



**ARIZONA  
AUDITOR  
GENERAL**

**Lindsey A. Perry**, Auditor General

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

July 29, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Yucca Elementary School District

Debbie Vincent, Head Teacher  
Yucca Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Yucca Elementary 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, or implement in a different manner, all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Head Teacher Vincent 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 Yucca Elementary 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 Yucca Elementary School District (District) for fiscal years 2023 through 2025. 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 3 operational areas—administration, plant operations and maintenance, food service—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 Yucca Elementary 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 in financial and operational controls, including accounts payable, 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. The audit also found that inadequate fiscal recordkeeping limited the scope of the review, increasing the risk of undetected fraud, waste, and misuse.

### AUDIT PURPOSE

To assess the District's efficiency and effectiveness in 3 operational areas—administration, plant operations and maintenance, and food service—and its compliance with certain State requirements. The District does not have any transportation spending.

### BACKGROUND

Yucca Elementary School District is a rural school district located in Mohave County and was responsible for the education of 32 students in fiscal year 2023. The District has 1 school providing education services for students in kindergarten through 8<sup>th</sup> grade.

### KEY FINDINGS

- **Scope limitation and inadequate controls over financial processes**—The District failed to maintain complete fiscal records for petty cash, cash receipts, and accounts payable, increasing the risk of fraud and misuse.
- **Weak oversight of payroll, purchasing, and procurement**—One employee performed all payroll duties, increasing the risk of unauthorized payments; and the District lacked prior approval for some purchases, justification for expenditures, and a process to ensure competitive procurement practices.
- **Failure to follow conflict-of-interest requirements**—Governing Board members did not submit conflict-of-interest forms and 1 employee was involved in matters involving her substantial interests.
- **Travel reimbursement and safety concerns**—Some employee travel reimbursements were incorrect and the District did not ensure staff using personal vehicles for school business were licensed and insured.
- **Information technology security weaknesses**—Excessive user access and the lack of a disaster recovery plan and other security controls increased the risk of data loss, errors, and fraud.

### KEY RECOMMENDATIONS

The District should:

- **Implement strong financial controls**—Ensure proper recordkeeping for all financial transactions; separate duties and/or implement compensating controls to prevent errors and fraud; implement independent reviews and management oversight; and train staff.
- **Strengthen purchasing and procurement oversight**—Develop written procedures for purchasing approvals, competitive procurement, and documentation retention.
- **Mitigate conflicts of interest**—Establish procedures to review conflict-of-interest forms and to ensure that Board members and employees avoid becoming involved in matters that involve their substantial interests.
- **Address travel reimbursement and safety concerns**—Ensure travel reimbursements are preapproved and accurate and drivers using personal vehicles for school business are licensed and insured.
- **Bolster IT security measures**—Restrict system access, implement multifactor authentication, and establish a disaster recovery plan to protect sensitive District data.

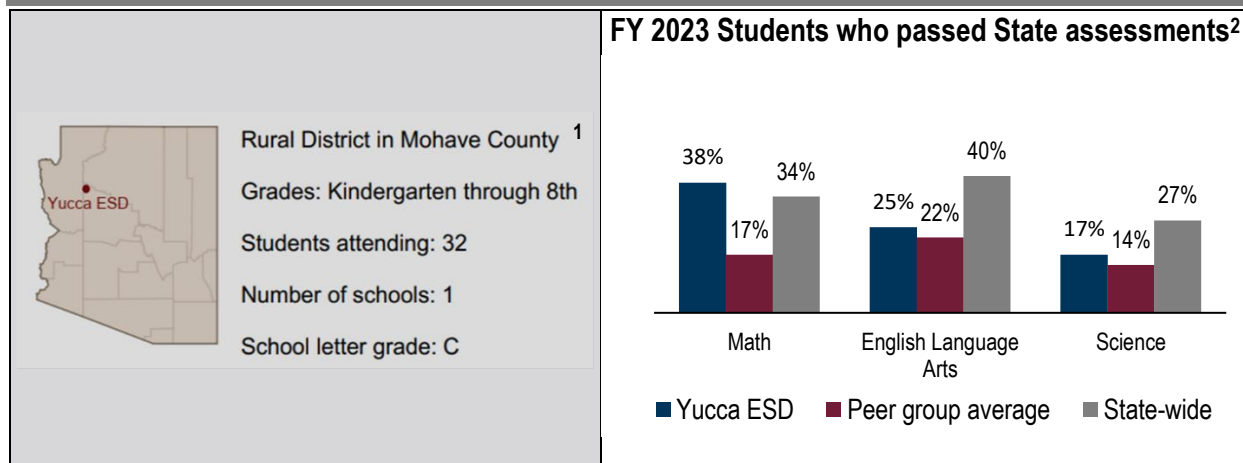
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## District overview

### Yucca Elementary School District Performance Audit—Fiscal Years 2023 thru 2025 July 2025



<sup>1</sup> Source: Arizona State Board of Education—Fiscal year 2023.

<sup>2</sup> Source: Arizona Auditor General's *Arizona School District Spending Analysis—Fiscal year 2023*.

**Audit scope limitation**—District failed to maintain sufficient fiscal records, hindering our ability to evaluate compliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) and increasing the risk of fraud, waste, and misuse.<sup>1</sup>

The District's failure to maintain required fiscal records limited our ability to assess compliance with USFR requirements and increased the risk of fraud, waste, and misuse. Inadequate record-keeping for petty cash, cash receipts, and accounts payable limited the scope of our review, preventing verification of financial transactions and proper oversight of public monies. Additionally, missing documentation for vendor payments and expenditures further limited transparency and accountability (see pages 5 through 7). For further information on this performance audit's scope and methodology see Appendix A (see pages 32 through 34).

<sup>1</sup> The USFR and related guidance is developed by the Arizona Auditor General and Arizona Department of Education (ADE) pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance prescribe the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements, and are in conformity with generally accepted practices and federal and State laws.

**FY 2023 total operational spending—\$730,500 (\$22,828 per student)**

**Instructional—65.7% (\$15,007 per student)**

**Noninstructional—34.3% (\$7,821 per student)**

In fiscal year 2023, Yucca Elementary 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 2023, the District spent a much higher percentage of its monies on instruction than did most very small districts—nearly 66 percent compared to less than 50 percent.

