




## Young Elementary School District 24-Month Followup of Report 22-204

The December 2022 Young Elementary School District performance audit found that the District had higher administrative costs than peer districts' and spent unauthorized monies on its community preschool program, and its lack of compliance with important standards and requirements put public monies and sensitive information at risk. We made **12** recommendations to the District. In addition to reporting on the status of the District's efforts to implement these recommendations, we have also provided an update on the District's noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR).<sup>1</sup>

### District's status in implementing 12 recommendations

Implementation status	Number of recommendations
 Implemented in a different manner	1 recommendation
 In process	2 recommendations
 <b>Not implemented</b>	<b>9 recommendations</b>

We will conduct a 36-month followup with the District on the status of the recommendations that have not yet been implemented.

<sup>1</sup> The Arizona Auditor General and the Arizona Department of Education jointly developed the USFR pursuant to Arizona Revised Statutes §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.

# Recommendations to the District

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## **Finding 1: District spent \$264,000 more on administration than peer districts in fiscal year 2020 and \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021 that it instead could have spent on instruction or other District priorities**

1. The District should monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels.

▶ Status: **Implemented in a different manner at 24 months.**

In July 2024, the District hired a new superintendent who has developed a budget review process with the District's Governing Board (Board) to monitor District spending, including administrative spending. In March 2025, District officials reported that the District's administrative staffing and spending could not be further reduced without impacting the District's ability to meet its administrative responsibilities. Based on our fiscal year 2024 *Arizona School District Spending Analysis*, the District's fiscal year 2024 per student administrative spending of \$5,195 had decreased by approximately 51%, or \$5,473, since the audit year (fiscal year 2020) when the District spent \$10,668 per student on administration. In addition, the District's fiscal year 2024 instructional spending percentage of 59.9% increased by 6.5 percentage points from 53.4% in the audit year. Further, its average teacher salary increased by nearly \$28,000 since the audit year, from approximately \$41,000 to \$69,000 in fiscal year 2024. Although the District lacked documentation to support the specific ways it had reduced its administrative spending, its most recent administrative spending is substantially lower than during the audit and consistent with its peer district average.

2. The District should determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. 182-136.

▶ Status: **Implementation in process.**

Since the audit, the District has continued to offer its half-day educational community preschool program. In July 2023, the District increased its tuition rate for regular education preschool students from \$50 to \$100 per month. Additionally, the District participated in the Quality First Scholarship Program in fiscal year 2025 and offered tuition scholarships to regular education preschool students. Our March 2025 review found that the District received Quality First grant monies for 3 of its 5 regular education preschool students and received tuition payments for the other 2 preschool students. We will review the District's complete fiscal year 2025 community preschool program revenues and operating costs to determine whether its revenues covered its operating costs at the 36-month followup and after the fiscal year has ended.

## **Finding 2: District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner, possibly resulting in lost cash and increasing risk of errors and fraud**

- 3.** The District should help ensure its staff members comply with USFR requirements to safeguard cash by:
- a.** Developing and implementing written cash-handling policies and procedures over cash collection, deposit, and review.
    - ▶ Status: **Not implemented.**

The District reported it is in the process of developing its cash-handling policies and procedures and plans to have the policies and procedures completed by June 2025. The District reported it plans to implement the new cash-handling policies and procedures and train District staff involved in the cash-handling process on the updated policies and procedures by July 2025. We will assess the District's efforts to implement this recommendation at the 36-month followup.
  - b.** Using and preparing sequential prenumbered receipts for all cash received.
    - ▶ Status: **Not implemented.**

As stated in recommendation 3a, the District reported it is in the process of developing its cash-handling policies and procedures, which it plans to have implemented by July 2025. Because the District is still in the process of developing and implementing its cash-handling policies and procedures, we will assess the District's efforts to implement this recommendation at the 36-month followup.
  - c.** Maintaining evidence for all cash deposits.
    - ▶ Status: **Not implemented.**

See explanation for recommendation 3b.
  - d.** Reconciling cash receipts to cash deposits.
    - ▶ Status: **Not implemented.**

See explanation for recommendation 3b.
  - e.** Establishing a process for depositing cash at least weekly. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the requirement with guidelines and required secondary approvals.
    - ▶ Status: **Not implemented.**

See explanation for recommendation 3b.

