West-MEC remains committed to equitable, transparent, and strategic resource allocation through its IGAs. West-MEC will ensure all IGAs clearly define financial contributions in compliance with state law; Evaluate funding levels annually to confirm they support high-quality, state-approved CTE programs; Maintain consistent communication and collaboration with our member districts to support student outcomes and fiscal transparency. This approach reflects West-MEC's mission to prepare students for high-demand careers while ensuring responsible stewardship of public funds and adherence to legislative requirements.

Recommendation 12: Develop and implement a plan for funding to its member districts that considers its pass-through percentage; member districts' program enrollment and needs; policies established to govern its general fund balance; and other CTE requirements such as validating key outcome data.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC administration is committed to developing a comprehensive funding plan that incorporates its pass-through amount. In fiscal year 2025, West-MEC increased its financial distribution to member districts to 52.6% of the funds received for students enrolled in satellite CTE programs. This increase reflects West-MEC's continued commitment to equitable and strategic resource allocation in support of high-quality CTE instruction throughout its member districts.

Recommendation 13: Update its IGAs with member districts to include the amount that the CTED will contribute to a course and the amount of support required by the school district, as required by statute.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC acknowledges the statutory requirement to include in its Intergovernmental Agreements (IGAs) the specific amount the CTED will contribute to the member district. The West-MEC administration is currently in the process of reviewing and updating all IGAs to ensure compliance with A.R.S. §15-393(L)(7). Beginning in FY2026, West-MEC will incorporate language in each IGA to specify the financial contribution of the CTED toward support to be provided by the member district. This will promote transparency, mutual accountability, and alignment of responsibilities, ultimately supporting effective planning and implementation of high-quality CTE programs.

Recommendation 14: Develop and implement procedures to monitor payments to its member districts to ensure that the funding it provides meets the requirements of its IGAs and any member-district funding plan it develops.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will develop a written policy to clearly outline the process used to monitor compliance with the requirements set forth in its Intergovernmental Agreements (IGAs) with member districts. This policy will ensure that funding provided to districts is used in accordance with the agreed-upon terms and supports the intended improvement of Career and Technical Education (CTE) satellite programs. Currently, West-MEC issues payments to its member districts twice per year. To ensure transparency and proper use of funds, member districts are required to submit capital plans to West-MEC's Curriculum and Instruction Department, outlining how the funds are being used to enhance their satellite CTE programs. In addition to capital funding, member districts also receive allocations to support Career and Technical Student Organizations (CTSOs) and the attainment of industry-recognized credentials for students. These funds are intended to expand student leadership opportunities and strengthen career readiness through recognized certifications.

Finding 5: District did not ensure monies it provided to elementary member districts were spent only for allowable purposes and misreported these monies in its *Annual Financial Report*

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC acknowledges the importance of accurate and transparent financial reporting, particularly with respect to statutorily restricted funds such as the Arizona Industry Credentials Incentive Program (Incentive Program) monies. We recognize that the inaccurate classification of $299,800 in Incentive Program expenditures on the fiscal year 2023 Annual Financial Report (AFR) limited the clarity and transparency expected by the public and oversight bodies. This misreporting occurred during a period of staffing transition within the business office, which resulted in the AFR being completed by a staff member unfamiliar with the program-specific reporting requirements. While unintentional, we understand that this lapse impacted the accuracy of the AFR and take full responsibility for ensuring improvements moving forward. To address and prevent recurrence of this issue, West-MEC will ensure business office staff receive regular training on AFR preparation and statutory reporting requirements for restricted funds, including Incentive Program monies. West-MEC is committed to continuous improvement in its financial practices, and to upholding public trust through transparent, accurate reporting of all expenditures. We are confident that the measures being put in place will significantly reduce the likelihood of similar errors in the future.

Recommendation 15: Develop and implement procedures to thoroughly review proposed budgets from elementary school member districts; approve only the budgets that contain spending allowed by the funding source; and ensure elementary member districts comply with approved budget spending, including taking appropriate action for unapproved spending.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will create clear procedures to review and approve budgets submitted by elementary school member districts to ensure that funds are used correctly. Each year, districts must submit a detailed line-item budget by October 1, showing how they plan to use their grant funds. Only items that support STEM education, hands-on learning, and career literacy for 8th grade students will be approved. West-MEC staff will carefully review each budget to make sure all spending follows the grant rules. If a budget includes unapproved items, it will be returned to the district for correction. The district must fix and resubmit the budget within 30 days. Once a budget is approved, West-MEC will send the funds within 60 days. Districts must spend the money as approved. At the end of the year, they must submit a report showing how the funds were spent and what was achieved. If any money was not used, they must explain why and how they plan to use it. West-MEC may check how the money was spent through audits or reviews. If a district uses funds on unapproved items, West-MEC can take action, such as: asking for the money to be returned; holding back future payments; requiring a plan to fix the problem. These steps will help ensure all funds are used properly and support the intended student programs.