Operational overview—FY 2023	Measure	Yucca ESD	Peer average
<b>Administration—lower spending and lacked important internal controls over credit cards, travel, and purchasing</b> The District spent less per student on administration than its peer districts averaged. The District operates with minimal administrative staff positions, which resulted in lower costs, but also contributed to a lack of important controls over its payroll, credit card, travel reimbursement, cash-handling, and purchasing procedures, increasing the risk of waste, errors, and fraud (see Findings 1, 2, and 4, pages 8 through 18, and 23 through 24). Additionally, the District failed to comply with some conflict-of-interest laws, increasing the risk of undisclosed financial interests affecting decisions. Staff and Board members did not consistently complete required disclosures, and 1 employee was involved in approving payments to and overseeing work by one or more close relatives. These deficiencies reduced transparency, risked biased decision-making, and heightened financial mismanagement concerns (see Finding 3, pages 19 through 22). Finally, the District had several information technology (IT) deficiencies that increased the risk of errors, fraud, unauthorized access to sensitive District information, and data loss (see Finding 5, pages 25 through 28).	Spending per student	\$3,565	\$4,259
<b>Plant operations—lower spending, and no reported findings</b> The District spent 24 percent less per square foot and 69 percent less per student than its peer districts averaged. The District maintains less square footage than most of its peers which may lead to lower costs for utilities and other expenses. We did not report any findings in this area.	Spending per square foot	\$7.54	\$9.40
	Spending per student	\$1,774	\$3,000
<b>Food service—lower per meal spending, and no reported findings</b>	Spending per meal	\$9.86	\$7.35

Operational overview—FY 2023	Measure	Yucca ESD	Peer average
The District spent 34 percent more per meal than its peer districts averaged. This is likely due to the rural location of the District and small number of students served. In addition, according to the District, although there is a State contract for bulk food deliveries, a minimum order of 20 cases of food per delivery is required. The District reported that it does not have the storage capacity nor student population to support an order of this size. As a result, the District purchased its food from other retail vendors whose prices are likely higher.			
<b>Transportation—no transportation program or expenditures, but lacked procedures to help protect students transported in personal vehicles for activities</b>  The District does not operate a student transportation program and does not have vehicles for transporting students. Parents are responsible for transporting their students to and from school without District compensation. Personal vehicles are also used to transport students for fieldtrips and other school activities. However, we found that the District does not ensure that drivers for these activities have valid drivers licenses and automobile insurance which could increase the District's liability and the risks to student safety in the event of an accident (see Finding 4, pages 23 through 24).	Spending per rider	N/A	N/A
	Spending per mile	N/A	N/A

Source: Arizona Auditor General's *Arizona School District Spending Analysis—Fiscal year 2023*.



## AUDIT SCOPE LIMITATION DISTRICT FAILED TO MAINTAIN SUFFICIENT FISCAL RECORDS

### **District failed to maintain sufficient fiscal records, limiting the scope of our review of petty cash, cash receipts, and accounts payable documentation and procedures, and increasing its risk of undetected fraud, waste, and misuse**

During our audit of the District, we found that the District's lack of documentation in several critical areas substantially limited, or in some cases entirely prevented, our ability to review business office operations or the appropriateness of District transactions and the accuracy of its records. According to the USFR, districts must maintain complete and accurate source documents to support all financial transactions. These records serve as the foundation for accounting entries and ensure transparency, accountability, and compliance with financial reporting requirements. Additionally, to safeguard district monies and ensure financial accountability, the USFR requires districts to implement strong internal controls, proper record-keeping, reconciliation procedures, and independent supervisory reviews to detect and prevent errors or irregularities.

We identified the following deficiencies in the District's financial records that limited the District's ability to safeguard District monies and prevented us from fully evaluating whether its expenditures were appropriate and whether fraud or misuse had occurred:

- **District did not maintain support necessary to track its petty cash account revenues and expenditures**—During the period of review, fiscal years 2023 and 2024, the District operated a petty cash account but did not maintain sufficient records to enable us to assess whether cash collected was accounted for and whether amounts disbursed were allowable, authorized, and appropriate. The District appears to have replenished the petty account using undeposited cash receipts but did not maintain a ledger to record monies added to or paid out from the account. It also lacked receipts or other records supporting monies disbursed from the account and did not have a process in place to reconcile the petty cash account. Failure to maintain proper records and adhere to USFR guidance for petty cash disbursements increases the risk of fraud and reduces accountability over public monies.
- **District lacked documentation necessary to determine whether payments to vendors were authorized, appropriate, and allowable**—Our review of 30 accounts payable and 30 credit card transactions identified 6 expenditures totaling nearly \$3,000 for which the District did not maintain any supporting documentation, such as purchase orders, invoices, receipts or statements. For 3 of these expenditures the purchases related to groceries and kitchen supplies, and the other 3 purchases were related to purchases made by the Business Manager for software purchases and construction materials. The lack of any supporting documentation for these expenditures prevented us from determining whether the expenditures were authorized, appropriate, and allowable.

Further, as discussed in Finding 1 (pages 8 through 14), 51 of the remaining 54 transactions we reviewed did not include all the supporting documentation the USFR requires to demonstrate that the purchase was approved in advance, goods were received, and/or invoices reviewed and approved prior to payment being made. By failing to maintain required fiscal records, the District limits its ability to provide proper oversight and increases the risk of fraud, waste, and misuse occurring and going undetected.

- **District's accounting system did not reflect all revenues and expenditures, increasing its risk for fraud, waste, and misuse**—We found that the financial records maintained in the District's accounting system are incomplete and cannot be fully relied upon to assess the District's spending. The District maintained an auxiliary bank account with a manual ledger of receipts and disbursements and, since the auxiliary account is separate from other District accounts held by the County Treasurer, transactions from it are not recorded in the District's accounting system. Although the District reported that it used a combination of its accounting system records and manual records to prepare required State financial reports, the District did not provide documentation demonstrating this. Thus, we could not validate whether fiscal information the District reported within its *Annual Financial Report* was complete, accurate, and reliable.

Additionally, we identified an instance where the District removed a payment of \$1,189 from its accounting system as it sought to correct an account coding error. However, it did not reenter this payment into the accounting system after the correction was made, further contributing to the overall inaccuracy of its accounting records. Moreover, as detailed in Finding 1, pages 8 through 14, we identified numerous instances where expenditures were not correctly coded which also affected the accuracy of the District's financial records. By failing to accurately record all financial transactions in its accounting system, the District did not comply with USFR requirements; compromised its financial records' reliability; increased the risk of financial misstatements and misuse; and limited the scope of our review.

### **District's lack of guidance and training for staff and a thorough supervisory review process contributed to its poor financial recordkeeping**

Our review found that the District did not have comprehensive policies and procedures for staff to follow to ensure that all financial records are maintained in accordance with USFR requirements and recorded in its accounting system. Specifically, it has not established procedures for regularly reconciling each of its accounts to ensure they are complete and accurate. It has also not established procedures to ensure that transactions from its auxiliary bank account are recorded in its accounting system. Additionally, as further discussed in Findings 1, 2, and 4 (pages 8 through 18 and 23 through 24) the District has also not provided training and guidance for its business office staff to minimize the risk of financial inaccuracies and noncompliance with USFR requirements, and it did not have a supervisory review process sufficient to identify the problems we found.

### **Recommendations**

The District should:

1. Develop and implement policies and procedures to ensure that fiscal records are maintained in accordance with USFR requirements, and that all fiscal transactions are recorded in the District's financial system.
2. Require that all revenue and expenditure transactions from all bank accounts be recorded in the District's accounting system to ensure transparency and accountability.

**District response:**

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

## Findings and recommendations

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### **Finding 1. The District lacks sufficient internal controls in most business and financial operational areas, putting public monies at an increased risk of errors, improper payments, and fraud, and limiting the transparency of its activities**

The Arizona Auditor General identified substantial internal controls deficiencies leading to theft and misuse of District monies 10 years ago and our review determined that many of the same issues persist at the District. A special investigative report issued by the Arizona Auditor General on March 3, 2015, found that District officials failed to provide adequate oversight and maintain effective internal controls, resulting in embezzlement and misuse of \$4,361 of public monies that should have benefited the District. At the time, the District reported that it had implemented improvements to certain controls over District finances.

