



**ARIZONA  
AUDITOR  
GENERAL**

**Lindsey A. Perry**, Auditor General

**Melanie M. Chesney**, Deputy Auditor General

July 28, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Seligman Unified School District

Wanda Burton, Superintendent  
Seligman Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Seligman Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. The consulting firm Sjoberg Evashenk Consulting conducted this performance audit under contract with the Auditor General.

This school district performance audit assessed the District's spending on noninstructional areas, including administration, student transportation, food service, and plant operations, and made recommendations to the District to maximize resources available for instruction or other District priorities. As outlined in its response, the District agrees with all the findings and recommendations and plans to implement 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 Superintendent Burton and District 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

# **Arizona Auditor General**

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## **Performance Audit of Seligman Unified School District**

**July 2025**





July 23, 2025

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Seligman Unified School District (District) for fiscal years 2023 and 2024. This audit was conducted pursuant to Arizona Revised Statutes §41-1279.03, which requires the Office of the Auditor General to conduct performance audits of school districts. We assessed the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements. This report presents our findings, conclusions, and recommendations, and the response of the District.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "G. Skiles", is written over a light blue horizontal line.

George Skiles, Partner  
Sjoberg Evashenk Consulting, Inc.

## RESULTS

The Arizona Auditor General engaged Sjoberg Evashenk Consulting, Inc. to conduct a performance audit of Seligman Unified School District, pursuant to Arizona Revised Statutes §41-1279.03(A)(9), and determine the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements. We found that the District did not comply with key requirements for financial and operational controls, including accounts payable, credit cards, cash handling, payroll, procurement, travel reimbursements, and information technology security. These deficiencies increased the risk of errors, fraud, and improper payments and weakened the District's ability to safeguard public resources.

### AUDIT PURPOSE

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

### BACKGROUND

Seligman Unified School District is a rural school district located in Yavapai County and was responsible for the education of 187 students in fiscal year 2024. The District has 2 schools providing education services for students in kindergarten through 12<sup>th</sup> grade.

### KEY FINDINGS

- **Insufficient internal controls**—The District lacked internal controls over several areas, including cash handling, purchasing, and credit cards, which put public monies at increased risk of fraud and misuse.
- **Deficient payroll processes**—One employee was responsible for processing payroll with little management oversight, and amounts paid to some District employees were not always supported or allowable, increasing the risk of unauthorized or inaccurate salary payments.
- **Potential student safety and District liability risks**—The District did not require employees who use their personal vehicles for District business, which may include transporting students, to submit proof of a valid driver license and automobile insurance.
- **Information technology security weaknesses**—Excessive user access to sensitive data, the lack of cybersecurity awareness training, and other issues increased the risk of unauthorized access and data loss.
- **Failure to follow conflict-of-interest requirements**—Governing Board members did not submit conflict-of-interest forms, 2 employees did not disclose conflicts on their forms as required, and the District did not provide annual conflict-of-interest training to staff and Board members.

### KEY RECOMMENDATIONS

The District should:

- **Implement strong financial controls**—Implement written procedures and staff training to ensure compliance with Board policies and the USFR relating to cash handling, purchasing, credit card use, travel reimbursements, and procurement to prevent improper payments, errors, and fraud.
- **Enhance payroll safeguards**—Limit user access to payroll systems, implement independent reviews, and establish controls to prevent improper salary payments.
- **Reduce student safety risks and District liability for accidents involving personal vehicles**—Require all drivers who transport students for District-approved activities or who use their personal vehicles for District business to provide a valid driver license and proof of automobile insurance.
- **Bolster IT security measures**—Restrict system access, regularly review user permissions, and provide cybersecurity awareness training to protect sensitive District data.
- **Ensure compliance with conflict-of-interest disclosure requirements**—Require conflict-of-interest disclosure forms to be completed annually and establish a process for reviewing and remediating any disclosed conflicts.

## Table of contents

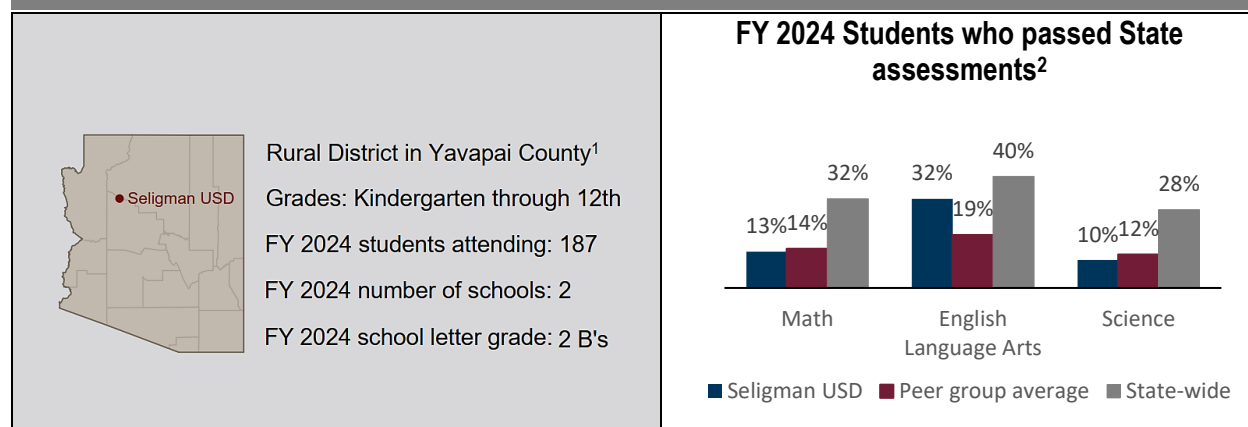
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Report highlights.....	i
District overview .....	2
Findings and recommendations.....	4
Finding 1. The District lacked sufficient internal controls in most business and financial operational areas, increasing the risk of errors, loss, and improper payments.....	4
Finding 2. District paid administrators and staff additional amounts that were unsupported by District policy, employment agreements, or other approvals, and did not separate payroll duties, contrary to the USFR.....	13
Finding 3: District did not require proof of insurance for employees using personal vehicles for District business, including transporting students, which may increase risks to student safety .....	17
Finding 4. The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, and fraud .....	18
Finding 5. Board members and 2 District employee did not comply with conflict-of-interest requirements and recommended practices .....	21
Summary of recommendations.....	24
Appendix A. Objectives, scope, and methodology.....	27
District response.....	30

## District overview

### Seligman Unified School District Performance Audit—Fiscal Years 2023 and 2024

July 2025



<sup>1</sup> Source: Arizona State Board of Education—Fiscal year (FY) 2024.

<sup>2</sup> Source: Arizona Auditor General's *Arizona School District Spending Analysis—Fiscal year 2024*.

**Fiscal year 2024 total operational spending—\$4.4 million (\$23,675 per student)**

**Instructional—48% (\$11,264 per student)**

**Noninstructional—52% (\$12,411 per student)**

In fiscal year 2024, Seligman Unified School District was among Arizona's 58 very small school districts that each serve fewer than 200 students. Unlike larger districts, very small districts cannot benefit from economies of scale, and they spread their costs over fewer students. Thus, even relatively small expenses can substantially affect costs in a particular operational area. In fiscal year 2024, noninstructional spending exceeded instructional spending at 29 of 58 very small districts, and the instructional spending percentage for these districts was below 50 percent.

Operational overview—Fiscal year 2024	Measure	Seligman USD	Peer average
<b>Administration—lower spending and lacked important internal controls over credit cards, travel, and purchasing</b>  The District spent \$1,346 less per student on administration than its peer districts averaged. However, our review found the District lacked important controls over its payroll, credit card, travel reimbursement, cash-handling, and purchasing processes, increasing the risk of errors, loss, theft, and fraud (see Findings 1 through 3, pages 4 through 17). Additionally, the District had several information technology (IT) deficiencies that increased the risk of fraud, unauthorized access to sensitive District information, and data loss (see Finding 4, pages 18 through 20). Finally, the District failed	Spending per student	\$2,960	\$4,306

Operational overview—Fiscal year 2024	Measure	Seligman USD	Peer average
to comply with some State conflict-of-interest laws, increasing the risk of undisclosed financial interests affecting decisions (see Finding 5, pages 21 through 23).			
<b>Plant operations—lower spending and no reported findings</b>  The District spent 36 percent less per square foot and 6 percent less per student than its peer districts averaged. The District's lower costs per square foot are partly due to grants the District received from the Arizona Department of Administration's School Facilities Oversight Board (SFOB) to address deficiencies in its aging facilities. Work included student bathroom renovations and upgrades to HVAC systems. The upgrades may have helped to reduce the District's maintenance and operations costs, which have been substantially higher in past years. We did not report any findings in this area.	Spending per square foot	\$6.23	\$9.68
	Spending per student	\$3,004	\$3,197
<b>Food service—lower spending and no reported findings</b>  The District spent 18 percent less per meal and 11 percent less per student than its peer districts averaged. The District's food service program's menu planning and cost controls, combined with federal and State reimbursements offsetting food costs, likely resulted in the District's lower spending. We did not report any findings in this area.	Spending per meal	\$6.41	\$7.77
	Spending per student	\$1,010	\$1,141
<b>Transportation—mixed spending and no reported findings</b> The District spent 12 percent less per mile than peer districts, but its costs were 49 percent more per rider. According to the District, its 2 bus routes cover a large geographic area, but it transports relatively few riders, which affects its transportation costs per mile and per rider. We did not report any findings in this area.	Spending per mile	\$2.81	\$3.18
	Spending per rider	\$3,062	\$2,058

Source: Arizona Auditor General's *Annual School District Spending Analysis—Fiscal year 2024*.