- f. Providing training on USFR cash-handling requirements and its District cash-handling policies and procedures to all employees involved in cash collection, deposit, and review.

► Status: **Not implemented.**

See explanation for recommendation 3b.

### **Finding 3: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access, errors, fraud, and data loss**

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

► Status: **Not implemented.**

Our review of the District's February 2025 user access for all 6 users in its accounting system found that the District had not limited users' access to only those functions needed to perform their job duties. Specifically, 4 of 6 accounting system users had more access than needed to perform their job duties, including 1 user identified during the audit. These users' access allowed them the ability to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. Additionally, the District granted inappropriate administrator-level access to 2 District employees who did not need it to perform their job duties. The District reported it will limit users' access in the accounting system to only those functions needed to perform their job duties, including limiting administrator-level access by June 2025. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 5. The District should develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to help ensure employees' have only the access necessary to accomplish their job duties.

► Status: **Not implemented.**

The District has not developed and implemented processes to assign, change, and periodically review users' access in the accounting system to help ensure employees have only the access necessary to accomplish their job duties. Additionally, as stated in recommendation 4, our review of the District's February 2025 user access to its accounting system found that the District did not limit user access for 4 employees and inappropriately granted administrator-level access to 2 employees. The District reported it will limit access to its accounting system and develop processes to assign, change, and periodically review users' access by June 2025. We will assess the District's efforts to implement this recommendation at the 36-month followup.

6. The District should immediately remove all network accounts associated with terminated employees and develop and implement a process to ensure that terminated employees have their access promptly removed.

► Status: **Not implemented.**

Although the District developed a process to promptly remove network accounts associated with terminated employees, our March 2025 review of the District's network accounts found that the District did not consistently follow its process because we identified 14 active network accounts associated with terminated employees. The 14 accounts we identified were associated with District employees who had not been employed by the District for between 3 months to over 2 and a half years prior to our review. The District reported it will remove all network accounts associated with terminated employees and will update its process to ensure that terminated employees have their access promptly removed by June 2025. We will assess the District's efforts to implement this recommendation at the 36-month followup.

7. 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 any deficiencies and document the test results.

► Status: **Implementation in process.**

The District developed and implemented an IT contingency plan in November 2024. However, the District's IT contingency plan lacked critical components, including the order in which critical systems should be restored; contingencies for continued business operations during a system outage; detailed procedures to facilitate the restoration of critical assets; and evidence of an annual review performed by appropriate staff. We made the District aware of these components, which are specifically outlined in the USFR and credible industry standards, during the audit, and addressing them within its IT contingency plan is critical for ensuring the District can effectively respond to IT system outages. Further, at the time of our followup review, the District had not performed documented tests of the contingency plan it developed. District officials stated they will update the District's IT contingency plan to include all critical components and will perform a documented test against the plan by June 2025. We will assess the District's efforts to implement this recommendation at the 36-month followup.

## District USFR noncompliance

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**District has been in noncompliance with the USFR since February 2023 and has not submitted its required fiscal year 2024 financial audit reports and USFR Compliance Questionnaire (Questionnaire), which were due by March 31, 2025**

Young Elementary School District has been in noncompliance with the USFR since February 2023. In September 2024, we sent a letter to the Arizona State Board of Education (State Board)

notifying it that the District had not corrected its deficiencies with the USFR based on our review of the District's financial audit reports and Questionnaire for the year ended June 30, 2023, and our January 2024 performance audit followup report.<sup>2</sup> Additionally, in April 2025, we sent a letter to the District's Board notifying it that the District has not complied with the USFR and applicable State and federal requirements regarding audit report submission because we had not received the District's financial audit reports and Questionnaire for the year ended June 30, 2024, which were due by March 31, 2025.<sup>3</sup> If the District does not submit the financial audit reports and Questionnaire within 90 days of the date of that letter, we will notify the State Board of the District's continued noncompliance with the USFR and applicable State and federal requirements regarding audit report submission and request it take appropriate action.

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<sup>2</sup> See *Young Elementary School District—Notice to the State Board of Education—Still in Noncompliance with the Uniform System of Financial Records for Arizona School Districts (USFR)*, issued September 19, 2024.

<sup>3</sup> See *Young Elementary School District—Not in Compliance with Audit Reporting Requirements for FY 2024*, issued April 16, 2025.