However, throughout this audit, we identified numerous internal controls deficiencies and failures to follow USFR requirements. The deficiencies discussed below are related to payroll processing, travel expenditures, purchasing, credit card use, procurement, and accounting inaccuracies.<sup>2</sup> We also identified additional internal controls deficiencies relating to cash handling and petty cash procedures, which are discussed in Finding 2, pages 15 through 18.

*Deficiency 1. Contrary to the USFR, the District did not separate duties for its payroll processes, ensure payments to employees were properly approved and supported, or provide required federal tax forms for some payments*

- **District has not separated payroll duties nor developed compensating controls, increasing the risk of errors and improper 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 reduce the risk of errors or improper payments. If there are too few staff to separate duties, as is the District's case, the USFR requires districts to implement compensating controls, such as additional management reviews. However, the District employs a single business office employee and a part-time administrator who also teaches full-time, which limits its ability to both separate duties and provide additional oversight. Our review found that the District had made the business manager responsible for reviewing and approving timecards—including their own—adjusting timecards, entering payroll information into the District's accounting system, processing payroll, and distributing payments. The District's reliance on a single employee to perform all these functions increases the District's risk of errors or improper payments being made. Additionally, the District's existing review processes were not sufficient to identify and prevent the issues we found.
- **District did not require hourly employees' timecards to be verified and approved and for manual adjustments to be supported to ensure accurate payments**—Our review found that,

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<sup>2</sup> The Arizona Auditor General and ADE developed the USFR pursuant to A.R.S. §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures for Arizona school districts to use for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

contrary to the USFR, the District did not have a process to review and approve timecards for hourly employees. The USFR requires all hourly pay to be supported through attendance records, such as timecards, and requires timecards to be approved by employees and their direct supervisors to ensure pay is accurate and is only for actual hours worked. We reviewed the timecards for 7 hourly employees for 2 pay periods in fiscal year 2025 and found that none of the timesheets from either pay period were signed by the employee nor approved by a supervisor.

Additionally, although the District reported that its Board reviewed and approved payroll expenditures prior to payment processing, our review found that this review was not sufficient to ensure timecard adjustments had supervisory approval and included supporting documentation. For instance, because of the risk of having 1 employee responsible for the entire payroll process, we reviewed the business manager's timecards for 5 pay periods and found that the business manager manually adjusted her own timecard for 4 of 5 pay periods reviewed. The adjustments increased the hours worked by a total of 20 and lacked evidence of supervisory review and approval and documentation supporting the change. We determined that the amounts paid aligned with the adjusted timecards and the business manager provided explanations for the adjustments. For instance, the business manager indicated that 1 adjustment was for time spent traveling and making deposits and picking up payroll and expense vouchers, and another was for time spent supervising a vendor who needed access to campus outside of regular school hours. However, the lack of supervisory oversight and a process to document the reasons for the manual adjustments to timecards increases the risk that incorrect or unallowable adjustments could be made and go undetected.

*Deficiency 2. The District lacked important internal controls over purchasing and travel reimbursements, increasing the risk for improper purchases or payments*

The District did not comply with Governing Board (Board) policies and USFR requirements for 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 and travel reimbursements were approved in advance and did not consistently obtain supporting documentation—** We judgmentally selected and reviewed 30 of 1,543 accounts payable transactions for fiscal years 2023 and 2024 and 30 of 97 credit card transactions for fiscal years 2023 and 2024 totaling \$47,885. We found that for 26 of 30 accounts payable transactions and 27 of 30 credit card purchases we reviewed, the District processed payments for purchases that had not been approved in advance and/or purchases that lacked supporting documentation, such as an invoice or receipt. For instance, for 1 credit card purchase totaling approximately \$1,370, the District did not generate a purchase order for the purchase until 25 days after the purchase was made. In another instance, the District purchased food supplies for student lunches totaling \$1,088; however, the District did not maintain documentation necessary to support what items the District had approved staff to purchase and to verify that purchases were for valid District purposes.

We also judgmentally selected and reviewed 15 of 23 fiscal years 2023 and 2024 travel claims totaling \$4,285 and found that none of them included all the information and approvals required by

the USFR. According to the USFR, all travel expenditures must be approved in advance and supported by a travel claim, receipts, or invoices. Additionally, travel claims must include the time and place travel begins and ends and odometer readings or map mileage, and be approved by the employee and an appropriate supervisor. However, 3 of 15 travel expenditures we reviewed were not supported by a travel claim, 8 claims were missing required information, and 8 claim forms lacked required supervisory approval. Additionally, for 11 of 15 travel expenditures, the District created and approved a purchase order after the travel expense occurred. Moreover, the District did not develop or maintain any other form of documentation to show that travel had been preapproved, such as Board meeting minutes detailing the authorized travel and maximum travel cost or a District-approved travel authorization form.

- **District did not always verify goods or services were received prior to paying for them**—Our review found that for 20 of 30 accounts payable transactions we reviewed, the District did not maintain adequate support to verify that the District had received the goods and services and verified that invoices were accurate before paying them. 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 the District, staff were unaware of the USFR requirement. However, the District's lack of a receiving process increases its risk of paying for goods and services that were either not received or were of lesser quality than required. It also increases the District's risk of paying inaccurate or fraudulent invoices.

*Deficiency 3. The District did not track the use of its credit cards and incurred credit card late fees, which wasted District resources and increased the risk of fraud and misuse*

Although the Board has established policies governing credit card use in accordance with USFR requirements, the District has not consistently followed these policies and has also not ensured its credit card bills are paid timely.<sup>3</sup> Board 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 annually. However, our review identified the following issues:

- **The District failed to accurately track and document employee access to, and use of, credit cards**—As of October 2024, the District had 6 store-issued credit cards that could be used to make purchases from 3 businesses, and we found that it did not consistently track who had possession of the cards, as required by the USFR and Board policy. While the District maintained credit cards in a locked location with access limited to a credit card custodian, the District lacked a log or other record to indicate when cards were provided to staff who needed to make purchases. Without this information, the District could not demonstrate that any missing cards had not been lost or stolen and could not readily determine whether they were in the possession of authorized users, increasing the risk that its credit cards could be used for fraudulent purposes. According to the District, it does not have written procedures to guide the staff responsible for tracking credit cards and monitoring their use.

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<sup>3</sup> Credit cards include bank credit cards and store cards.

- **The District did not always ensure card users had user agreements on file nor document training provided**—The USFR and Board policy require that card users receive 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, none of the 3 authorized credit card users consistently completed the required annual user agreements. Additionally, the District did not have documentation showing that all 3 authorized users completed required credit card training in fiscal years 2023 and 2024. According to the District, the lack of user agreement and training was unintentional and resulted from administrative oversight. The District also indicated that it did not provide credit card use training in fiscal year 2024, and although the District reported that it provided the training in fiscal year 2023, it did not have any documentation of the training provided. Because the District does not consistently enforce these requirements, there is an increased risk that the District’s credit cards could be misused.
- **District incurred credit card penalties and interest, which resulted in it wasting \$843 of public monies**—The USFR requires card balances to be paid in full each billing cycle and in a timely manner to avoid late fees and finance charges, but the District did not do so and incurred penalties and interest charges of \$843. We found that the District lacked a process for proactively monitoring its credit card usage and processing credit card payments by their due dates, which led to it wasting public monies.