## Findings and recommendations

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### **Finding 1. The District lacked sufficient internal controls in most business and financial operational areas, increasing the risk of errors, loss, and improper payments**

This audit identified numerous internal controls deficiencies in several District operational areas and failures to follow USFR requirements. The deficiencies discussed below are related to the District's processes for cash handling, purchasing, travel reimbursements, procurement, and credit card use, and its accounting inaccuracies. We also identified additional internal controls deficiencies relating to payroll processing and travel reimbursements which are discussed in Findings 2 and 3, pages 13 through 17.

#### *Deficiency 1. The District lacked important internal controls over cash-handling responsibilities, putting public monies at an increased risk of loss and misuse*

Our review of the District's procedures, onsite observations, and supporting documentation for 10 deposits totaling \$15,670 from July 2023 to May 2024, found that the District did not consistently comply with USFR and District cash-handling requirements. The USFR requires districts to safeguard cash; prepare evidence of receipt for each cash or check payment received; separate duties between employees with cash-handling and recordkeeping responsibilities; and deposit cash at least weekly, or daily when amounts are significant. Similarly, the District's Governing Board (Board)-approved cash-handling policy requires the District to issue receipts and timely deposit all monies collected and also requires the District to provide admission tickets or special passes to document monies collected for any paid District events. Our review identified the following issues with the District's cash-handling practices:

- **District did not properly document cash receipts and did not resolve discrepancies prior to making deposits when cash collections did not match the District's receipt records**—Despite District policy and the USFR stressing the importance of preparing and maintaining underlying documentation to support amounts of cash collected, such as using prenumbered tickets or sequentially numbered transactions, the District lacked this documentation for 5 of 10 deposits we reviewed totaling \$10,162. For instance, the District lacked any supporting documentation for 2 cash deposits totaling \$7,146 and lacked support for an additional \$440 across 3 other cash deposits. According to District staff, this issue occurred due to a lack of formalized controls and procedures as well as insufficient management oversight to identify discrepancies.

Without sufficient documentation to support the amount and source of cash collections, the District cannot verify the completeness and accuracy of deposits, increasing the risk of loss, theft, and fraud. Additionally, the lack of detailed records hinders the District's ability to reconcile actual cash collected with expected revenue, reducing transparency and accountability in financial reporting. Further, according to the District, even if staff identified a discrepancy between the amount of cash collected and cash receipt records, there was not a process in place to resolve the difference or document the discrepancy.



- For 4 of 10 deposits reviewed, the District did not deposit cash timely**—Our review found that the District did not timely deposit 4 of 10 deposits totaling \$4,305, with the deposits occurring between 9 and 29 days after the District collected the cash. We were unable to determine whether an additional 2 deposits totaling \$7,146 were timely because the District did not have any supporting documentation for these deposits to show when it collected the cash receipts. According to the District, an employee who had been responsible for making bank deposits left District employment, which resulted in some deposits not being made timely. However, our analysis showed that the untimely deposits occurred between October 2023 and May 2024, indicating that they were spread over a 7-month period rather than concentrated within a shorter time frame. Delays in depositing cash increase the risk of loss or theft of monies. Additionally, delayed deposits could impair cash flow management and limit the District's ability to accurately reconcile records, potentially leading to errors in financial reporting and noncompliance with USFR requirements.
- The District did not restrict access to cash**—The USFR and District policy require cash to be safeguarded, but we observed that the District stored cash in an unlocked storage room with the door left open throughout the day. Although there was a safe in the room, we also observed times the safe door was left open and envelopes containing cash were stacked next to it, making them accessible to people inside the room. Further, District officials did not have records of who had access to the safe and could not recall the last time the safe combination had been changed. When combinations are not changed following turnover or changes to staff responsibilities, the risk of theft increases since former employees and staff who no longer have cash-handling responsibilities could still have access to cash.

According to the District, cash was left outside the safe until someone with access to the safe could unlock it, and staff believed the unlocked room was secure because it was in the administration building where access was generally limited to District employees and under video surveillance. After we notified the District of our concerns, the District reported that in February 2025 the safe combination had been changed and access to the safe was limited to only those employees who required access.

*Deficiency 2. The District lacked important internal controls over purchasing, putting public monies at an increased risk of waste, fraud, and misuse*

The District did not comply with USFR requirements and Board policies requiring all District expenditures, including travel reimbursements, to be approved in advance and supported. The District also did not ensure that goods and services were received and approved before paying invoices, as required by the USFR. Specifically:

- District did not always ensure that purchases were properly approved in advance, contrary to the USFR and District policy**—We found that the District processed payments for purchases that had not been approved in advance based on our review of a judgmentally selected sample of 25 of the District's 7,432 accounts payable transactions from fiscal years 2023 and 2024. The USFR and District policy require purchase orders or other documentation authorizing purchases before they are made. However, we found that purchase orders for 7 of 25 accounts payable

transactions we reviewed, totaling more than \$63,000, were issued between 2 and 35 days after the purchases had been made. For instance, for 1 accounts payable transaction totaling \$8,600, the District generated a purchase order more than 1 month after the purchase was made. We also judgmentally selected and reviewed 30 of 248 fiscal year 2024 credit card transactions totaling \$17,462 and found that the District also processed payments for credit card purchases that had not been approved in advance, as required by the USFR and District policy. Specifically, 18 of 30 credit card purchases we reviewed, totaling \$9,386, had not been approved in advance. Another 3 purchases from Walmart and Amazon.com we reviewed, totaling \$964, lacked purchase orders showing they were authorized, and 1 of these also lacked a receipt to support the purchase. District staff explained that purchases were made without prior approval due to the former superintendent's lack of oversight over smaller expenditures and the absence of documented procedures for monitoring purchasing activities.

- **District did not always verify goods or services were received prior to paying for them**—Our review of the District's accounts payable transactions in our sample found that the District lacked support to demonstrate it had verified that goods and services were received and matched approved purchase orders before paying 12 of 25 invoices. For nearly all goods and services purchased, the USFR requires school districts to prepare receiving reports, which should include the date and quantity of goods or services received and the recipient's signature.

According to District officials, the District has an informal receiving process, but staff did not follow it in these cases, and they may not have understood the need to document the receipt and approval of goods and services. We found that the District did not have written procedures for staff to follow and that the management oversight process was not sufficient to identify and correct the issues we identified. These deficiencies increase the risk that the District may pay for goods and services that were not received or that do not meet required quality standards. It also heightens the risk of processing inaccurate or potentially fraudulent invoices.

*Deficiency 3: District did not ensure that travel expenditures consistently complied with State travel rates and limits and were properly approved in advance, supported by receipts or other documentation, and reviewed prior to payment*

We judgmentally selected and reviewed a sample of 15 of 85 fiscal year 2024 travel claims totaling \$6,232 and found that none of the 15 included all the approvals and information required by the USFR and some travel expenditures did not comply with State-approved rates. The USFR requires all travel expenditures to be approved in advance and supported by a travel claim and receipts or invoices. Additionally, school districts must comply with the rates for mileage, lodging, and other travel-related costs established in the *State of Arizona Accounting Manual* (SAAM). Our review of the 15 travel claims found various deficiencies, including:

- 7 travel expenditures lacked evidence of advance approval, such as a purchase order. District staff responsible for processing travel expense claims reported that they were unaware of this requirement.

- All 15 travel expenditures lacked required supervisory review and/or payment approval. In addition, 5 of the expenditures we reviewed lacked a travel claim, and the remaining 10 had travel claims that were each missing some required information, such as odometer readings, departure location, or destination. District staff responsible for processing travel expense claims reported that they were unaware of these requirements.
- 5 travel expenditures did not match SAAM reimbursement rates. The District under reimbursed 3 employees by a total of \$51 because it calculated mileage reimbursements using an outdated \$0.445 per-mile rate rather than the fiscal year 2023 SAAM-approved \$0.625 per-mile rate. District staff responsible for processing travel claims indicated that they were unaware of changes in SAAM reimbursement limits and did not apply the correct mileage rate. The District also paid a total of \$170 more for lodging than SAAM allowed for 2 Board members who attended a 3-day conference in Phoenix. In some instances, SAAM allows conference hotel costs to exceed the standard rates, but the District did not maintain the documentation required to demonstrate compliance with SAAM requirements.

*Deficiency 4. The District did not maintain complete procurement files or adhere to required procurement practices, increasing the risk of noncompliance and budgetary overages*

The District did not retain required procurement documentation nor consistently ensure all procurements were approved or conducted in accordance with the USFR, State requirements, and District policy. Specifically, we judgmentally selected and reviewed 10 procurement files from the 346 vendors that conducted business with the District during fiscal years 2023 and 2024. We found:

- **Procurement files lacked required documentation**—According to the USFR and *Arizona Administrative Code*, the District is required to retain a complete procurement file with relevant documents, including purchase orders, contracts, written determinations, quotes, and due-diligence forms where required.<sup>1</sup> However, for 7 of 10 procurements we reviewed, the District retained some, but not all required documentation. For instance, for 1 procurement we reviewed, the District was missing the price sheet and documentation demonstrating the District's proposal evaluation, as required by District policy. According to the District, it was not aware of the contract file documentation requirements and did not have a procedure in place detailing how the District would comply with State requirements and its own policies.
- **District could not demonstrate that all contracts and purchases were approved in accordance with District policy**—District policy delegates the authority for all purchasing, contracting, and competitive bidding to the District superintendent, except that any contract for more than \$100,000 requires a written determination from the Board. However, our review found that the District lacked a written Board determination for 2 of 10 procurements we reviewed that exceeded \$100,000. District staff attributed the lapse to a lack of oversight and the absence of established procedures under the previous superintendent.