Recommendation 16: Develop and provide additional guidance and training to elementary school member districts on relevant spending restrictions and preparing budgets such that the District can ensure spending is only for allowable purposes.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will develop and offer clear guidance and training to help elementary school member districts understand how to properly use grant funds and prepare accurate budgets. The goal is to ensure all spending supports only allowable purposes, such as STEM education, hands-on learning, and career literacy for 8th grade students.

Recommendation 17: Accurately report spending of Arizona Industry Credentials Incentive Program monies on its AFR.

District Response: The audit recommendation will be implemented.

Response explanation: The misreporting occurred due to staffing turnover in the business office, which led to the AFR being completed by a staff member who was unfamiliar with the process. The district has implemented processes to reduce chances of these errors in the future. The district is committed to maintaining full transparency and accountability in its financial reporting and will continue to monitor and improve its processes to ensure compliance with all regulations.

Finding 6: Contrary to statute, District did not monitor member districts' spending and establish consistent reporting requirements to help identify supplanting and protect satellite program quality

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC fully acknowledges the statutory requirement that all monies provided to member districts be used to supplement and not supplant base year spending on Career and Technical Education (CTE) programs, as outlined in A.R.S. §15-393.

West-MEC is committed to upholding the integrity of this requirement and working with member districts to ensure compliance. To strengthen oversight and compliance moving forward, West-MEC will review base-year CTE spending data for each member district and compare it annually to current-year spending of non-CTED funds to identify any potential supplanting.

Recommendation 18: 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 and requiring all member districts to complete and submit supplanting worksheets and supporting documentation to the District annually.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will work with its legal counsel to review and revise its Intergovernmental Agreements (IGAs) with all member districts to ensure they reflect current statutory requirements and reporting obligations. Specifically, the updated IGAs will replace references to USFR Memorandum 219 with a requirement that all member districts annually complete and submit the CTED supplanting worksheet. These updates will help ensure consistent compliance and accurate reporting of Career and Technical Education program expenditures across all member districts.

Recommendation 19: Develop and implement procedures to ensure all member districts complete and provide the required CTED supplanting worksheet and any supporting documentation to the District's Board, ADE, and the District annually by required deadlines; take appropriate action when member districts do not complete the required worksheet; thoroughly review submitted worksheets to identify supplanting; and take appropriate action when supplanting is identified.

District Response: The audit recommendation will be implemented.

Response explanation: In accordance with A.R.S. §15-393, all CTED member districts are required to complete and submit the Work Sheet for Determining the Appearance of Supplanting with CTED Monies to both the CTED's Governing Board and the Arizona Department of Education. West-MEC will issue a formal reminder memo to all member districts by October 1st each year. This memo will outline the statutory requirement and instruct districts to submit their completed supplanting worksheet and supporting documentation to West-MEC for presentation to the Governing Board. West-MEC will review each worksheet to assess for any indication of supplanting. If supplanting is identified, West-MEC will work with the member district to determine the root cause and develop a corrective action plan. This plan will outline steps to ensure future compliance and the proper use of CTED funds. Through this process, West-MEC ensures compliance with state law, reinforces financial accountability, and supports member districts in maintaining the integrity of their CTE programs.

Finding 7: District lacked processes to validate key outcome data used to assess program effectiveness, resulting in reporting errors and potentially inaccurate information about CTE programs' success

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC recognizes the importance of consistent, accurate, and comprehensive data collection to demonstrate compliance with statutory requirements, Arizona Department of Education (ADE) guidelines, and best practices. In alignment with this recommendation, West-MEC is committed to developing and implementing standardized data-collection protocols across all CTE programs, with a particular emphasis on tracking placement outcomes and credential attainment. West-MEC continually works to improve the tracking and reporting of key outcome information. Robust systems are now in place to monitor essential performance metrics and are regularly reviewed to ensure ongoing improvement. Our commitment to enhancing data collection, validation, and analysis is central to assessing program effectiveness and student success.

Recommendation 20: 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.

District Response: The audit recommendation will be implemented.