*Deficiency 4. The District did not maintain complete procurement files or adhere to required procurement practices, impacting the District’s ability to demonstrate that its procurements were proper and in the District’s best interest*

According to the USFR and Arizona Administrative Code, the District should document and retain a procurement file with all relevant information such as prices, purchase orders, contracts, and any evaluation or justification forms, but the District has not consistently done so. The Arizona Administrative Code states that, even for cooperative contracts, the District still has a responsibility to conduct a due diligence review to ensure compliance with procurement requirements, and that the contract is the best use of public monies.<sup>4</sup> Further, after contracts are executed, the District must have a process in place to ensure purchases are proper and appropriate, and that sufficient budget capacity exists to make expenditures from budget-controlled funds.

Our review of the District’s procurement files for 12 of 104 vendors from fiscal years 2023 and 2024 found that 3 of 12 procurement files we reviewed were missing required items, such as due diligence forms, quotes, or written justifications. Specifically, for 1 contract, the District did not have documentation demonstrating it, or the cooperative agency the contract was executed through, had conducted the necessary due diligence and did not have a written justification for selecting the vendor. The other 2 contract files did not have 3 written quotes, as required by Board policy, and each was missing written determinations justifying that the contracts were in the District’s best interest. As a result, the District may be unable to demonstrate that procurements were conducted in accordance with the USFR, Arizona

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<sup>4</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.



Administrative Code, and Board requirements, or that they represented the most prudent use of public monies.

*Deficiency 5. The District did not correctly classify expenditures in its accounting system, which affected the accuracy of information available to the public and decision makers*

We identified expenditures totaling at least \$64,346 that the District did not classify in accordance with the USFR Chart of Accounts as required by the USFR. Districts are required to adhere to the USFR Chart of Accounts when recording expenditures to ensure accurate financial reporting and comparability among Arizona school districts and nationally. Based on our review, the District misclassified expenditures associated with 10 of 30 accounts payable transactions, 2 of 5 employee payroll records, 12 of 15 travel reimbursements, and 12 of 30 credit card transactions. 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.

When we brought the misclassifications to District officials' attention, they communicated that business office employees were not fully aware of the USFR Chart of Accounts and how to apply its expenditure classification guidance. Consequently, staff had classified expenditures the same way they had in prior years without reviewing the USFR Chart of Accounts and ensuring coding was accurate. After becoming aware of the issue, the District reported that it enrolled the business manager in training for classifying expenditures in accordance with the USFR Chart of Accounts and processing accounts payables.

**The District has not developed procedures for how District policies should be implemented, and has not trained staff, nor developed effective secondary review processes and compensating controls to reduce the risk of errors or fraud**

Although the District's Board established policies for payroll, purchasing, credit card usage, and procurement, the District has not developed written procedures for how these policies will be implemented and how the District will comply with USFR and State requirements. Long-time District staff reported that the District has not had written procedures to guide staff responsible for activities such as tracking credit cards and procuring goods and services for at least 9 years. Additionally, staff reported that they had not understood the USFR requirements and their applicability to the District's operations. As previously noted, staff also reported that they had not been trained to properly classify and record expenditures. A lack of clear guidance and training led to inconsistent practices among staff and a failure to maintain required documentation.

Additionally, District management has not implemented adequate oversight to ensure compliance with State requirements and Board policies. For instance, although the District's head teacher and Board members are ultimately responsible for approving payroll, this review has not been sufficient to ensure timecards are appropriately verified and approved. The District also indicated that it has a supervisory oversight process to review travel claims and purchases, but this process was also not effective, as previously described. Effective management oversight is essential for ensuring that staff adhere to established policies and procedures, internal controls function as intended, and any deviations are promptly identified and addressed. Moreover, management oversight and other compensating controls are critical



when there is not sufficient staff to effectively separate responsibilities for activities such as cash handling and payroll processing.

In the District's case, management did not implement adequate monitoring systems or review processes to oversee critical operational areas, which allowed control deficiencies to persist. To address the deficiencies noted previously, it is imperative that District management strengthens oversight mechanisms. This includes separating duties and/or developing compensating controls if separating duties is not possible, as required by the USFR; implementing regular reviews of operational processes; establishing clear lines of accountability; and ensuring that any identified deficiencies are promptly corrected. By actively overseeing staff adherence to policies and procedures, management can enhance compliance, reduce risks, and promote responsible stewardship of public resources.

## **Recommendations**

The District should:

3. Separate incompatible duties for payroll or develop and implement compensating controls in accordance with the USFR, such as additional management reviews by the head teacher, Board members, or another employee with no finance-related responsibilities.
4. Develop and implement written payroll processing procedures and a management oversight process to ensure timecards and any subsequent adjustments are authorized by employees and approved by a supervisor, such as the head teacher or a Board member, and payments to employees are accurate and supported.
5. 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.
6. Develop and implement written procedures to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive secondary approval.
7. Develop and implement written procedures and a thorough secondary review process to ensure travel expenditures are approved in advance and reimbursements are supported by completed travel claim forms and documentation in accordance with the USFR and District requirements.
8. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.
9. Establish procedures to ensure that all credit card users complete an annual user agreement and receive training on the District's credit card policies and procedures prior to using District credit cards, and maintain copies of the agreements and document the training provided.
10. Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track when the cards were used and by whom and the associated purchase order.

11. Develop procedures to ensure procurement processes comply with State procurement requirements and maintain procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.

**District response:**

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

## **Finding 2. Despite past instances of theft, the District has not separated cash-handling responsibilities and lacks other important cash controls, which continues to put public monies at risk and reduces the District's accountability to the public**

As noted in Finding 1, pages 8 through 14, serious internal controls deficiencies in the past led to theft and misuse of District monies. This audit found similar substantial deficiencies in the District's cash-handling procedures, petty cash processes, and management oversight that expose the District to an increased risk of loss and theft. See the details below.

### *Deficiency 1. The District did not properly account for cash receipts*

Our review of the District's informal procedures, onsite observations, and supporting documentation for 10 deposits totaling \$3,938 made between June 2023 to June 2024 found that the District did not comply with USFR requirements and Board policy for 5 of the deposits we reviewed. Through our review, we identified the following issues:

- **District did not always prepare receipts or maintain supporting documentation for cash collected**—Despite Board policy and the USFR stressing the importance of issuing and retaining underlying documentation to support amounts of cash collected, such as prenumbered receipts or sequentially numbered transactions, the District generally lacked this documentation. Specifically, the District did not issue receipts for cash received nor maintain adequate documentation for 3 of 10 deposits we reviewed totaling \$1,494. For example, the District deposited cash totaling \$1,000 into an auxiliary account but had cash receipts supporting only \$550 of the amount deposited. It did not have any records for the remaining \$450 to show how or when the money was received nor its purpose. The District was unable to provide an explanation as to why the remaining amounts deposited were not supported.  
  