<sup>1</sup> A.A.C. R7-2-1191 Whether administering or purchasing from the [cooperative] agreement, this section does not abrogate the responsibility of each school district to perform due diligence to ensure compliance with Articles 10 and 11 notwithstanding the fact that the cooperative purchase is administered by another eligible procurement unit.

In addition, we found that the business manager approved procurements and purchases, but District policy grants purchasing authority solely to the superintendent and does not authorize the business manager to approve purchases. We found that 2 procurements were missing required superintendent or Board approval and were instead signed by the District's business manager. Similarly, our review of accounts payable transactions found that the business manager rather than the former superintendent approved 8 of 25 purchase orders we reviewed. According to the District, during fiscal year 2024, the prior superintendent had delegated contract approval authority to the business manager; however, this delegation was not documented, and there is no evidence it was approved by the Board.

- **For 1 contract and several other purchases, the District paid nearly \$89,000 more than was initially approved without required superintendent approvals of the overages**—District policy, in accordance with the USFR, requires the superintendent to ensure the District has sufficient budget capacity as part of the process for reviewing and approving purchase orders, including any revisions, but the District's former superintendent did not always do so. Based on our review of District procurement files and accounts payable transactions, the District paid approximately \$89,000 more for goods and services than had initially been approved with no evidence that the additional costs were separately reviewed and approved by the superintendent, as required. For example, 1 contract we reviewed lacked the former superintendent's approval for a \$14,000 overage for speech therapy services. We also determined that the original purchase amounts were changed for 5 of 25 purchases in our accounts payable sample, but 4 of these lacked the former superintendent's approval for overages totaling nearly \$75,000.

According to the District, it lacked procedures for revising purchase orders and obtaining required approvals when actual expenditures exceeded authorized amounts. However, by paying more for goods or services than was initially approved without verifying that the District has sufficient budget capacity, the District increases the risk of overspending its budget.

*Deficiency 5. The District did not track the possession of its credit cards, resulting in the District being unable to ensure the chain of custody over credit cards and ensure purchases were authorized and allowable*

Although the Board has established policies governing credit card use in accordance with USFR requirements, the District has not consistently followed these policies.<sup>2</sup> Board-approved District policy requires all credit cards to be kept physically secure and for the District to track who uses credit cards and to account for all credit card transactions. Additionally, all credit card users are required to receive training and complete a credit card user agreement before using District credit cards. However, our review identified the following issues:

- **District failed to accurately track and document employee access to, and use of, credit cards**—As of November 2024, the District had 3 credit cards, and we found that it did not

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<sup>2</sup> Credit cards include bank credit cards and store cards.

consistently track who had possession of the credit cards, as required by the USFR and District policy. While the District maintained credit cards in a locked location with limited access, our review of the District's fiscal years 2023 and 2024 credit card tracking processes found that the District did not utilize a credit card check-out log or other mechanism to track credit card possession and usage. For all the 30 credit card purchases reviewed, users made a purchase without the credit card's use being logged. Although the District's independent financial auditors had raised a similar issue in July 2024, the District reported to us that it was unaware of this requirement to track possession, despite it also being required by the District-established policy. The District reported implementing a credit card log in fiscal year 2025 to begin tracking and documenting employee access to, and possession and use of, credit cards.

- **The District did not always ensure card users had user agreements on file nor document training provided**—The USFR and District policy requires that card users receive credit card training and sign user agreements acknowledging receipt and understanding of the District's credit card policies and procedures, but the District did not consistently enforce these requirements. Specifically, the USFR guidance recommends providing annual credit card use training, but the District did not have documentation showing that any authorized users completed credit card training in fiscal year 2024. Additionally, our review of 30 credit card transactions identified 3 purchases that were made by card users prior to their completing a credit card user agreement. We were unable to determine whether another 21 purchases we reviewed were made by authorized users because the District lacked procedures for tracking possession and use of its credit cards, as noted previously. According to District officials, after we brought this issue to their attention, they implemented a process in fiscal year 2025 to provide annual training to all credit card users as well as to all new users as part of the District's new employee onboarding process.

*Deficiency 6. The District did not ensure it maintained accurate records of expenditures in its accounting system, leading to misclassified expenditures*

We found that the District had not consistently classified expenditures in accordance with the Uniform Chart of Accounts as required by the USFR. Districts are required to follow guidance set forth in the Uniform Chart of Accounts when recording expenditures to ensure accurate financial reporting and comparability among Arizona school districts and nationally. We reviewed the District's classifications for \$513,311 in expenditures and found that the District misclassified at least \$88,050 of these expenditures. As a result, the District's *Annual Financial Report* and supporting accounting data did not accurately present the District's spending to the public and decision makers who may rely on the report and data to know how the District spent its public monies in these areas.

In addition, for 2 of 25 accounts payable transactions totaling \$825, the transaction amounts recorded in the District's accounting system were different than the amounts reflected in supporting documentation. Specifically, the accounting system reflected expenditure amounts of \$343 and \$482 but the invoices reflected \$293 and \$680—neither of which tied to the line-item amounts listed in the purchase order nor any added tax and shipping additions. The District was unable to provide an explanation for the variance between the transaction amount and underlying support. As a result, the District cannot be assured that amounts reflected in its accounting system and amounts paid to vendors are accurate and supported.

**District has not developed procedures for implementing District policies and State requirements, has not sufficiently trained staff, and lacked effective management oversight and/or compensating controls to reduce the risks of errors or fraud**

The factors that contributed to the deficiencies previously described also contributed to the issues noted throughout this report's 5 findings and include the District's lack of written procedures to guide staff, limited training, and management's failure to oversee the District's operations and take action to resolve deficiencies. For example, we found that although the District's Board established policies for purchasing, travel reimbursements, credit card usage, procurement, and cash handling, the District had not developed written procedures for implementing these policies, which would help ensure the District complies with USFR and State requirements. According to the District, the lack of written procedures led to inconsistent practices among staff and a failure to maintain required documentation.

Additionally, throughout the audit, staff frequently reported being unaware of State requirements and District policies relating to regular business office functions such as financial recordkeeping and reporting, travel reimbursement, procurement, credit card management, and cash handling. Staff also reported that they had not received adequate training, which affected their ability to properly execute their duties, such as classifying and recording expenditures in accordance with the Uniform Chart of Accounts.

However, the District should have been aware of many of the requirements that we found they did not meet. The District undergoes biennial financial audits which include reviews of compliance with USFR requirements. Deficiencies in these areas are documented and provided to the District, and had the District reviewed and acted on the information provided by its independent financial auditors in prior years, it would have taken steps to address many of the deficiencies we identified. For instance, the District's fiscal year 2023 USFR compliance questionnaire report, which was completed in July 2024, documented deficiencies similar to those that we noted related to misclassified expenditures, a lack of prior approval for purchases, failure to track possession of District credit cards, insufficient documentation for cash receipts, and untimely deposits. Although the District also indicated that staff turnover had affected the District's ability to comply with the USFR and other State requirements and District policy, the District's 2-person business office staff have been in their current roles for between 3 and 25 years.

Finally, the District lacked effective monitoring systems or review processes to oversee critical operational areas, which allowed control deficiencies to persist. Effective monitoring and oversight help enhance compliance, reduce the risk of errors and fraud, and promote responsible stewardship of public resources.

**Recommendations**

The District should:

1. Review, update, and/or develop and implement written procedures that align with Board-approved policies and State requirements for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight.
2. Develop and provide training to staff responsible for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight procedures; and document the training provided.



3. Develop and implement written supervisory oversight procedures for monitoring and reviewing cash handling, accounts payable processes and purchase order overages, travel expenditures and reimbursements, procurement activities, and credit card custody and use to ensure compliance with USFR requirements and Board policies.
4. Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.
5. Ensure cash is deposited at least weekly, and daily when amounts are significant.
6. Ensure cash is immediately safeguarded in a locked drawer or cash register and that any cash not deposited on the same day as received is secured in a safe or locked cabinet with access limited to only District employees who require access.
7. Change the safe combination when an employee with access to it leaves the District or no longer requires access because of changes to job responsibilities.
8. Ensure that purchase orders or requisitions are obtained and approved prior to making purchases, including those made with credit cards; any purchase order overages beyond the initial approved amount receive secondary approval; and the receipt of goods or services is verified before payments are made.
9. Ensure that all credit card users annually sign a user agreement that is kept on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.
10. Maintain complete and accurate credit card logs that include enough information to track possession of the cards and the purchase order associated with the card's use.
11. Ensure that the District maintains evidence to support all credit cards transactions, such as properly authorized purchase orders prior to purchases and itemized receipts or invoices to ensure purchases are authorized and allowable.
12. Ensure that the District maintains evidence to support travel expenditures, such as documentation of prior approvals, completed travel claim forms, and itemized receipts; and that payments for travel expenses and reimbursements are based on current SAAM rates.
13. Maintain complete procurement files to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.
14. Ensure employees responsible for classifying expenditures review the USFR's 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.
15. Review mileage reimbursements made between fiscal years 2023 and 2024 to determine whether the correct SAAM rate was used to calculate payments, and recalculate and remit any underpayments to affected District employees.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



## **Finding 2. District paid administrators and staff additional amounts that were unsupported by District policy, employment agreements, or other approvals, and did not separate payroll duties, contrary to the USFR**

Our review of payments to 8 of the District's 55 employees in fiscal year 2024 identified numerous issues with the District's payroll processes and payments that put public monies at an increased risk of waste, fraud, and misuse. The issues we identified are discussed below.

