Sanders Unified School District
Initial Followup of Report 23-209

The December 2023 Sanders Unified School District performance audit found that the District spent more on salaries and benefits in all operational areas than its peers, and lacked internal controls and did not comply with important requirements in multiple areas, putting public monies, sensitive computerized data, and District property at risk. The CPA firm Walker & Armstrong, who conducted the performance audit under contract with the Arizona Auditor General, made **24** recommendations to the District.

District's status in implementing 24 recommendations

Implementation status	Number of recommendations
✔ Implemented	5 recommendations
▬ Partially implemented	1 recommendation
⋯ In process	7 recommendations
✕ Not implemented	**11 recommendations**

We will conduct a 30-month followup with the District on the status of the recommendations that have not yet been implemented.

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Recommendations to the District

Finding 1: District operated its schools far below capacity levels, using at least an estimated $697,000 that may have been more effectively used for other priorities, such as improving student achievement

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

   ▶   Status: **Implementation in process.**

   Since the audit, the District has made progress evaluating the space it is using at its existing schools. According to District officials, as of June 2024, the District had identified 5 underutilized rooms, 3 of which they had assigned a new use. However, most of the rooms the District identified were reassigned as supplementary office space for support staff, meeting spaces, or storage rooms and do not address the District's excess capacity. Since the audit, the District's capacity utilization has remained at 21 percent, and all 3 District schools continue to operate far below designed capacity. District officials discussed the performance audit recommendation at both the January and April 2024 administration meetings and determined that consolidating schools would not be a viable option, but the District did not provide support for how it came to these conclusions. We will assess the District's efforts to implement this recommendation at the 30-month followup.

Finding 2: District did not adequately monitor its contracted food service management company, leading to wasteful production of food and spending

2.   The District should consider rebidding its food service contract to obtain a contract based on cost per meal rather than cost reimbursement that would require the vendor to stay within the agreed-upon cost per meal.

   ▶   Status: **Partially implemented at 12 months.**

   The District renewed its food service contract on a cost-reimbursement basis for fiscal year 2025. Subsequently, the District met with its food service vendor to discuss considerations for switching from a cost-reimbursement to cost per meal contract. District officials reported the District chose to continue with its cost reimbursement contract because it allows more menu flexibility and more food availability for students and staff that align with student preferences for menu items.

3.   The District should develop a process to take counts of students intending to purchase lunch in the cafeteria each day and report these counts to its food service contractor so that

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it knows how many meals to prepare or implement some other process that minimizes the number of wasted meals.

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

According to District officials, since the audit, the District has developed a process where the kitchen manager receives daily student counts from the registrar and uses this information to determine the number of meals to prepare. We reviewed a sample of production logs for the District's elementary school from April and May 2024 and found that the reported daily number of discarded lunches each day had reduced from the original audit's estimate of 80 to approximately 12.

4. The District should monitor its food service contractor, including monitoring meal production throughout the fiscal year, to ensure it produces only the meals needed for students.

▶ Status: **Implementation in process.**

As discussed in recommendation 3, the District reported it now uses a process where the vendor prepares meals based on daily student counts, and based on our review, the food service vendor reported discarding fewer lunches than during the audit. District officials explained they compare the number of meals served to the daily attendance to identify potential discrepancies. However, they do not review food production records and therefore are not aware of the differences between the number of meals served and total meals prepared, including how many meals its food service vendor discards. Although our review determined that the daily number of discarded lunches has been reduced, the District's process does not include monitoring its food service contractor's production records to ensure this reduction is sustained or to identify any other potential opportunities for reduced waste. We will assess the District's efforts to implement this recommendation at the 30-month followup.

5. The District should require its food service contractor to provide detailed invoices with explanations of charges that would allow the District to ensure the charges are reasonable and in accordance with the terms of the contract prior to paying the invoices.