Response explanation: Detailed processes are already established for Central Programs to report student placement outcomes. This includes a multi-step process that combines direct communication methods such as phone calls, emails, and text messages with centralized verification through the National Student Clearinghouse and targeted follow-up by consultants. This layered approach ensures comprehensive and reliable data on student placements across a variety of post-secondary pathways. Similarly, credential attainment data for Central Programs is collected and verified using West-MEC's Certification Data Collection Protocol, which outlines procedures for gathering, confirming, and reporting student certification data. This protocol ensures students meet the required standards for industry-recognized certifications and that their accomplishments are accurately recorded and reported. To ensure consistent evaluation and support of satellite programs, West-MEC utilizes Total Quality Indicators (TQI) and ADE monitoring tools to conduct systematic reviews. These reviews focus on critical elements such as teacher certification, marketing strategies, course sequencing, and student performance metrics including graduation and placement rates. Moving forward, the TQI review process will be enhanced with a specific focus on student certifications earned and post-graduate placement. This enhancement includes the requirement for schools to explain their data collection and verification methods in detail. Additionally, feedback will be provided to CTE Directors, administrators, and counseling staff through narrative reports that share best practices and recommendations for improvement. To further promote consistency, West-MEC will share standardized data-collection protocols with CTE Directors on an annual basis and include them in program review documentation, and provide training and support to CTE program administrators and staff to ensure uniform understanding and application of the new protocols. These coordinated efforts reflect West-MEC's continued dedication to data integrity, transparency, and the use of data to inform program development and drive student success.

Finding 8: District's adult education program tuition and fees did not cover program expenses, resulting in a combined deficit of more than $2.2 million between fiscal years 2019 and 2023

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC reviewed the expenses versus revenues received from various sources for the adult education programs and acknowledges the Auditor General's finding. It is important to clarify that the $2.2 million cited is not a cumulative ongoing deficit but rather the total of annual shortfalls over the fiscal years 2019 through 2023. These deficits were influenced in part by the timing of revenue recognition and expenditure cycles. As of the end of fiscal year 2024, the adult education program has a positive ending balance of $954,199**,** indicating that the program is currently operating within its means and has recovered from prior year shortfalls.

Recommendation 21: Routinely calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered; and regularly provide the Board with updated program tuition and fees information.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC acknowledges the importance of aligning tuition and fees with the actual cost of delivering adult education programs. The District will continue to conduct routine cost analyses for each adult education program to determine the full cost of instruction, facilities, materials, and administrative support. This information is used to inform tuition and fee structures. Updated tuition and fee information will be regularly presented to the Governing Board to support transparency and informed decision-making.

Recommendation 22: Conduct and document long-term forecasting to anticipate future costs of providing adult education programs to ensure its adult education program tuition and fees cover program expenses.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC recognizes the importance of long-term financial forecasting to ensure that adult education program tuition and fees adequately cover program expenses. The District will implement a long-term forecasting process. This process will involve projecting future costs for providing adult education programs, including anticipated changes in expenses such as staffing, facilities, and materials. The forecasts will be updated regularly and used to adjust tuition and fee structures, ensuring that they remain aligned with the long-term financial needs of the programs.

Recommendation 23: Charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating its adult education programs consistent with statutory requirements and Arizona Attorney General Opinion No. I82-136.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC acknowledges the importance of ensuring that tuition, fees, grants, and donations for adult education programs fully cover operational costs in compliance with statutory requirements and Arizona Attorney General Opinion No. I82-136. According to AG Opinion I82-136, school districts and joint technological education districts (JTEDs or CTEDs) offering adult education programs must not use K–12 education funds (i.e., tax-supported public school monies) to subsidize these programs.

The opinion clearly states that adult education programs should be self-supporting, meaning all operational costs must be funded through tuition, fees, grants, or donations. The District will continue to explore opportunities to secure grants and donations that support the long-term sustainability of its adult education offerings. All funding sources will be managed in accordance with legal requirements, with an emphasis on transparency and accountability.

Recommendation 24: Stop using ordinary school monies, such as Maintenance and Operations monies or other monies that may be used for maintenance and operation purposes, for adult education community schools program costs that are not allowable for that purpose.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC acknowledges the importance of ensuring that all funds are used in compliance with applicable laws and funding restrictions. Since a change in leadership in 2023, Maintenance and Operations (M&O) funds have not been used for adult education community school program costs that are not allowable for that purpose. The District has conducted a thorough review of its current funding practices to ensure alignment with statutory and regulatory requirements. Additionally, training has been provided to relevant staff on proper fund allocation and compliance with funding restrictions. To maintain accountability, regular internal audits will be conducted, and any discrepancies identified will be addressed promptly to ensure ongoing compliance.