In another instance, the District held a fundraiser that included a bake sale, spaghetti dinner, and silent auction, but the District did not issue or track individual receipts for sales of goods or admission tickets. District officials reported performing work to help verify whether the total amount of cash collected was reasonable. However, it did not maintain documentation that would enable it to reconcile cash collected to actual sales and cannot ensure that all cash collected was appropriately accounted for and deposited into District bank accounts. The lack of supporting documentation of cash received increases the risk that monies could be lost or stolen. It also hinders the District's ability to reconcile actual cash collected with expected revenue, reducing transparency and accountability in financial reporting.
- **The District did not deposit all cash received for 1 of 10 deposits reviewed**—For 1 deposit we reviewed, the amount the District deposited was less than it should have been based on the deposit's supporting documentation. Specifically, the underlying support for this deposit totaled \$77, but the District deposited only \$70 into the County Food Service Fund—a discrepancy of \$7. The District was unable to provide an explanation of why the variance occurred and could not account for the missing monies. Although the discrepancy is small, any unexplained variance in cash deposits indicates a weakness in internal controls over cash handling, increasing the risk of theft or loss.
- **District did not deposit cash timely**—The USFR requires that school districts deposit cash at least weekly, or daily when amounts are significant, but the District deposited cash collected for 3 of 10 deposits totaling \$673 between 37 and 70 days after receipt. Additionally, because of the District's lack

of receipts or other documentation, we were unable to determine the timeliness of another deposit of \$255. Delays in depositing cash increase the risk of theft or loss, reducing the District's ability to safeguard public monies. Additionally, untimely 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.

*Deficiency 2. The District maintained an unauthorized petty cash account and did not comply with USFR requirements to safeguard petty cash*

As discussed in the Scope limitation, pages 5 through 7, the District maintained a petty cash account and lacked the records necessary for us to determine how much money should be in the account, how the monies were spent, and whether any monies had been lost, stolen, or otherwise unaccounted for. In addition, we identified the following other issues relating to the petty cash account.

- **District's petty cash account was unauthorized and was not operated in accordance with USFR requirements**—The District's petty cash account was not approved by the Board and was not operated in accordance with USFR requirements. The USFR permits the use of petty cash accounts but requires such accounts to be Board-authorized with a designated limit. Additionally, the cash in the account plus any withdrawal requests should always equal the authorized amount. Further, the USFR requires the account to be reconciled monthly by someone other than the account custodian and closed out at fiscal year-end with any monies returned to the appropriate bank account. Our review of the District's petty cash account found that it did not meet any of these USFR requirements.

Moreover, the USFR defines procedures for disbursing monies from the petty cash account, but the District also did not follow these requirements. The USFR specifies that employees seeking reimbursement from petty cash should complete a "Petty Cash Withdrawal Request" form, obtain the appropriate supervisor's approval on the request, and submit the request to the petty cash fund custodian. As discussed in the Scope Limitation (pages 5 through 7), the District failed to maintain a ledger of petty cash account revenue receipts and disbursements. In the absence of complete records, we selected 5 sales receipts paid from petty cash to assess petty cash disbursement controls. For each of the 5 receipts, the District had a disbursement request form. However, for 3 of the 5 receipts, the person requesting and approving the reimbursement was the District business manager, who also acted as the petty cash custodian. Additionally, we identified at least 1 instance where a family member of the business manager received a petty cash reimbursement of \$36 for school event supplies, but there was no receipt to support the reimbursement amount or that the items purchased served a valid District purpose.

Further, because the District did not maintain a ledger of petty cash receipts and disbursements, it is not possible to assess whether disbursements were appropriate and accurate. Specifically, for 4 of the 5 cash disbursements we reviewed, it is unclear whether the employees who received the monies returned unused petty cash totaling \$127 to the District. For instance, according to available documentation, an employee requested \$200 from the petty cash account to make a purchase for pumpkins for the School's holiday pumpkin patch, but the receipt the employee provided to the District totaled only \$120, and there is no record of whether the employee returned the remaining \$80 to the District.

Failure to maintain proper records and adhere to USFR requirements for petty cash disbursements weakens internal controls, increases the risk of theft or fraud, and reduces accountability over public monies. Additionally, without a ledger to track petty cash activity, the District cannot ensure that all disbursements are legitimate or that unused funds are returned, leading to potential financial losses. After we communicated concerns about the District's unauthorized petty cash account, the Board formally approved the account in December 2024 and established a limit of \$350. Additionally, the District began tracking petty cash receipts and disbursements in fiscal year 2025, and during an onsite visit to the District in October 2024 we observed that the balance reflected on the log maintained by the District aligned with actual cash on-hand.

### *Deficiency 3. District did not separate cash handling duties*

The USFR requires that cash-handling and recordkeeping functions to be separated among employees to safeguard cash, but the District has limited administrative staffing and has not effectively separated these duties. The District employs a business manager and a part-time administrator who also has full-time teaching responsibilities. As such, the business manager is responsible for nearly all of the District's financial activities, including receiving cash, preparing and making deposits, recording financial transactions, issuing checks from the District's auxiliary and operating bank accounts, and reconciling accounts without consistent or regular supervisory oversight.

Additionally, the business manager is responsible for managing the District's petty cash account, including collecting and disbursing monies, preparing and authorizing disbursements, maintaining custody of petty cash monies, and tracking account balances and activity with little to no supervisory oversight. Further, as discussed in Finding 1 (pages 8 through 14), this employee was also responsible for performing all payroll functions and, as noted in Finding 5 (pages 25 through 28), had full access to all modules within the District's financial system, allowing them to create, modify, and delete transactions without supervisory oversight.

### **The District has not developed compensating controls to reduce the risk of errors or fraud and has not provided guidance and training to staff for cash handling and petty account responsibilities**

As noted above and in Finding 1, pages 8 through 14, the District's limited staffing affects its ability to separate duties in accordance with the USFR. In these situations, the USFR recognizes that districts with limited staffing may need to assign conflicting duties to a single employee but still requires monies to be effectively safeguarded. To ensure transactions are appropriate and accurate and to reduce the risk of errors, fraud, or misuse, the USFR requires management to implement compensating controls, such as additional management reviews. Because the District's administrative staffing is minimal, Board members or other employees without financial and cash handling responsibilities may need to provide these additional reviews to ensure that records are maintained and accurate, identify and correct issues, and ensure cash is safeguarded as required by the USFR.

Additionally, according to the District, it does not have any written procedures in place detailing how to implement and comply with USFR and State requirements and the business manager had not received cash-handling and petty cash account training. As discussed throughout this report, the lack of clear guidance led to inconsistent practices and a failure to maintain required documentation.

## Recommendations

The District should:

12. Develop and implement procedures to ensure compliance with USFR requirements and District policies related to cash handling and petty cash, and train District employees with cash-handling and petty cash responsibilities on these procedures.
13. 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.
14. Ensure cash is deposited at least weekly, and daily when amounts are significant.
15. Separate cash-handling duties from employees with recordkeeping responsibilities and require a separate employee to prepare either deposits or reconciliations, but not both. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews by the head teacher or Board members, or by assigning these additional duties to an employee with no cash handling or recordkeeping responsibilities.
16. Develop and implement procedures to ensure compliance with USFR petty cash requirements, including designating a petty cash account custodian, maintaining a ledger of cash disbursements and receipts, and requiring disbursements to be pre-approved by someone other than the custodian, such as the head teacher, Board members, or an employee with no cash handling or recordkeeping responsibilities.
17. Require monthly independent reconciliations and random audits by some other than the custodian, such as the head teacher, Board members, or an employee with no cash handling or recordkeeping responsibilities, and implement a process to close out the account at fiscal year-end, in accordance with the USFR.