▶ Status: **Implementation in process.**

The District met with its food service vendor in December 2024 and determined that the vendor would begin including an itemized invoice in addition to its monthly billing invoice starting in its billing for November 2024. The itemized invoice shows the supplies the vendor purchased for reimbursement. District officials indicated that they will start reviewing the itemized invoice against the monthly invoices from the vendor going forward. We will assess the District's efforts to implement this recommendation at the 30-month followup.

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

6. The District should perform and document required school bus preventative maintenance in accordance with Minimum Standards requirements.

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▶ Status: **Not implemented.**

We reviewed the District's preventative maintenance documentation from April 2023 through July 2024 for 12 of the District's 24 school buses that were primarily used in fiscal year 2024 and found that the District did not consistently perform and document preventative maintenance in accordance with its preventative maintenance policy. For example, our review found that 4 of 12 school buses we reviewed exceeded the 7,000 miles threshold between preventative maintenance specified in its policy. The 4 school buses exceeded the 7,000-mile threshold by between approximately 2,120 and 5,360 miles. Additionally, we found that the preventative maintenance forms were not always accompanied by a complete preventative maintenance checklist. By not timely performing required school bus preventative maintenance, the District increases the risks to student safety and potentially reduces its school buses' useful lives. We will assess the District's efforts to implement this recommendation at the 30-month followup.

7. The District should update its written school bus maintenance schedule to include a time frame requirement for when preventative maintenance should occur to ensure that buses that drive fewer miles still receive timely maintenance.

▶ Status: **Not implemented.**

Although the District reported to have established a time frame of 8 months in addition to the previously identified 7,000 miles threshold for performing school bus preventative maintenance, it has not formalized this update in its written preventative maintenance policy. We will assess the District's efforts to implement this recommendation at the 30-month followup.

8. Develop and implement procedures to ensure school bus maintenance and mileage is tracked and monitored so that maintenance is performed according to the District's preventative maintenance schedule.

▶ Status: **Not implemented.**

According to the District, the lead mechanic keeps track of the preventative maintenance due dates and mileage thresholds on individual school bus mileage documents and expects bus drivers to complete a work order to initiate preventative maintenance before the expected service date or mileage threshold is reached. However, as discussed in recommendation 6, our review found that the District still was not consistently performing school bus preventative maintenance in accordance with its policy. We will assess the District's efforts to implement this recommendation at the 30-month followup.

Finding 4: District's inadequate accounting controls increased its risk of errors and fraud and led to unauthorized purchases

9. The District should develop and implement processes for overseeing and enforcing the District's fuel and credit card use policy, such as updating the policy to require that credit card users repay the District for unsupported charges on its cards, and limiting or revoking card privileges when credit card users do not comply with the District's policy.

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

> Since the audit, the District has updated its credit card policy and user agreement to specify actions it may take when staff do not follow credit card policies or make improper credit card purchases, including withholding wages and other disciplinary actions, including termination of employment. Additionally, District officials indicated that it has updated its oversight of physical cards by no longer issuing credit cards to individuals and instead storing cards in a locked safe and checking them out to users when they need to make a purchase. We judgmentally selected and reviewed a sample of 10 fiscal year 2024 credit card purchases and found that the District had followed its policy for all 10 purchases, including requiring independent approval prior to purchase and evidence of receipts prior to making payments.

10. The District should ensure that purchases and payments are independently reviewed and approved by authorized District officials prior to being made.

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

> See recommendation 9.

11. The District should discontinue paying travel reimbursements in advance of travel occurring.

> Status: **Not implemented.**

> Although the District reported that in October 2023, it changed its policy to pay travel reimbursements only after travel occurred, the District failed to respond to our requests for supporting documentation related to a sample of travel reimbursements we selected for review. Therefore, we could not determine whether the District was following its updated policy. We will assess the District's efforts to implement this recommendation at the 30-month followup, including by requesting the documentation the District did not provide related to the sample we selected for this followup review.