- **District lacked support for payments totaling nearly \$20,000 to 2 administrative employees**—Employment contracts for the superintendent and business manager allowed them each to receive a fringe benefit from the District to pay for health insurance expenses in fiscal year 2024, but the District lacked sufficient records to fully support the amounts paid. Specifically:
  - The superintendent's contract provided a cash payment in lieu of the District purchasing insurance for the superintendent's spouse and dependents. The contract specified the amount of the payment was to be equal to the cost the District would have paid if it purchased health insurance coverage for the superintendent's spouse and dependents through the District's insurance provider. The District paid the superintendent \$12,800 for this benefit in fiscal year 2024 but could not provide the 2024 premium rates from the District's insurance provider to confirm whether it paid the correct amount.
  - The business manager's contract included a health-care stipend of up to \$15,800 annually that may be used to purchase additional insurance through the District's provider but the contract does not provide any detail about the coverage that may be purchased. The District paid the business manager the full \$15,800 in fiscal year 2024; however, payroll records showed that the amount the business manager paid for insurance coverage through the District's provider for fiscal year 2024 was only \$8,772. The District lacked support for why it paid the remaining \$7,028.

Neither contract specified what documentation these administrators should provide to support these payments, and according to the District, the monies were automatically paid out each pay period without requiring a request for payment or any documentation of insurance coverage or costs. Because the District did not ensure the stipend it paid the business manager was for actual insurance costs and that the amount paid to the superintendent aligned with contract provisions, it may have made overpayments and improperly used public monies.

- **District paid \$5,400 in bonuses and an accumulated leave payout contrary to State laws and District policies**—The District paid bonuses to 3 employees that were not in accordance with State laws, and it also did not follow District policy when compensating 1 employee for accumulated sick leave. Statute prohibits State employees, including State school district employees, from receiving any payments in excess of their salary provided by law.<sup>3</sup> Additionally, according to Arizona Attorney General Opinion 78-188, school districts are prohibited from paying bonuses unless the bonus is part of a compensation package agreed upon by the employee and

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<sup>3</sup> Arizona Revised Statutes (A.R.S.) §38-601.

the District. However, between fiscal years 2020 and 2024, the District paid 3 employees longevity bonuses of \$500 per year each for a total of \$4,500, despite such bonuses not being authorized by employment contracts or District policy. Although the District indicated that the Board had approved longevity pay at some point in the past, it lacked evidence of any such Board approval for these bonus payments.

Additionally, the District improperly paid for 12 days of accumulated sick leave the business manager had accrued in excess of the District's sick leave limit. District policy allows for accumulated sick leave payouts and states that professional staff may not accrue more than 92 days of sick leave. However, the District improperly allowed the business manager to accrue 12 days of leave in excess of this limit and then provided a sick leave payout for those 12 days, resulting in the District paying \$900 for accrued sick leave contrary to District policy.

- **District lacked support for some payments to staff for additional duties and activities and for some payroll adjustments**—Our review identified more than \$3,700 that was paid to at least 6 employees for additional duties or activities but lacked support, such as contract addendums, specifying the extra duties and the pay rates. Additionally, the District was unable to provide complete records, such as timecards, documenting the dates and hours spent working on these additional activities and/or evidence that payments were properly approved. For example:
  - 1 salaried employee was paid an additional \$1,425 to provide nursing services during the summer, but these services were not included in the employee's contract, and the District did not have an extra duty agreement detailing the services and hourly rate, as required by the USFR. Additionally, the payments were not supported by timecards but were based on e-mails the employee sent to the business manager and lacked supervisory approval.
  - 5 employees were each paid \$25 per hour from grant monies for time spent attending meetings and training. However, the District was unable to provide complete records, such as timecards, documenting the dates and hours spent on related activities to fully support the \$2,300 it paid during fiscal year 2024. According to the District, the former superintendent was responsible for tracking time spent on grant activities and grant reporting, and current staff could not locate the underlying support.

The District also adjusted timecards and/or pay without sufficient support. We reviewed 15 timecards for 3 hourly employees and found that, contrary to the USFR, the District had manually adjusted 5 timecards but lacked documentation showing that the employee requested the changes or that the employee's supervisor reviewed and approved them. We also found that the District had reduced another employee's pay by \$101 but did not document the reasons for the pay reduction.

- **District has not separated payroll duties nor developed compensating controls, increasing the risk of errors and inappropriate payments**—The USFR requires districts to separate responsibilities for payroll processing so that the same employee is not assigned to prepare payroll, authorize payroll, and distribute payments to employees, but the District lacked these

controls at the time of our review. We found that the District had made the business manager responsible for reviewing and approving timecards, adjusting timecards, entering payroll information into the District's accounting system, processing payroll, and distributing payments. If it is not possible to separate duties due to limited staffing, the USFR requires districts to implement compensating controls, such as additional management reviews, to reduce the risks associated with having a single employee perform these functions, but the District had not done so. According to the District, another staff member in the Business Office reviewed the payroll packets and the packets were approved by the superintendent, but we found that these reviews were not sufficient to detect the issues we identified. By implementing a more robust review process, the District could help reduce the increased risks of errors, inappropriate payments, and fraud that are associated with having a single employee responsible for payroll activities.

### **The lack of supervisory oversight and written procedures contributed to the District payments to employees that were improper, unapproved, and/or unsupported**

The District's lack of management oversight for payroll practices and payments substantially contributed to the issues identified in this finding and noted elsewhere in the report. Supervisory reviews, which are especially critical if staffing limitations prevent separation of duties, were insufficient to identify payments that were improper, unapproved, and/or unsupported. In some cases, these payments benefited the District's business manager, who had control over nearly all payroll functions, and should have received additional supervisor scrutiny. Further, the District's former superintendent appears to have been responsible for some of the lapses in employment and payroll documentation, and the District lacked an effective mechanism to ensure compliance in those situations. Additionally, the District lacked formal written procedures to ensure employee contracts and work agreements were appropriately approved and documented and employees were paid in accordance with their contracts, the USFR, and District policy.

### **Recommendations**

The District should:

16. Develop and implement written payroll processing and review procedures to ensure staff consistently comply with USFR and District policies, such as requirements for all payments to be supported, approved, and documented; and train District employees responsible for payroll processing, approval, and review on these procedures.
17. Separate payroll processing responsibilities as required by the USFR. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews.
18. Review the health insurance fringe benefits included in the business manager and superintendent contracts, and any other employment contract with similar benefits, and clarify language related to the Board's intent in providing these benefits and what is required to substantiate the amount the District would pay.
19. Identify payments for fringe benefits, such as health insurance stipends, longevity pay, and accumulated leave payouts made to District employees in fiscal years 2023 and 2024 and determine whether they were appropriate; seek reimbursement for any amounts the District

determines were not allowable. Consult with legal counsel as needed when making these determinations.

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

### **Finding 3: District did not require proof of insurance for employees using personal vehicles for District business, including transporting students, which may increase risks to student safety**

Board policy requires that staff have proof of insurance and a current driver's license on file for personal vehicle travel expenses to be reimbursable, but the District does not enforce this requirement. Additionally, the District also does not require employees who use their personal vehicles for District business, which may include transporting students, to submit driver license and insurance information if they are not requesting a mileage reimbursement. We identified 4 instances of employees seeking mileage reimbursements for travel in their personal vehicles, including at least 1 instance where the driver transported students, but had not submitted proof of auto insurance. Allowing employees to travel on District business without ensuring that they are properly licensed and carry adequate insurance, regardless of whether they are seeking reimbursement, potentially increases the District's liability risk in the event of an accident. It also potentially jeopardizes student safety by increasing the risk that a driver who is unqualified, underinsured, or uninsured will transport students. The District could reduce this risk by adopting a policy similar to the SAAM requirement for State employees to present proof of insurance that meets established liability limits and a valid driver's license before using a personal vehicle for State business.

#### **Recommendations**

The District should:

20. Work with its Board to establish and implement a policy requiring all drivers who transport students for District-approved school activities or who use their personal vehicles for District business to provide proof of a valid driver's license and automobile insurance that meets minimum liability limits.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

#### **Finding 4. The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, and fraud**

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 errors, fraud, and data loss. However, our review of the District's IT security practices identified 5 deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, which increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

*Deficiency 1: Contrary to the USFR, District did not regularly review user access to its critical systems and promptly disable unnecessary accounts, increasing its risk of unauthorized access to sensitive information, data loss, and fraud*

Our November 2024 review of all 75 active user accounts in the District's computer network found that, contrary to the USFR, the District did not regularly review users' access to the network and promptly disable unnecessary accounts to reduce the risk of inappropriate access to District data. We identified 15 accounts that were no longer needed and should have been deactivated, including 1 assigned to a former employee. The remaining 14 accounts included 9 that were used to activate Microsoft products or other services in the District's IT network, 2 duplicate accounts for current contractors, and 3 unnecessary accounts assigned to substitute teachers and a librarian.<sup>4</sup> After we notified the District of the unnecessary accounts, officials reported that all 15 accounts were disabled as of February 4, 2025.