Recommendation 25: Immediately work with ADE to submit necessary corrections to address the improper expenditure of ordinary school monies on adult education community schools programs in fiscal years 2022, and any subsequent years as necessary, to bring the respective funds back to the correct balances.

District Response: The audit recommendation will be implemented in a different manner.

Response explanation: West-MEC acknowledges the importance of promptly addressing the improper expenditure of ordinary school monies on adult education community school programs. The District is actively consulting with the Arizona Department of Education (ADE) and its auditors to explore appropriate options for resolution and determine the best course of action to ensure compliance and accountability. The District remains committed to resolving any discrepancies in collaboration with ADE and will take corrective actions as necessary once a mutually agreed-upon approach is established

Finding 9: District did not comply with some conflict-of-interest requirements, increasing the risk that employees did not disclose substantial interests that might influence or could affect their official conduct

District Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC is committed to strengthening our internal controls, increasing transparency, and ensuring alignment with statutory requirements, District policy, and recommended best practices.

Recommendation 26: Enforce its existing conflict-of-interest policies for employees by requiring employees to annually submit conflict-of-interest disclosure forms describing any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will enforced its conflict-of-interest policy requiring *all employees* to complete and submit annual conflict-of-interest disclosure forms, whether or not they have a conflict to disclose. These forms will include an "affirmative no" section to document the absence of conflicts.

Recommendation 27: Store all substantial interest disclosures in a special file available for public inspection, including disclosure forms and Board meeting minutes where a disclosure is documented.

District Response: The audit recommendation will be implemented.

Response explanation: In fiscal year 2025 West-MEC created a dedicated file for all substantial interest disclosures, including employee and Board member disclosure forms and applicable Board meeting minutes. This file is available for public inspection as required by A.R.S.§38-509.

Recommendation 28: Update its conflict-of-interest policies and establish written procedures to include a documented process for remediating disclosed conflicts of interest.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC will update its conflict-of-interest policies and established a formal, written process for remediating disclosed conflicts. This will ensure that all disclosed interests are appropriately reviewed and managed, and that no individual participates in decisions where conflicts exist.

Recommendation 29: Update its conflict-of-interest form for employees to provide space for employees to disclose conflicts of interest or attest that no conflicts exist.

District Response: The audit recommendation will be implemented.

Response explanation: In fiscal year 2025, West-MEC has replaced its employee conflict-of-interest acknowledgement form with a revised disclosure form. The new form provides a space for employees to disclose any substantial interests or to affirmatively state that no conflict exists

Recommendation 30: Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that includes information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC conducted a conflict-of-interest training program for all employees and Board members at the beginning of fiscal year 2025. Attendance was documented and retained to demonstrate compliance. The training included an overview of applicable Arizona conflict-of-interest statutes, as well as West-MEC's internal policies and procedures. This initiative reflects the District's ongoing commitment to promoting ethical conduct, transparency, and maintaining public trust. West-MEC will require annual mandatory conflict-of-interest training for all employees. Each session will be documented to ensure ongoing compliance and reinforce awareness of ethical responsibilities and legal obligations.

Finding 10: 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 Response: The Auditor General's finding is agreed to.

Response explanation: West-MEC agrees with the finding and acknowledges the need for stronger internal controls related to credit card use and travel reimbursements. To further strengthen oversight, periodic internal audits of credit card and travel expenditures will be conducted. These actions aim to reduce the risk of errors, misuse, or waste and to reinforce accountability across all departments. It is important to note that while internal control weaknesses were identified, the Auditor General did not report or identify any instances of fraud to West-MEC's administration.

Recommendation 31: Develop and implement a process to ensure that credit card payments are made in a timely manner to avoid unnecessary late fees and finance charges.

District Response: The audit recommendation will be implemented.

Response explanation: The District acknowledges the importance of adhering to the Uniform System of Financial Records (USFR) and District policy, which require all credit card balances to be paid in full each billing cycle to avoid unnecessary late fees and ensure the proper use of public monies. The late fees incurred during fiscal year 2023 were a result of significant turnover within the Business Services department, which impacted continuity and timely processing. Since that time, the District has taken steps to correct this issue: A new Accounts Payable Specialist has been hired and follows the District's payment procedures, including USFR and internal expectations regarding timely credit card payments. This new Accounts Payable Specialist proactively contacted vendors and successfully obtained refunds for several of the late fees that were charged during fiscal year 2024. Invoices and credit card statements are now being reviewed on a frequent and consistent basis to ensure that payments are made on or before the due date. West-MEC remains committed to fiscal responsibility and ensuring that all public funds are expended appropriately and in full compliance with State regulations.