## District response:

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

### Finding 3. Board members and employees did not comply with some conflict-of-interest requirements and recommended practices, and 1 employee may have improperly participated in District employment decisions and payments to close relatives

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

State conflict-of-interest laws, the USFR, and District policy require District public officers and employees to avoid conflicts of interest that might influence or affect their official conduct. To determine whether a conflict of interest exists, 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>5</sup> Additionally, according to the USFR, districts should establish procedures to ensure that all employees and Board members comply with conflict-of-interest laws.

#### Key terms

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

Source: Auditor 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..>

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>6,7</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>8</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>9</sup> The Auditor General’s recommendations are based on recommended practices for managing conflicts of interest in government

<sup>5</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>6</sup> A.R.S. §§38-502 and 38-503(A) and (B).

<sup>7</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(6) defines “public agency” to include political subdivisions, and A.R.S. §38-502(5) defines “political subdivision” to include school districts. According to the *Arizona Agency Handbook*, public officers may or may not be paid. A.R.S. §38-503; Arizona Office of the Attorney General, 2018.

<sup>8</sup> A.R.S. §§38-502 and 38-509.

<sup>9</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.



and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employee/public officers of the importance of complying with the State's conflict-of-interest laws.<sup>10</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 to help ensure conflict-of-interest requirements are met.

### **District did not require annual disclosures for Board members and did not ensure all employees completed annual conflict-of-interest disclosures**

Contrary to recommended practices and the USFR, prior to fiscal year 2025, the District did not require Board members to complete conflict-of-interest disclosure forms, and did not consistently require all employees to file annual conflict-of-interest disclosure forms. We reviewed the District's conflict-of-interest documentation for fiscal years 2023 and 2024 for all 3 Board members and for a sample of 4 of 10 District employees and found that the District had no disclosure forms on file for any of the Board members and did not have a disclosure form on file for 1 of 4 employees we reviewed.

According to District officials, prior to this audit, they were unaware that Board members should submit conflict-of-interest disclosure forms. For the employee in our sample without a conflict-of-interest form on file, the District was unable to explain the lapse, and the employee is no longer employed by the District. After becoming aware that Board members are subject to conflict-of-interest requirements, the District began requiring Board members to submit conflict-of-interest disclosure forms and, as of July 2024, all 3 current Board members had such a form on file with the District.

### **District's business manager did not always disclose potential conflicts and clearly refrain from participating in matters in which she had a substantial interest**

We found that 1 employee, the District business manager, had completed conflict-of-interest forms annually, as required, but did not disclose all required conflicts of interest and may have been involved in District decisions in which she or a close relative had a substantial interest. Specifically, the business manager's conflict-of-interest forms did not consistently report her relationship to her spouse, who the District employed as a maintenance technician. The business manager disclosed the relationship and conflict on her 2015 conflict-of-interest form but subsequent disclosure forms from 2023 and 2024 indicated that she did not have a conflict despite her spouse providing services to the school during those years.

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<sup>10</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 1/16/25 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; Recommendation of the council on OECD guidelines for managing conflict of interest in the public service. Paris, France. Retrieved 4/29/24 from <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf>; Ethics & Compliance Initiative (ECI). (2016). Conflicts of interest: An ECI benchmarking group resource. Arlington, VA. Retrieved 4/29/2024 from <https://www.ethics.org/wp-content/uploads/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 1/29/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>.



Additionally, the business manager may have participated in decisions to hire her family members, issued payments to family members, and/or supervised their work, contrary to State laws.<sup>11</sup> Specifically, in fiscal year 2025, the District hired the business manager's daughter to work as a part-time administrative aide in July 2024. Board meeting minutes from June 11, 2024, state that "the office" would like to hire summer help to organize and store items on campus and recommends hiring the business manager's daughter for the job. The minutes are not clear who specifically made the recommendation, but the business manager is responsible for overseeing the District's office. On the same day the Board approved hiring the business manager's daughter, the business manager completed an updated conflict-of-interest form disclosing her daughter's District employment as a conflict of interest. However, it is not clear whether the business manager refrained from participating in making the hiring recommendation and, when asked, she did not provide information to us about who made the hiring recommendation to the Board. Further, the District and the business manager did not take steps to mitigate the conflict since the Board-approved employment contract stated that the employee would report to the business manager—her mother—and/or the head teacher. Board policy prohibits any employee from directly supervising a close relative but, according to the business manager, the head teacher was not onsite when her daughter performed her work. Although 2 different District employees worked closely with the daughter, the business manager was primarily responsible for supervising her daughter and approving her timecards.

The business manager also may have been involved in hiring her spouse and son to complete 6 construction projects between FY 2023 and FY 2024 totaling \$8,700. Although the Board had previously approved employing the business manager's spouse and son as maintenance technicians, the District lacked Board-approved employment contracts detailing the work to be performed and compensation amounts for these 6 projects. For maintenance work and the projects, the business manager approved the work requisitions, processed purchase orders, and made payments with nothing to indicate that a different District employee oversaw the work and provided the authorization to pay (For additional information about the District's lack of separation for employee purchasing and payroll duties, see Findings 1 and 2, pages 8 through 18).

**District lacked a process for reviewing conflict-of-interest disclosure forms and mitigating any conflicts identified, and has not provided conflict-of-interest training to Board members and employees**

According to District officials, because of the District's small size, they believed that policies and procedures related to conflict-of-interest remediation and mitigation were not necessary as the involved employees or Board members should be aware of any conflicts and would not participate in business related to the conflicts. However, we found that the District failed to take appropriate action to identify and remediate the conflicts when they were disclosed in accordance with State law and the USFR. 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.

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<sup>11</sup> A.R.S. §38-503(B).

The District could further improve compliance by strengthening its conflict-of-interest policies and developing written procedures requiring all Board members and employees to annually disclose any substantial interests and affirm they will avoid participating in any District decision affecting those interests. Further, the District could improve transparency into its activities by developing formal procedures for reviewing conflict-of-interest disclosures and mitigating any conflicts identified. Mitigating steps could include notifying the Board prior to its making decisions that could involve potential conflicts and training District staff to ensure they do not initiate, approve, or issue payments to relatives nor oversee their work.

## **Recommendations**

The District should:

18. 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 and refrain from participating in any District decision, contract, sale, purchase, or service for which they have a substantial interest.
19. 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 and employees refrain from participating in any matter in which they or a relative has a substantial interest.
20. Establish procedures to prevent employees from supervising close relatives and ensure that activities, such as approving purchase orders, signing off on completed work, or processing payments, are assigned to or closely overseen by someone without a conflict, such as the head teacher, Board members, or other employees who are assigned these additional duties.
21. 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 relative have a substantial interest.