Credible industry standards recommend districts develop policies and procedures to regularly review and limit user access. However, according to District officials, the District did not have a formal process to routinely review and monitor user access to the network to help it identify and promptly disable unnecessary accounts. Additionally, the District had not formally assigned oversight responsibilities for network management and security to any of its employees or contractors.

*Deficiency 2: The District assigned some users too much access to its accounting system, increasing its risk of unauthorized system access and fraud*

The USFR requires districts to limit users' access to information and restrict access to only what is necessary for users to carry out their assigned duties—known as the principle of least privilege—but the District allowed its business manager and secretary too much access to payroll and purchasing functions in its accounting system. For instance, each of these employees had the ability to view and modify employee information and pay rates, including their own, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions.

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<sup>4</sup> A service account is a user account created specifically to provide a security context for services that are running on Windows Server operating systems. The security context determines the service account's access to local and network resources. Windows operating systems rely on service accounts to run various features. These services can be configured through the applications.

According to District officials, the District has very few administrative staff, which has resulted in the business manager and the District secretary handling all the District's financial transactions. Although the USFR allows for employees to perform conflicting duties in some circumstances, it requires school districts to implement additional management review procedures or other compensating controls, such as regular reviews of system logs or other relevant documentation to mitigate the risks associated with excessive user access. However, the District has not established effective controls to compensate for allowing excess user access privileges in its accounting system. For example, at the time of our review, the superintendent did not have the system access necessary to review financial transactions. Moreover, our review found that the District did not have a formal process in place to grant, validate, and review access within the accounting system and so it was unaware that some users had excessive system access and that the superintendent was unable to review financial transactions. As a result, the District was ill-equipped to prevent errors and fraud, or to detect it if it were to occur.

*Deficiency 3: The District did not monitor activity in its accounting system, increasing the risk of critical security events and fraud*

Our November 2024 review of the District's accounting system found that the District did not monitor user activity and users' adherence to security-related policies for all modules within its accounting system.<sup>5</sup>

Specifically, as previously discussed, the superintendent lacked system access to review financial transactions, so there was no separate supervisory oversight or review of activity within the District's accounting system. The USFR requires that districts monitor and periodically audit system activity from inception to final disposition to reduce the risk of errors and fraud, and to ensure users' adherence to security-related policies, procedures, and guidelines. Credible industry standards further indicate that proactive monitoring is necessary to detect unauthorized access to sensitive information.

**Key terms**

**Audit log**—A chronological record of system activities, including records of system accesses and operations performed in a given period.

**User activity reports**—A report that tracks and records user activity and transactions within an information system or software.

Source: National Institute of Standards and Technology Special Publication 800-53, Revision 5.

District officials reported that they were unaware that they needed to review accounting system audit logs or other documentation, such as accounts payable reports. However, after we brought this issue to their attention in February 2025, the District indicated that it planned to make these reviews part of the superintendent's oversight responsibilities.

*Deficiency 4: The District lacked a complete IT contingency plan, increasing the risk of data loss and disruptions to operations*

The District had developed an IT contingency plan, which is required by the USFR to prepare for disasters or information loss, but some of the elements in its plan were incomplete. For example, the District's plan lacked an impact analysis of business operations including a risk assessment of critical systems, a list of

<sup>5</sup> NIST definition of "User Activity Reports."



disaster scenarios, business recovery strategy, and plan maintenance schedules and training requirements. According to District officials, they were unaware that the District's contingency plan was missing some required information until we brought it to their attention in February 2025. Officials reported that the plan has since been revised and updated. The District should also test its plan annually, as required by the USFR, to help ensure that it is effective and all parties understand their roles and responsibilities; identify vulnerabilities and test its ability to restore electronic data for critical systems; and take action to remedy any issues identified and document test results.

*Deficiency 5: The District did not require staff to complete annual security awareness training, increasing employees' vulnerability to cyberattacks*

Our review found that, as of November 2024, the District did not require employees to take annual security awareness training. According to the USFR and credible industry standards, basic security awareness training is important because cyberattacks commonly use social engineering techniques to trick employees into giving up sensitive information or downloading dangerous software. When we brought the issue to the District's attention, District officials reported that the District had not previously had a policy requiring security awareness training for employees, but it immediately initiated a full cyber security training course for all District employees. As of February 4, 2025, 38 of the 41 District employees had completed the training.

## **Recommendations**

To comply with USFR requirements and credible industry standards for IT security, the District should:

21. Develop and implement IT policies and procedures to specify user access levels by job function and responsibility and to conduct periodic reviews of user accounts to verify that access levels are appropriate, including for accounting system functions, and any unnecessary accounts, such as those for terminated employees or vendors, are disabled.
22. Establish and implement procedures for IT system oversight, including assigning oversight responsibilities for network management and security, and requiring reviews of accounting system and network activity so that potentially malicious or fraudulent activity can be detected in a timely manner.
23. Review and adopt the February 2025 updated District IT contingency plan, ensuring it meets all USFR requirements and credible industry standards, and test the plan at least annually to identify and remedy any deficiencies and document the test results.
24. Provide cybersecurity awareness training to employees at least annually and document their participation.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



## Finding 5. Board members and 2 District employees did not comply with conflict-of-interest requirements and recommended practices

### Statute addresses conflicts of interest for school district employees and board members

State conflict-of-interest laws, the USFR, and District policy require 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, District public 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 public agency or (2) any decision of the District.<sup>6</sup> Additionally, according to the USFR, districts should establish procedures to ensure that all employees and Board members comply with conflict-of-interest laws.

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.<sup>7,8</sup> 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 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.<sup>9</sup>

In response to conflict-of-interest noncompliance and violations investigated in the course of the Arizona Auditor General’s work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, the Auditor General has recommended several practices and actions to various school districts, State agencies, and other public entities.<sup>10</sup> The Auditor General’s recommendations are based on recommended practices for managing conflict of interest in government. They are designed to help ensure compliance with State conflict-of-interest interest requirements by

#### 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 staff review of A.R.S. §38-502 and the *Arizona Agency Handbook*. *Arizona Agency Handbook*. Phoenix, AZ. Retrieved 1/21/2025 from <https://www.azag.gov/outreach/publications/agency-handbook..>

<sup>6</sup> A.R.S. §38-503(C) contains an exception applicable to purchases from school board members related to purchasing supplies, materials, and equipment.

<sup>7</sup> A.R.S. §§38-502 and 38-503(A) and (B).

<sup>8</sup> 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(5) defines “public agency” to include political subdivisions, and A.R.S. §38-502(6) defines “political subdivision” to include school districts. According to the *Arizona Agency Handbook*, public officers may or may not be paid. AAG, 2018.

<sup>9</sup> A.R.S. §§38-509 and 38-502.

<sup>10</sup> 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*.

reminding employee/public officers of the importance of complying with the State's conflict-of-interest laws.<sup>11</sup> 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 did not require annual disclosures for Board members and did not ensure all employees reported their substantial interests**

Contrary to recommended practices and the USFR, prior to fiscal year 2024, the District had not required Board members to complete conflict-of-interest disclosure forms and did not ensure all employee conflict-of-interest forms were complete. According to the District officials, they were unaware that Board members were required to complete conflict-of-interest disclosure forms until the issue was reported as part of the District's fiscal year 2023 USFR compliance questionnaire completed in July 2024. The District subsequently required all 4 Board members at that time to complete a conflict-of-interest disclosure form in April 2024.

Our review of conflict-of-interest forms for 8 of 55 District employees from fiscal years 2023 and 2024 found that all 8 employees submitted a form annually as required, but the forms completed by the District's former superintendent and his spouse, a District teacher, did not disclose their relationship. The District's business manager reported collecting the forms and being responsible for tracking disclosed conflicts but stated that the superintendent was responsible for reviewing the forms for completeness and accuracy. The business manager also reported being unaware that the 2 forms were incomplete. The District reported that, in accordance with State conflict-of-interest laws and District policy prohibiting any employee from directly supervising a close relative, the superintendent did not have any supervisory responsibilities for his spouse.

By not following key conflict-of-interest requirements, the District increases the risk that other Board members or employees may not disclose matters in which they have a substantial interest or refrain from participating in those matters that could influence or affect their official conduct. Further, conflict-of-interest requirements and recommended practices help provide transparency to the public by ensuring the decisions of employees or public officers are made in the interest of the public and not in the self-interest of the employee or public officer.

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<sup>11</sup> Recommended practices 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 6/4/2025 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; Ethics & Compliance Initiative (ECI). (2021). *Conflicts of interest: An ECI benchmarking group resource*. Retrieved 6/4/2025 from <https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 6/4/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>

## **District lacked an effective process for reviewing conflict-of-interest disclosure forms and has not provided conflict-of-interest training to Board members and employees**

As previously discussed, the District lacked an effective process for reviewing conflict-of-interest forms to ensure that they were complete and identified disclosed conflicts the District should take action to remediate. Additionally, the District has not provided training to Board members and employees about the importance of complying with the State's conflict-of-interest laws, how to identify and report any substantial interests and potential conflicts, and how to avoid participating in any District decisions involving potential conflicts. Developing and providing routine conflict-of-interest training could help improve the District's compliance with State requirements and better ensure the District's financial decisions are transparent to the public.