12. The District should identify travel expense claims that the District paid in advance of travel since at least fiscal year 2022 to the present and reconcile those travel expense claims to actual travel costs incurred to determine whether any public monies were overpaid and, if so, recover those monies paid in excess of actual travel costs incurred.

> Status: **Not implemented.**

> District officials indicated that as of December 2024, the District had not begun reconciling travel reimbursements due to being focused on other priorities. We will assess the District's efforts to implement this recommendation at the 30-month followup.

13. The District should follow its travel policies and procedures that require staff to submit a travel expense claim form with itemized daily expenses and supporting documents after travel is completed for reimbursement.

> Status: **Not implemented.**

> See recommendation 11.

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14. The District should develop and implement policies and procedures for reviewing completed conflict-of-interest forms in a timely manner to identify and communicate conflicts of interest to ensure safeguards are taken and District policies and State law are appropriately followed.

▶ Status: **Not implemented.**

According to District officials, the District has updated its process for conflict-of-interest disclosure forms (disclosure forms) and now includes its disclosure form in its new hire onboarding packet. Additionally, District officials stated that the District now requires employees and Board members to update their disclosure forms if a new conflict occurs. However, the District's updates to its process do not include the timely review of these forms to ensure employees and Board members properly completed them. As a result, none of the fiscal year 2024 disclosure forms the District provided indicated that they had been reviewed. Further, some disclosure forms were not filled out properly, including 21 employees who did not describe their substantial interest and 5 employees who made both statements of conflict and statements of no conflict. Additionally, the District did not respond to our request to provide completed fiscal year 2024 disclosure forms for 55 District employees and all 5 Board members. We will assess the District's efforts to implement this recommendation at the 30-month followup, including by requesting the fiscal year 2024 disclosure forms the District did not provide for this followup review.

Finding 5: District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to network and sensitive information, errors, fraud, and data loss

15. The District should implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

▶ Status: **Not implemented.**

Our August 2024 review of the District's password requirements identified 84 accounts for which the District had not enforced its password policy. The District did not provide an explanation for why it had not enforced its password policy for these accounts. We will review the District's efforts to implement this recommendation at the 30-month followup.

16. The District should protect its sensitive computerized data by limiting users' access to its network, accounting system, and student information system to only those functions needed to perform their job duties, including removing the business office employees' administrator-level access.

▶ Status: **Not implemented.**

Our August 2024 review of the District's network accounts identified 6 accounts that appeared to be associated with terminated employees—a decrease from the 26 accounts identified during the audit. The 6 accounts we identified were associated with employees who had not worked for the District for up to 9 years. Additionally,

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our August 2024 review of the District's student information system (SIS) identified 115 accounts that appeared to be associated with terminated employees who had not worked for the District for up to 15 years, and 21 accounts with inappropriate administrator-level access. The accounts we identified were an increase from the 72 SIS accounts associated with terminated employees and 17 accounts with inappropriate administrator-level access identified during the audit. Further, our August 2024 review of the District's accounting system identified 24 user accounts that appeared to have more access than needed to perform their job duties, 13 of which were identified during the initial audit and continued to have more access than needed. Finally, our August 2024 review of administrator-level access for users in the accounting system identified 11 accounts with this access, an increase from the 6 identified in the initial audit. We attempted to follow up with the District on the identified accounts in its network and critical systems to determine whether any were appropriate, but the District failed to respond to our requests for additional information related to the accounts we identified. We will assess the District's efforts to implement this recommendation at the 30-month followup.

17. The District should establish and implement written policies and procedures to assign and periodically review network, accounting system, and student information system access for employee accounts to ensure they have access to only those functions needed to perform their job duties.

   ▶ Status: **Not implemented.**

   District officials indicated it had evaluated the access to its accounting and student information systems to determine the access levels each user role needed to perform their job duties. However, as described in recommendation 16, the District continues to allow excessive access to its network and critical IT systems, putting those systems at risk, and it has yet to establish and implement policies and procedures to ensure appropriate user access. We will assess the District's efforts to implement this recommendation at the 30-month followup.