Recommendation 32: Develop and implement written policies and procedures to prevent employees who receive vehicle stipends from receiving additional mileage reimbursements.

District Response: The audit recommendation will be implemented.

Response explanation: West-MEC acknowledges the finding and agrees that improvements were needed to prevent duplicate payments for employee travel expenses. In fiscal year 2024, the District discontinued the practice of reimbursing mileage for employees through payroll. To further strengthen internal controls and ensure this does not recur, West-MEC will implement an annual verification process. Specifically, before processing any mileage reimbursement requests, the District will verify whether the employee receives a vehicle stipend. This verification will ensure that reimbursements are issued in compliance with District policy and prevent unnecessary or duplicate expenditures of public funds. These actions will prevent future duplicate payments, ensure accountability for the use of public funds, and reinforce the District's commitment to operational efficiency and compliance with established policies.

Recommendation 33: Develop and implement written procedures to ensure purchases are independently reviewed and approved prior to the purchases being made.

District Response: The audit recommendation will be implemented.

Response explanation: The District recognizes the importance of maintaining strong internal controls over the purchasing process. To ensure compliance and prevent unauthorized spending, West-MEC follows procedures aligned with the Uniform System of Financial Records (USFR), requiring all purchases to be independently reviewed and approved prior to execution. To further strengthen internal controls, the District will develop and implement formal written procedures specifically for employees with purchasing responsibilities. These procedures will be incorporated into staff training to ensure clear understanding and adherence to purchasing policies and regulations.

Recommendation 34: Develop and implement written procedures to ensure that all travel expenditures and reimbursements do not exceed ADOA-established maximum rates in accordance with District policy and the USFR.

District Response: The audit recommendation will be implemented in a different manner.

Response explanation: West-MEC allows employees to stay at the primary or overflow conference hotel for reasons of convenience, safety, and overall cost-efficiency. In many cases, additional costs related to transportation, parking, and time lost due to distance from the conference venue were considered when determining lodging arrangements. The example noted on page 38, where the District's superintendent spent six nights in San Antonio, Texas, while attending a conference in February 2023, is an instance where exceptions were made. The ADOA's maximum allowable rate for lodging in San Antonio at the time was $124 per night plus taxes. However, the conference brochure listed 15 conference hotel options, with nightly rates ranging from $169 to $339 per night. The superintendent's stay at the higher-cost conference-approved hotel was an exemption due to the Superintendent being part of the AASA National Superintendent Certificate Cohort, which required all members to stay at the conference hotel as part of their cohort work. In the future the district will document exceptions, such as cost-benefit analyses showing that alternate arrangements would result in higher overall costs. West-MEC currently has a mandatory travel pre-approval form that includes: Estimated lodging rates with SAAM comparison. Documentation of conference hotel rates and rationale for lodging selection. Supervisor sign-off and Business Services review before travel arrangements are finalized. All staff involved in travel planning and approvals will receive training travel policies, SAAM lodging limits, and required documentation. The Business Services department will perform annual travel audits to ensure compliance. These actions will help ensure that West-MEC remains a responsible steward of public funds while supporting safe and efficient travel for staff.

Recommendation 35: Determine whether staff and Board members are required to reimburse the District for overpayments of travel-related reimbursements and seek legal counsel, as necessary, in making these determinations. If, based on these determinations, the District identifies an amount that staff and Board members would be required to reimburse the District, recover all identified reimbursements.

<u>District Response:</u> The audit recommendation will be implemented.

<u>Response explanation:</u> West-MEC has conducted a comprehensive review of all travel related reimbursements issued to staff and Governing Board members. This review will include examining supporting documentation, travel policies, and reimbursement records to determine compliance with District policy and applicable state requirements. As a result of this review, the District did not identify any overpayments that would require reimbursement by staff or Board members. Therefore, no further action is necessary regarding recovery of funds. Should future discrepancies arise, West-MEC is committed to promptly investigating the matter and will seek legal counsel if needed to ensure compliance with all financial accountability standards.

Recommendation 36: Classify all expenditures in accordance with the Uniform Chart of Accounts for school districts.