### **Recommendations**

The District should:

25. Ensure compliance with State laws governing conflicts of interest by requiring Board members and employees to complete conflict-of-interest disclosure forms annually and when new potential conflicts of interest arise.
26. Develop and implement a process to review conflict-of-interest forms to identify disclosed interests and take necessary action to remediate them, such as notifying the Board when conflicts relating to agenda items exist to ensure affected Board members or employees refrain from participating in decisions relating to their interests.
27. Develop and provide periodic training to employees and Board members on the requirements for complying with conflict-of-interest laws, including the need to describe their substantial interests on disclosure forms and to refrain from participating in any decision, contract, sale, purchase, or service for which they or a close relative have a substantial interest; and document the training provided.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## Summary of recommendations

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### Sjoberg Evashenk Consulting makes 27 recommendations to the District

The District should:

1. Review, update, and/or develop and implement written procedures that align with Board-approved policies and State requirements for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight.
2. Develop and provide training to staff responsible for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight procedures; and document the training provided.
3. Develop and implement written supervisory oversight procedures for monitoring and reviewing cash handling, accounts payable processes and purchase order overages, travel expenditures and reimbursements, procurement activities, and credit card custody and use to ensure compliance with USFR requirements and Board policies.
4. Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.
5. Ensure cash is deposited at least weekly, and daily when amounts are significant.
6. Ensure cash is immediately safeguarded in a locked drawer or cash register and that any cash not deposited on the same day as received is secured in a safe or locked cabinet with access limited to only District employees who require access.
7. Change the safe combination when an employee with access to it leaves the District or no longer requires access because of changes to job responsibilities.
8. Ensure that purchase orders or requisitions are obtained and approved prior to making purchases, including those made with credit cards; any purchase order overages beyond the initial approved amount receive secondary approval; and the receipt of goods or services is verified before payments are made.
9. Ensure that all credit card users annually sign a user agreement that is kept on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.
10. Maintain complete and accurate credit card logs that include enough information to track possession of the cards and the purchase order associated with the card's use.
11. Ensure that the District maintains evidence to support all credit cards transactions, such as properly authorized purchase orders prior to purchases and itemized receipts or invoices to ensure purchases are authorized and allowable.

12. Ensure that the District maintains evidence to support travel expenditures, such as documentation of prior approvals, completed travel claim forms, and itemized receipts; and that payments for travel expenses and reimbursements are based on current SAAM rates.
13. Maintain complete procurement files to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.
14. Ensure employees responsible for classifying expenditures review the USFR's 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.
15. Review mileage reimbursements made between fiscal years 2023 and 2024 to determine whether the correct SAAM rate was used to calculate payments, and recalculate and remit any underpayments to affected District employees.
16. Develop and implement written payroll processing and review procedures to ensure staff consistently comply with USFR and District policies, such as requirements for all payments to be supported, approved, and documented; and train District employees responsible for payroll processing, approval, and review on these procedures.
17. Separate payroll processing responsibilities as required by the USFR. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews.
18. Review the health insurance fringe benefits included in the business manager and superintendent contracts, and any other employment contract with similar benefits, and clarify language related to the Board's intent in providing these benefits and what is required to substantiate the amount the District would pay.
19. Identify payments for fringe benefits, such as health insurance stipends, longevity pay, and accumulated leave payouts made to District employees in fiscal years 2023 and 2024 and determine whether they were appropriate; seek reimbursement for any amounts the District determines were not allowable. Consult with legal counsel as needed when making these determinations.
20. Work with its Board to establish and implement a policy requiring all drivers who transport students for District-approved school activities or who use their personal vehicles for District business to provide proof of a valid driver's license and automobile insurance that meets minimum liability limits.
21. Develop and implement IT policies and procedures to specify user access levels by job function and responsibility and to conduct periodic reviews of user accounts to verify that access levels are appropriate, including for accounting system functions, and any unnecessary accounts, such as those for terminated employees or vendors, are disabled.
22. Establish and implement procedures for IT system oversight, including assigning oversight responsibilities for network management and security, and requiring reviews of accounting system and network activity so that potentially malicious or fraudulent activity can be detected in a timely manner.

23. Review and adopt the February 2025 updated District IT contingency plan, ensuring it meets all USFR requirements and credible industry standards, and test the plan at least annually to identify and remedy any deficiencies and document the test results.
24. Provide cybersecurity awareness training to employees at least annually and document their participation.
25. Ensure compliance with State laws governing conflicts of interest by requiring Board members and employees to complete conflict-of-interest disclosure forms annually and when new potential conflicts of interest arise.
26. Develop and implement a process to review conflict-of-interest forms to identify disclosed interests and take necessary action to remediate them, such as notifying the Board when conflicts relating to agenda items exist to ensure affected Board members or employees refrain from participating in decisions relating to their interests.
27. Develop and provide periodic training to employees and Board members on the requirements for complying with conflict-of-interest laws, including the need to describe their substantial interests on disclosure forms and to refrain from participating in any decision, contract, sale, purchase, or service for which they or a close relative have a substantial interest; and document the training provided.

## Appendix A. Objectives, scope, and methodology

Sjoberg Evashenk Consulting conducted a performance audit of Seligman Unified School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal years 2023 and 2024, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions.

### Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

Noninstructional spending reviewed for this audit includes the following operational categories:

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining school buses and transporting students to and from school and school activities.

**Financial accounting data and internal controls**—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2024 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 8 of 55 individuals who received payments through the District's payroll system in fiscal year 2024 and reviewed supporting documentation for 25 of 7,432 fiscal year 2024 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various information used for this



audit. We reported our conclusions on applicable internal controls in Findings 1, 2, 3, and 4 (see pages 4 through 20).

**Peer groups**—We used the peer groups developed by the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024* for comparative purposes. To compare the District’s student achievement, the Arizona Auditor General developed a peer group using district type, location, and poverty rates because these factors are associated with student achievement. We used this peer group to compare the District’s fiscal year 2024 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2024 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, food service, and transportation, we used the Arizona Auditor General’s peer groupings that are based on district size and location. They used these factors because they are associated with districts’ cost measures in these areas.

For very small districts, such as Seligman USD, increasing or decreasing student enrollment by just a few students or employing 1 additional part-time position can substantially impact the district’s costs per student in any given year. As a result, and as noted in the *Arizona School District Spending Analysis—Fiscal year 2024* very small districts’ spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of the District’s operations, less weight was given to various cost measures, and more weight was given to our reviews and analysis of the District’s operations.

**TABLE 2. CRITERIA FOR SELECTING PEER SCHOOL DISTRICTS FOR COMPARATIVE PURPOSES, FISCAL YEAR 2024**

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2024)	Poverty rate District type Location	36 percent or greater Unified school districts Towns and rural areas	11
Administration, plant operations and maintenance, and food service (fiscal year 2024)	District size Location	Very small Towns and rural areas	58
Transportation (fiscal year 2024)	Miles per rider Location	Not applicable Towns and rural areas	54

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024*.

**Efficiency and effectiveness**—In addition to the considerations previously discussed, we also considered information from various sources that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the operational areas we reviewed about their duties. This included District administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.



- **Report reviews**—We reviewed various summary reports of District data including its fiscal year 2023 *Annual Financial Report* and USFR compliance questionnaire completed by its independent financial audit firm; transportation safety reports provided by the Department of Public Safety; and the District's 100-day school bus ridership and mileage report submitted to ADE. We also reviewed District-provided accounting system and network user account reports.
- **Documentation reviews**—We reviewed various sets of District documentation including various credit card statements and documentation for fiscal years 2023 and 2024; cash deposit documentation and bank statements for fiscal year 2024; Board meeting minutes; annual drug and random drug testing for calendar years 2023 and 2024; school bus driver files for 5 of 43 of the District's drivers active at one point during calendar years 2022, 2023, and 2024; and school bus maintenance and safety records for 7 of the District's 37 school buses in fiscal year 2024. We also reviewed Arizona Department of Public Safety school bus inspection reports for school buses inspected in calendar years 2024.
- **Observations**—To further evaluate District operations, we observed day-to-day activities in the operational areas we reviewed. This included facility tours and observations of food service operations and transportation services.
- **Analysis**—We reviewed the Arizona Auditor General's analysis of the District's fiscal year 2024 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also reviewed the District's square footage per student, use of building space, building age, and meals served per student to peer districts. We used the results of these comparisons to inform the topics of focus during our audit.

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, superintendent, and staff for their cooperation and assistance throughout the audit.

## District response

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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 Sjoberg Evashenk.



**SELIGMAN UNIFIED SCHOOL DISTRICT #40**

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*"Home of the Seligman Antelopes"*

July 21, 2025

Nicole Dyer  
Sjoberg Evashenk Consulting  
455 Capitol Mall, Suite #700  
Sacramento, CA 95814

Dear Mrs. Dyer,

Please accept Seligman Unified School District's response to the performance audit that has already been completed. The administration and governing board accept the findings, and have already implemented most of the recommendations and will continue to diligently work to implement the remaining recommendations.

Seligman Unified School District is committed to providing the best quality education for our students and be accountable and transparent in this endeavor. We are a small district and have had challenges due to turnover in staff, administrative guidelines and workload. We have developed direct and detailed business operations policies and procedures and have implemented these and have seen a tremendous positive outcome.

Thank you for your information and feedback you have provided.

Sincerely,

Wanda Burton  
Superintendent

**Finding 1:** The District lacked sufficient internal controls in most business and financial operational areas, increasing risk of errors, loss, and improper payments.

District Response: The finding is agreed to.

Response explanation: The District has been working diligently to develop and implement internal controls in order to ensure adequate control and compliance. The current administration including superintendent, business manager and registrar have developed and implemented specific written procedures to ensure internal controls are in place in all business, financial and operational areas to provide accountability, transparency and efficiency.