18. The District should immediately disable all network, accounting system and student information system accounts associated with terminated employees.

   ▶ Status: **Not implemented.**

   Although our review did not identify any accounts associated with terminated employees in the District's accounting system, which is an improvement since the audit, our review of the District's network and student information system identified several active accounts for terminated employees, as explained in recommendation 16. We will assess the District's efforts to implement this recommendation at the 30-month followup.

19. The District should establish and implement written policies and procedures to ensure terminated employees have their access promptly removed.

   ▶ Status: **Implementation in process.**

   Although District officials provided a draft policy to promptly revoke access to

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all IT systems upon an employee's termination, our reviews as discussed in recommendations 16 and 18 determined that the District has yet to successfully implement such a policy and immediately remove terminated employees' access. We will assess the District's efforts to implement this recommendation at the 30-month followup.

20. The District should 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.

   ▶ Status: **Implementation in process.**

   Since the audit, the District has begun updating its IT contingency plan. However, our July 2024 review of the District's updated plan identified key components that were still missing, including detailed procedures for all systems that may need recovery and the order in which they should be recovered. We will review the District's efforts to implement this recommendation at the 30-month followup.

21. The District should develop and implement written policies and procedures to limit physical access to its IT server room so that only appropriate personnel have access, including procedures for distributing, tracking, and collecting keys to areas that have sensitive IT equipment and requiring employees to sign agreements outlining their responsibilities for maintaining access to IT areas.

   ▶ Status: **Implementation in process.**

   The District has made progress ensuring that employees are required to sign agreements outlining their responsibilities for maintaining access to IT areas. For example, by July 2024, the District had implemented an IT Server Room Access Agreement that District employees with access to server room keys were required to complete. This agreement notified employees with access to server room keys of their responsibilities to ensure the security of sensitive IT areas. Provisions in this agreement include ensuring that keys are not given to unauthorized personnel, keys are not duplicated, and that lost or damaged keys are reported to the District. District officials stated that as of August 2024, 6 employees had signed this agreement. However, the District's access agreement or other District policy does not state which District staff members will be granted access to server room keys. Further, the District did not provide documentation showing that it had implemented additional policies or procedures for distributing, tracking, and collecting keys to areas containing sensitive IT equipment. We will assess the District's efforts to implement this recommendation at the 30-month followup.

22. The District should conduct a physical key inventory to determine and document the number of keys that exist and who has access to IT areas.

   ▶ Status: **Implementation in process.**

   According to District officials, since the audit, the District has changed the locks and keys to its server rooms and limited server room key access to specific IT and maintenance staff. However, we requested documentation confirming that the District's

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server rooms had been rekeyed and that the District had completed a physical inventory of server room keys, but the District failed to provide it.

Additionally, as discussed in recommendation 21, District officials stated that each staff member who has access to District server rooms is required to fill out the District's IT Server Room Access Agreement, which outlines the staff member's responsibilities to prevent unauthorized access to the District's sensitive IT areas. We will assess the District's efforts to implement this recommendation at the 30-month followup.

23. The District should maintain security of IT areas by keeping doors locked at all times to protect equipment and data from damage or destruction.

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

We toured the District's schools and administrative office in July 2024 and observed that the District's server room and other rooms with IT equipment were secured and did not have evidence of any damage or maintenance concerns at the time of our observation.

24. The District should perform regular inspections of IT areas for maintenance needs to protect property and data.

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

District officials stated that its IT staff inspect IT areas on a biweekly basis and that during these inspections, IT staff search for leaks, insects, and damage to the District's server rooms and hardware. District officials stated that the inspections began in May 2024 and the District has since repaired 1 server room with water damage to its ceiling tiles. During a site visit in July 2024, we did not observe any water damage on the District's server rooms' ceiling tiles.

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