<u>District Response:</u> The audit recommendation will be implemented.

<u>Response explanation:</u> West-MEC acknowledges the importance of accurate expenditure classification as required by Uniform System of Financial Records (USFR). Accurate financial reporting is critical for public transparency, internal decision-making, and compliance with state and federal regulations. All Business Services staff and any other employees involved in budget coding or accounting entries will complete USFR refresher training. This training will: Be conducted annually. Include both internal and external (ASBO/Heinfeld and Meech) training resources. Be documented and tracked through the District's professional development system.

Recommendation 37: Ensure employees responsible for classifying expenditures review the Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending throughout the year.

<u>District Response:</u> The audit recommendation will be implemented.

<u>Response explanation:</u> As part of the training mentioned in the response of recommendation 36 - the Uniform Chart of Accounts annually for updates will be reviewed. Any changes will be communicated to the appropriate personnel and incorporated into the District's financial practices to maintain accurate and compliant reporting throughout the year.

Finding 11: 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

District Response: The Auditor General's finding is agreed to.

Response explanation: The District understands the importance of safeguarding sensitive information and recognizes that unregulated access, along with existing IT vulnerabilities, increases the risk of unauthorized access, operational disruptions, data loss, errors, and potential fraud. The District has implemented safeguards regarding access controls and security protocols. It is important to note the Auditor General did not report or identify any instances of fraud to West-MEC's administration.

Recommendation 38: Enforce MFA and its existing password policy to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and will enforce multi-factor authentication (MFA) for all applicable systems and users. In addition, the District will ensure continued adherence to its existing password policy, including regular password updates and complexity requirements. These measures will reduce the risk of unauthorized access to sensitive information and help safeguard District operations against potential cybersecurity threats.

Recommendation 39: Develop and implement a formal process to regularly perform and document, at least annually, detailed reviews of network, accounting system, and student information system users' accounts that includes assessing the need for network and system access to ensure that access level is appropriate, and ensuring access is promptly disabled when it is no longer needed.

District Response: The audit recommendation will be implemented.

Response explanation: The District acknowledges the importance of maintaining appropriate user access and has procedures in place to manage this. Individuals outside the District, such as Maricopa County School Superintendent office and IT staff, may be granted access to the system for maintenance, updates, or training during system upgrades. The IT Department is notified of all new hires and resignations through the onboarding and offboarding processes, and access is granted or revoked accordingly. Requests for additional access are only approved with supervisory and HR authorization. The District reviewed current user access and will implement a formal process to perform and document detailed access reviews at least annually, ensuring access levels remain appropriate and are promptly updated as needed.

Recommendation 40: Limit employees' access in the accounting system to only those accounting system functions needed for their job duties, including transferring administrator-level access to an employee outside the business office.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and is committed to ensuring that employee access to the accounting system is limited strictly to the functions necessary for their job duties. Administrator-level access will be restricted to appropriate personnel within the business office. The IT Department requires HR approval through the Help Desk Ticketing system before re-enabling any terminated user's account. Once re-enabled, the password is immediately reset to maintain security. All reactivated accounts are regularly reviewed to confirm continued need for access. VPN access, whether for staff or outside entities, must be requested through the Help Desk system and is subject to supervisor approval for staff and annual review for vendors and third parties.

Recommendation 41: Work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited due to the responsibilities they perform for the District, the District should implement compensating controls, such as a process for regularly reviewing County employee user activity logs and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

District Response: The audit recommendation will be implemented.

Response explanation: The County hosts the West-MEC accounting system and retains access to perform essential functions such as training, troubleshooting, and system updates. However, the District acknowledges the importance of internal controls and will follow up with the County account managers to request a review of current user roles and access levels. Additionally, the District will implement a process for regularly reviewing County user activity logs and will document these reviews to establish compensating controls. These measures will help mitigate risks associated with unauthorized access and errors. It is important to note that the Auditor General did not report or identify any instances of fraud to West-MEC's administration.

Recommendation 42: 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 audit recommendation will be implemented.

Response explanation: West-MEC's IT Department has been actively working to strengthen IT security and contingency planning efforts. While we currently maintain a foundational IT contingency plan including basic system recovery procedures and key contact information we recognize the need to align more closely with USFR requirements and industry best practices. The department has begun implementing incremental improvements, such as enhanced documentation of critical systems and more robust backup solutions. We are committed to further developing our contingency planning framework as part of a broader effort to improve IT governance and security across the organization.