## **District response:**

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

#### **Finding 4. The District did not always ensure employees using personal vehicles for District business, including transporting students, were properly insured and licensed, increasing the risk to students, and did not correctly reimburse some travel expenses and ensure tax requirements were met**

Our review found that District staff did not follow State requirements for the use of personal vehicles for District business and did not comply with State and District policies governing travel reimbursements. See the details below.

##### *Deficiency 1. The District could not demonstrate that it required proof of insurance for staff using personal vehicles for District business, including transporting students*

The District relies on personal vehicles for District travel and to transport students for activities such as field trips since it does not own vehicles or buses. According to Board policy, each employee or Board member who uses private vehicles for these purposes must receive written permission from the District administrator and present proof of insurance before transporting students, but the District has not enforced this requirement. Based on our review of travel reimbursements, we identified 3 instances where employees transported students in their personal vehicles but the District could not provide documentation demonstrating that the employee had submitted proof of auto insurance, as required. Additionally, Board policy, which provides for the administrator to develop additional regulations for the use of private vehicles, does not specifically require drivers to submit proof that they have a valid driver license. By allowing personal vehicles to be used for District business or to transport without ensuring that drivers are properly licensed and insured potentially increases the District's liability risk in the event of an accident. It also potentially jeopardizes student safety by increasing the risk that an unqualified or uninsured driver will transport students. According to the District, it had a process to verify that all employees driving personal vehicles had a valid driver's license and were insured; however, this process was not documented and the District did not always follow the established process.

##### *Deficiency 2. District did not follow State reimbursement rates for some travel claims we reviewed and may have incorrectly reported some reimbursements for tax purposes*

We judgmentally selected and reviewed 15 of 23 travel reimbursements from fiscal years 2023 and 2024 to evaluate compliance with State and District travel reimbursement requirements. The USFR requires school districts to implement policies and procedures consistent with SAAM reimbursement rates and guidance. To meet these requirements, the Board established travel reimbursement policies and the District developed procedures for Board members and staff to follow when seeking travel reimbursement. As noted in Finding 1, pages 8 through 14, none of the 15 reimbursements we reviewed had all required approvals or documentation in accordance with the USFR and District policy. Additionally,

- **District did not always comply with SAAM mileage reimbursement rates, resulting in under-reimbursements to employees**—For 1 of 15 travel reimbursements we reviewed, the District did not follow SAAM mileage reimbursement rates, resulting in an underpayment of approximately \$12 to a District employee. Specifically, the SAAM mileage rate was \$0.655 per mile in fiscal year 2024, but the District reimbursed this employee at a rate of \$0.625 per mile. Staff reported using the

outdated mileage reimbursement rates because they were unaware of changes in SAAM reimbursement limits.

- **District also may not have properly reported some reimbursements for tax purposes**—The Internal Revenue Service (IRS) guidance stipulates that mileage reimbursements for travel that occurs in the area where an employee normally works, or their “tax home,” may be considered taxable income, and we identified some District travel reimbursements that may have been reportable for tax purposes.<sup>12</sup> Additionally, SAAM specifies that to be in travel status and eligible for reimbursement of travel expenditures a traveler must be more than 50 miles from both the traveler's residence and regular duty post.<sup>13</sup> Our review identified 7 reimbursements to employees for travel within 50 miles of the school district. In addition, because the travel was within the employees’ “tax home,” the mileage reimbursed may be considered taxable income, but the District did not report the reimbursements, which totaled \$1,188 on the employees’ W-2 forms. Staff reported being unaware that these types of payments could result in noncompliance with IRS requirements and potential tax liabilities.

## Recommendations

The District should:

22. Strengthen policies and develop and implement procedures to ensure that the District collects and retains up-to-date documentation to demonstrate that employees who use their personal vehicles for District business, including transporting students, are properly licensed and insured.
23. Develop and regularly provide training to staff responsible for processing travel expense claims, which should include information about travel-related District policies and guidance documents and USFR and SAAM requirements, and document the training provided.
24. Review travel mileage reimbursements paid to District employees from January 8, 2024 through June 30, 2024, to determine whether the correct mileage reimbursement rate was used. Where appropriate, remit payment to the District employees who were underpaid for mileage reimbursements.
25. Determine whether District employees’ travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District’s determinations. In making these determinations, the District should consult with legal counsel as necessary.

## District response:

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

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<sup>12</sup> U.S. Internal Revenue Service (IRS), Publication 463. (2022). *Travel, Gift, and Car Expenses*. According to IRS guidance, a person's tax home is defined as "...your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located."

<sup>13</sup> SAAM Topic 50, Section 09.

## **Finding 5. The District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss**

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, that increased its risk for unauthorized access to sensitive information, errors, fraud, and data loss. See the details below.

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

Our October 2024 review of the accounts in the District's student information system, accounting system, and learning management system (LMS) found that the District did not regularly review and limit accounting system users' access and did not promptly remove unneeded user accounts (see Table 1, page 26). The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. The USFR further requires that when user accounts are no longer needed, such as when an employee terminates from district employment, access to information systems should be immediately disabled. Although credible industry standards recommend districts develop policies and procedures to regularly review and limit user access, the District has not done so. Specifically:

- **District did not ensure 1 accounting system user had access only necessary to perform their job duties**—Our review of all 6 users of the accounting system found that 1 user had access that was more than what was necessary to perform their job duties. Specifically, we found that the business manager 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.

The District reported that due to limited staffing, it was necessary for the business manager to have access to different modules within the accounting system. 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, balancing reports 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 within its accounting system. Further, as discussed in Findings 1 and 2 (pages 8 through 18), the District has several other internal control deficiencies involving conflicting responsibilities for financial and accounting processes and the District has also not developed a supervisory review process or other controls sufficient to effectively oversee those processes.

- **District did not promptly remove accounts that were inactive or no longer needed**—Our review of all 15 District and contractor user accounts with access to the District's LMS identified 1 administrative-

level user account within the LMS that had not been used for 2.5 years. The account had been set up to provide document scanning functions through the District's printing system and, after we brought it to the District's attention, the District removed access for this account as of February 2025.

Although we did not identify any inappropriate access to student information due to these deficiencies, system access beyond what is needed for an employee's job duties and failure to remove access when it is no longer needed increases the risk of errors, fraud, and inappropriate access to student information.

**TABLE 1. DISTRICT'S MANAGEMENT OF USER ACCESS CONTROLS**

Requirement	Learning Management & Information System	Student Information System	Accounting System	Summary
<b>Limit the number of users with administrator-level access</b>	✓	✓	✗	We found that 1 accounting system user account associated with the Business Manager had administrator-level access.
<b>Restrict user access to what is necessary to perform job duties</b>	✓	✓	✗	We found that 1 accounting system user had more system access than necessary to perform their job duties.
<b>Remove account access once access is no longer necessary</b>	✗	✓	✓	We found that 1 LMIS user account had administrative access but had not been used in over 2.5 years and was not disabled.

***Deficiency 2: The District lacks sufficient user authentication methods for access to all critical systems***

USFR guidance states that the District should require comprehensive authentication of users accessing critical IT systems in accordance with leading credible industry standards. The District lacks these authentication controls for 1 of its critical systems, which increases the District's risk of unauthorized access to its sensitive information and potential data loss. According to the District, the District was unaware that it should adopt these controls and reported that it will take steps to address this deficiency.