**Recommendation 1:** Review, update, and/or develop and implement written procedures that align with Board-approved policies and State requirements for cash handling, purchasing, travel expenditures and reimbursement, procurement and credit card use and oversight.

District Response: The audit recommendation will be implemented.

Response explanation: The District has developed and implemented a Business Operations Policies and Procedures Manual detailed guide to all District staff of the significant policies and approved procedures to ensure proper internal controls, segregation of duties and efficient operations that comply with District Policies and state regulations and requirements. The Manual covers all areas of operations including revenue, cash procedures, expenditure procedures, procurement, competitive purchasing and documentation, credit card use and procedures, travel expense procedures and policies, Conflict of Interest Disclosures, payroll processing procedures, tax credit allowable expenses and procedures, gifts and donations, bank reconciliations, student enrollment and attendance, student activities procedures and policies. This Manual will be used also to train employees in proper procedures and policies.

**Recommendation 2:** Develop and provide training to staff responsible for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight procedures; and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: Training has been developed to train staff responsible for cash handling, purchasing including procurement rules and regulations, travel expenses and reimbursement procedures, credit card use, including proper check out and in of all credit cards and oversight. The training of staff is scheduled during on-boarding in-service and training sign in sheets will be collected to document staff participation.

**Recommendation 3:** Develop and implement written supervisory oversight procedures for monitoring and reviewing cash handling, accounts payable processes and purchase order overages, travel expenditures and reimbursements, procurement activities, and credit card custody and use to ensure compliance with USFR requirements and Board policies.

District Response: The audit recommendation will be implemented.

Response explanation: The District has developed the Business Operations Policies and Procedures Manual and we have had limited office employees and turn over that makes adequate segregation of duties and training difficult. We currently are working on hiring an additional office employee to ensure adequate segregation of duties and all employees will be trained on the proper required procedures to ensure compliance with USFR requirements and Governing Board policies and adequate control over procedures. These items include cash handling and monitoring, account payable processes including purchase requests, purchase orders, payment procedures including travel reimbursements, procurement procedures, credit card purchase procedures including user agreements, check out procedures and safe-keeping of all credit cards to ensure responsible and appropriate use of credit cards. The Manual details the duties and responsibilities and the oversight and approval requirements to ensure compliance with district policies and state procedures.

**Recommendation 4:** Prepare and maintain evidence of receipt for all cash received, such as sequential, pre-numbered 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 duties of receiving, depositing and recording revenues shall be segregated among employees. Pre-numbered sequential cash receipts are prepared by the Administrative Assistant for receipts received in the District Office, after the cash received is verified by one other person, cash collection documentation including detailed documentation that reconciles to sales, etc. is forwarded to Registrar (for student activities and auxiliary functions) or to the Business Manager (for transmittal to the County School Office for deposit with County Treasurer). Bank/county deposits are verified and initialed by Administrative Assistant or Receptionist upon receipt of verification of deposit.

**Recommendation 5:** Ensure cash is deposited at least weekly, and daily when amounts are significant.

District Response: The audit recommendation will be implemented.

Response explanation: Procedures have been implemented that ensure that deposits are made at least weekly with adequate internal controls and recording of timely deposits. All employees have been made aware of this requirement. It will be continually monitored throughout the year to ensure compliance.

**Recommendation 6:** Ensure cash is immediately safeguarded in a locked drawer or cash register and that any cash not deposited on the same day as received is secured in a safe or locked cabinet with access limited to only District employees who require access.

District Response: The audit recommendation will be implemented.

Response explanation: Cash received is secured in the office vault. Use and access of the vault shall be limited to appropriate office personnel until it is deposited at the bank.

**Recommendation 7:** Change the safe combination when an employee with access to it leaves the District or no longer requires access because of changes to job responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The Office Vault combination was changed on 12-10-2024 with only appropriate District Office employees having access to the vault. The vault door is closed during the day and only appropriate Office Employees are allowed access to the vault.

**Recommendation 8:** Ensure that purchase orders or requisitions are obtained and approved prior to making purchases, including those made with credit cards; any purchase order overages beyond the initial approved amount receive secondary approval; and the receipt of goods or services is verified before payments are made.

District Response: The audit recommendation will be implemented.

Response explanation: Purchase orders shall be prepared for all District expenditures. The Business Operations Policies and Procedures Manual specifies requirements and employee responsible for each duty. Every purchase for supplies or services shall have a completed requisition form. Purchase requisitions shall be approved by physical signature, through ERP system or demonstrated through email correspondence by the Superintendent. The approval documentation shall include all required paperwork including quotes, detailed items, etc. Approved purchase requisitions are submitted to the Business Manager for preparation of a purchase order. All overages are required to be approved by the Superintendent prior to payment. A warehouse has been implemented to ensure proper delivery and documentation of goods before payment is issued. Service invoices also need to be verified and approved by Superintendent or Department Head.

**Recommendation 9:** Ensure that all credit card users annually sign a user agreement that is kept on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.

District Response: The audit recommendation will be implemented.

Response explanation: The District authorized district employees to purchase goods or services using school district credit card. The Business Manager is responsible for Cardholder agreements and safeguarding of check out procedures for credit cards. District provided credit cards shall only be used to purchase appropriate District goods or services as defined in the USFR and District policy. A District authorized purchase order shall be obtained prior to all credit card purchases. Credit card training and signed credit card user agreement will be held annually at the on-boarding orientation and documentation of such training will be maintained by the Business Manager.

**Recommendation 10:** Maintain complete and accurate credit card logs that include enough information to track possession of the cards and the purchase order associated with the card's use.

District Response: The audit recommendation will be implemented.

Response explanation: Each credit card is secured in a locked cabinet in the Business Manager's office. Credit cards will be checked out through the business manager after

appropriate approved paperwork and purchase order has been issued. Credit cards that have been checked out will be documented with name of employee, date picked up, date returned and receipt of purchased items. Credit cards that have been checked out will be in the custody of the employee who checked them out and will be returned to the District Office as soon as possible after the purchase.

**Recommendation 11:** Ensure that the District maintains evidence to support all credit cards transactions, such as properly authorized purchase orders prior to purchases and itemized receipts or invoices to ensure purchases are authorized and allowable.

District Response: The audit recommendation will be implemented.

Response explanation: The District authorized district employees to purchase goods or services using school district credit card. The Business Manager is responsible for Cardholder agreements and safeguarding of check out procedures for credit cards. District provided credit cards shall only be used to purchase appropriate District goods or services as defined in the USFR and District policy. A District authorized purchase order shall be obtained prior to all credit card purchases. Credit card training and signed credit card user agreement will be held annually at the on-boarding orientation and documentation of such training will be maintained by the Business Manager.

**Recommendation 12:** Ensure that the District maintains evidence to support travel expenditures, such as documentation of prior approvals, completed travel claim forms, and itemized receipts; and that payments for travel expenses and reimbursements are based on current SAAM rates.

District Response: The audit recommendation will be implemented.

Response explanation: Procedures have been implemented to limit travel required by job duties. Travel expenses shall only be reimbursed if a purchase requisition is completed and approved by the Superintendent prior to travel. Upon completion of the travel, a Travel Expense Claim Form shall be completed and submitted to the Business Manager within 30 days of the travel return. Completed Travel Expense Form must be completed and all information provided along with supporting documentation including training/conference brochure, receipts, mapping information detailing mileage, etc. Business Manager will review information, claim amounts based on current SAAM rates and forward to the Superintendent for review and approval.

**Recommendation 13:** Maintain complete procurement files to ensure compliance with the USFR, Arizona Administrative Code and Board-approved policies.

District Response: The audit recommendation will be implemented.

Response explanation: The District shall seek to maximize value to the extent practicable for each transaction. The District shall seek competitive bids or quotations for all purchases in accordance with the requirements of USFR, district policies and state requirements. The Business Operations Policies and Procedures Manual details the Procurement Policies for the District in accordance with District Policy and state required established guidelines. To ensure open competition results in the maximum value for each expenditure, the District shall obtain and maintain written files to ensure

compliance with procurement rules and regulations, including written quotations, bids, bid lists, purchase determination and Governing Board approval as needed.

**Recommendation 14:** Ensure employees responsible for classifying expenditures review the USFR's 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.

District Response: The audit recommendation will be implemented.

Response explanation: Updated USFR Chart of Account coding information is downloaded and maintained each year by the Office Staff –Business Manager/Registrar responsible for coding in the accounting system. Periodic checks are completed to ensure proper coding is being maintained.

**Recommendation 15:** Review mileage reimbursements made between fiscal years 2023 and 2024 to determine whether the correct SAAM rate was used to calculate payments, and recalculate and remit any underpayments to affected District employees.

District Response: The audit recommendation will be implemented.

Response explanation: Business Manager will download or update SAAM rates and review employee reimbursements made in FY 2023 and FY2024 to verify rate used to reimburse employees was correct and remit any underpayments to employees who were affected.

**Finding 2:** District paid administrators and staff additional amounts that were unsupported by District policy, employment agreements, or other approvals, and did not separate payroll duties, contrary to the USFR.

District Response: The finding is agreed to.

Response explanation: District policies have been updated and approved by Governing Board so that all payments for staff are clearly documented and approved to ensure that proper documentation is being maintained to support all employee agreements, extra duty contracts, etc.

**Recommendation 16:** Develop and implement written payroll processes and review procedures to ensure staff consistently comply with USFR and District policies, such as requirements for all payments to be supported, approved, and documented; and train District employees responsible for payroll processing, approval, and review on these procedures.

District Response: The audit recommendation will be implemented.

Response explanation: Business Operations Policies and Procedures Manual details the duties and procedures for payroll to ensure accuracy and segregation of duties. The Superintendent will ensure that salary and wage schedules for all positions are approved by the Governing Board. The Superintendent will recommend personnel changes, hires, changes, etc. as needed to ensure updated and accurate pay rates are used for all



employees. Personnel hires, pay rates, additional duty pay rates, etc have been approved by the Governing Board for the FY26 year.

**Recommendation 17:** Separate payroll processing responsibilities as required by the USFR. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews.

District Response: The audit recommendation will be implemented.

Response explanation: Employee rates and/or contract amounts are entered into the accounting program by the Business Manager. The Registrar reviews and verifies the amounts entered and document the accuracy. Administrative Assistant will enter leave, hour adjustments, etc. into the time clock system. All time clock adjustments must be filled out by the employee and approved by their supervisor before submitting to the Administrative Assistant for adjustment in the time clock system. Business Manager receives the employee work logs and leave forms. Review for completeness and accuracy and upload the data into the ERP system payroll module. Once entered into the system, the Business Manager generates and reviews a verification report for accuracy and completeness. The Registrar reconciles system generated payroll reports to time sheets, leave slips and contract amounts. Reviews for accuracy and any discrepancies are noted and resolved. Upon completion of the completed accurate payroll report it is forwarded to the Business Manager for final review. Superintendent receives the completed payroll voucher and reviews for reasonableness and accuracy. The payroll voucher is forwarded to the Governing Board for review and approval.

**Recommendation 18:** Review the health insurance fringe benefits included in the business manager and superintendent contracts, and any other employment contract with similar benefits, and clarify language related to the Board's intent in providing these benefits and what is required to substantiate the amount the District would pay.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work with the District Attorney to make changes to required contracts for superintendent, business manager and maintenance supervisor to clarify language required to provide benefit as was intended to comply with IRS regulations. Governing Board approval will be documented to ensure accuracy, accountability and transparency.

**Recommendation 19:** Identify payments for fringe benefits, such as health insurance stipends, longevity pay, and accumulated leave payouts made to District employees in fiscal years 2023 and 2024 and determine whether they were appropriate; seek reimbursement for any amounts the District determines were not allowable. Consult with legal counsel as needed when making these determinations.

District Response: The audit recommendation will be implemented.

Response explanation: The Governing Board has ratified and approved health insurance additional pay, longevity pay and accumulated payouts and updated policies to reflect the intentions of contracts and payments. The District will work with legal counsel to ensure amounts are allowable and clearly approved and identified.

**Finding 3:** District did not require proof of insurance for employees using personal vehicles for District business, including transporting students, which may increase risks to student safety.

District Response: The finding is agreed to.

Response explanation: The District will require employee to attach copy of Driver's License and Proof of Insurance when using personal vehicle for District business.

**Recommendation 20:** Work with its Board to establish and implement a policy requiring all drivers who transport students for District-approved school activities or who use their personal vehicles for District business to provide proof of a valid driver's license and automobile insurance that meets minimum liability limits.

District Response: The audit recommendation will be implemented.

Response explanation: The District currently requires all employees who wish to use a District vehicle to complete online required training and to provide a driver record from ADOT. The District prohibits staff from transporting students in personal vehicles but will require a copy of proof of insurance for employees using personal vehicles for other District business.

**Finding 4:** The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, and fraud.

District Response: The finding is agreed to.

Response explanation: The District has developed procedures to ensure access to information is appropriate and necessary. The Superintendent identifies employees' need for access and employee's account termination. A third party has been contracted to monitor access, unauthorized access, any data loss or fraud. The District will monitor and review user reports to ensure appropriate access is maintained.

**Recommendation 21:** Develop and implement IT policies and procedures to specify user access levels by job function and responsibility and to conduct periodic reviews of user accounts to verify that access levels are appropriate, including for accounting system functions, and any unnecessary accounts, such as those for terminated employees or vendors, are disabled.

District Response: The audit recommendation will be implemented.

Response explanation: User access reports are reviewed at least annually by the superintendent and business manager to ensure that user access level is appropriate to job function and responsibility and terminated employees' access has been disabled.

**Recommendation 22:** Establish and implement procedures for IT system oversight, including assigning oversight responsibilities for network management and security, and requiring

reviews of accounting system and network activity so that potentially malicious or fraudulent activity can be detected in a timely manner.

District Response: The audit recommendation will be implemented.

Response explanation: The District has contracted with a third party to maintain IT system oversight, network management and security and reviews of all systems to review any activity that may be malicious or fraudulent. The accounting system activity is reviewed by the Superintendent to prevent or identify malicious, inaccurate or fraudulent activity so that it can be identified and resolved timely.

**Recommendation 23:** Review and adopt the February 2025 updated District IT contingency plan, ensuring it meets all USFR requirements and credible industry standards, and test the plan at least annually to identify and remedy any deficiencies and document the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District IT contingency plan has been updated and reviewed by Third Party Company and disaster plan has been tested and approved. The District IT plan will be reviewed and updated annually to ensure plan is meeting all requirements and remedy any deficiencies.

**Recommendation 24:** Provide cybersecurity awareness training to employees at least annually and document their participation.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented cybersecurity training requirements for all staff at least annually and documenting the training as complete by certificate of course pass.

**Finding 5:** Board members and 2 District employees did not comply with conflict-of-interest requirements and recommended practices.

District Response: The finding is agreed to.

Response explanation: Conflict of Interest training is held annually for Board Members and all employees prior to August 15<sup>th</sup> of each year, or at the time of hire or appointment. Employees and Board Members will be required to fill out Conflict of Interest Disclosure Forms. The Business Manager will review all Conflict of Interest Disclosure Forms to determine if there is a potential or apparent conflict of interest. If no conflict is noted, the forms will be filed. If the employee or Governing Board member indicated a potential conflict, the business manager maintains the form at the front of the file and reviews conflicts. Received the Conflict of Interest Disclosure Statement for any current District vendors, notates the conflict in the vendor maintenance record in the ERP system. If not a current District vendor, reviews the separate file for view as vendors are created in the ERP system. If any exist, reviews for any involvement of the employee or Governing Board Member. If no involvement is noted, then the employee and/or board member is notified to continue to refrain from partaking in any purchase. If involvement in the process is notated,

then the Superintendent is notified of the conflict to determine if a stop payment and/or cancellation of the purchase should occur. Employees who knowingly do not disclose potential conflict of interest will be subject to disciplinary action.

**Recommendation 25:** Ensure compliance with State laws governing conflicts of interest by requiring Board members and employees to complete conflict-of-interest disclosure forms annually and when new potential conflicts of interest arise.

District Response: The audit recommendation will be implemented.

Response explanation: Conflict of Interest training is held annually for Board Members and all employees prior to August 15<sup>th</sup> of each year, or at the time of hire or appointment. Employees and Board Members will be required to fill out Conflict of Interest Disclosure Forms.

**Recommendation 26:** Develop and implement a process to review conflict-of-interest forms to identify disclosed interests and take necessary action to remediate them, such as notifying the Board when conflicts relating to agenda items exist to ensure affected Board members or employees refrain from participating in decisions relating to their interests.

District Response: The audit recommendation will be implemented.

Response explanation: The Business Manager will review all Conflict of Interest Disclosure Forms to determine if there is a potential or apparent conflict of interest. If no conflict is noted, the forms will be filed. If the employee or Governing Board member indicated a potential conflict, the business manager maintains the form at the front of the file and reviews conflicts. Received the Conflict of Interest Disclosure Statement for any current District vendors, notates the conflict in the vendor maintenance record in the ERP system. If not a current District vendor, reviews the separate file for view as vendors are created in the ERP system. If a current District vendor, searches the ERP system for any open purchase orders. If any exist, reviews for any involvement of the employee or Governing Board Member. If no involvement is noted, then the employee and/or board member is notified to continue to refrain from partaking in any purchase. If involvement in the process is notated, then the Superintendent is notified of the conflict to determine if a stop payment and/or cancellation of the purchase should occur. Employees who knowingly do not disclose potential conflict of interest will be subject to disciplinary action. The Superintendent and Governing Board President will be notified of any identified Conflict of Interest to ensure Board Members refrain from participating in potential conflict decisions.

**Recommendation 27:** Develop and provide periodic training to employees and Board members on the requirements for complying with conflict-of-interest laws, including the need to describe their substantial interests on disclosure forms and to refrain from participating in any decision, contract, sale, purchase, or service for which they or a close relative have a substantial interest; and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The Business Manager will review all Conflict of Interest Disclosure Forms to determine if there is a potential or apparent conflict of interest. If no conflict is noted, the forms will be filed. If the employee or Governing Board member

indicted a potential conflict, maintains the form at the front of the file and reviews conflicts. Received the Conflict of Interest Disclosure Statement for any current District vendors, notates the conflict in the vendor maintenance record in the ERP system. If not a current District vendor, reviews the separate file for view as vendors are created in the ERP system. If a current District vendor, searches the ERP system for any open purchase orders. If any exist, reviews for any involvement of the employee or Governing Board Member. If no involvement is noted, then the employee and/or board member is notified to continue to refrain from part taking in any purchase. If involvement in the process is notated, then the Superintendent is notified to the conflict to determine if a stop payment and/or cancellation of the purchase should occur. Employees who knowingly do not disclose potential conflict of interest will be subject to disciplinary action. The Superintendent and Governing Board President will be notified of any identified Conflict of Interest to ensure Board Members refrain from participating in potential conflict decisions.