*Deficiency 3. The District's security monitoring and oversight policies and procedures do not comply with USFR requirements and industry standards*

Although the District has adopted some IT policies and works with a vendor to monitor and detect potential cyber security threats and attacks, its policies do not include some key security elements and it has not implemented procedures to monitor internal user activities. The USFR requires districts to develop and implement effective security procedures and monitor and report on the overall effectiveness of the district's policies and procedures. This includes developing and maintaining up-to-date security related policies and procedures, periodically assessing risks, and revising policies and procedures to prioritize and address the identified risks. The District has adopted some IT policies, such as acceptable uses of information technology, but it lacks comprehensive and specific policies and procedures for monitoring security controls, conducting security testing, and providing sufficient supervisory oversight of IT activities.

**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.

Additionally, the District lacks procedures, such as reviews of audit logs and user activity reports, to monitor internal user activities in its accounting system to reduce the risk of unauthorized access or activities that could result in data loss or fraud. The USFR requires districts to monitor and periodically audit system activity and electronic transactions from the beginning of a transaction through its completion to ensure that users adhere to all security-related policies, procedures, and guidelines. However, our October 2024 review of the District's accounting system found that the District did not monitor user activity and District officials indicated that they were unaware that such reviews were required.

*Deficiency 4: The District did not require staff to complete annual cyber security awareness training, increasing employees' vulnerability to cyberattacks*

The District did not provide annual cyber security awareness training as required by the USFR and recommended by credible industry standards to help staff prevent and detect technology-related threats. 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. As of October 2024, the District employees were not required to receive security awareness training, and the District reported being unaware of the USFR's requirement for annual training. Providing security awareness education and training would help the District ensure that its employees are aware of cyber security risks and their responsibilities for complying with District policies and protecting District systems. After we brought the issue to the District's attention, the District indicated that it would work with its insurance provider to identify appropriate security awareness training.

*Deficiency 5: The District lacked a complete IT contingency plan, increasing the risk of data loss and disruptions to operations*

We found that the District has not developed an IT contingency plan, leaving its systems vulnerable to potential data loss, operational disruptions, and prolonged downtime in the event of a system outage. In accordance with credible industry standards, the USFR requires that districts develop and implement an information technology disaster recovery plan to mitigate risks in cases of disaster or information loss. A comprehensive plan should include, for example, an impact analysis of business operations, a risk assessment of critical systems, a list of disaster scenarios, a recovery strategy and procedure, an inventory of systems and equipment, a crisis management plan, and a list of vital records and functions required for operations. Without such a plan, the District lacks documented strategies to recover critical operations in the event of system failure, cyber incidents, or natural disasters, increasing the likelihood of data breaches, financial losses, and interruptions to essential functions. According to the District, it was unaware of the requirement for an IT disaster recovery plan and has not established formal policies or procedures to address business continuity in the event of IT failures.

**Recommendations**

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

26. Review and revise, as needed, the District's processes for ensuring access to the District's IT network is immediately terminated when employees and contractors no longer work for the District.
27. Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate.
28. Implement comprehensive authentication controls for users accessing critical IT systems.
29. Establish comprehensive IT policies and procedures that assign responsibility for overseeing and monitoring IT operations and system access, require regular review of user accounts, and include processes to detect and respond to unauthorized or suspicious activity in compliance with the USFR.
30. Provide cyber-security awareness training to employees at least annually and document their participation.
31. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

**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 31 recommendations to the District

The District should:

1. Develop and implement policies and procedures to ensure that fiscal records are maintained in accordance with USFR requirements, and that all fiscal transactions are recorded in the District's financial system.
2. Require that all revenue and expenditure transactions from all bank accounts be recorded in the District's accounting system to ensure transparency and accountability.
3. Separate incompatible duties for payroll or develop and implement compensating controls as required by the USFR, such as additional management reviews by the head teacher, Board members, or another employee with no finance-related responsibilities.
4. Develop and implement written payroll processing procedures and a management oversight process to ensure timecards and any subsequent adjustments are authorized by employees and approved by a supervisor, such as the head teacher or a Board member, and payments to employees are accurate and supported..
5. 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.
6. Develop and implement written procedures to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive secondary approval.
7. Develop and implement written procedures and a thorough secondary review process to ensure travel expenditures are approved in advance and reimbursements are supported by completed travel claim forms and documentation in accordance with the USFR and District requirements.
8. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.
9. Establish procedures to ensure that all credit card users complete an annual user agreement and receive training on the District's credit card policies and procedures prior to using District credit cards, and maintain copies of the agreements and document the training provided.
10. Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track when the cards were used and by whom and the associated purchase order.
11. Develop procedures to ensure procurement processes comply with State procurement requirements and maintain procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals,

due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.

12. Develop and implement procedures to ensure compliance with USFR requirements and District policies related to cash handling and petty cash, and train District employees with cash-handling and petty cash responsibilities on these procedures.
13. 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.
14. Ensure cash is deposited at least weekly, and daily when amounts are significant.
15. Separate cash-handling duties from employees with recordkeeping responsibilities and require a separate employee to prepare either deposits or reconciliations, but not both. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews by the head teacher or Board members, or by assigning these additional duties to an employee with no cash handling or recordkeeping responsibilities.
16. Develop and implement procedures to ensure compliance with USFR petty cash requirements, including designating a petty cash account custodian, maintaining a ledger of cash disbursements and receipts, requiring disbursements to be pre-approved by someone other than the custodian, such as the head teacher, Board members or an employee with no cash handling or recordkeeping responsibilities.
17. Require monthly independent reconciliations and random audits of its petty cash account by someone other than the custodian, such as the head teacher, Board members, or an employee with no cash handling or recordkeeping responsibilities; and implement a process to close out the account at fiscal year-end, in accordance with the USFR.
18. 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 and to refrain from participating in any District decision, contract, sale, purchase, or service for which they have a substantial interest
19. 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 and employees refrain from participating in any matter in which they or a relative has a substantial interest.
20. Establish procedures to prevent employees from supervising close relatives and ensure that activities, such as approving purchase orders, signing off on completed work, or processing payments, are assigned to or closely overseen by someone without a conflict, such as the head teacher, Board members, or other employees who are assigned these additional duties.
21. 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 relative have a substantial interest.

22. Strengthen policies and develop procedures to ensure that the District collects and retains up-to-date documentation to demonstrate that employees who use their personal vehicles for District business, including transporting students, are properly licensed and insured.
23. Develop and regularly provide training to staff responsible for processing travel expense claims, which should include information about travel-related District policies and guidance documents and USFR and SAAM requirements, and document the training provided.
24. Review travel mileage reimbursements paid to District employees from January 8, 2024 through June 30, 2024, to determine whether the correct mileage reimbursement rate was used. Where appropriate, remit payment to the District employees who were underpaid for mileage reimbursements.
25. Determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.
26. Review and revise, as needed, the District's processes for ensuring access to the District's IT network is immediately terminated when employees and contractors no longer work for the District.
27. Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate.
28. Establish and comprehensive IT policies and procedures that assign responsibility for overseeing and monitoring IT operations and system access, require regular review of user accounts, and include processes to detect and respond to unauthorized or suspicious activity in compliance with the USFR.
29. Implement comprehensive authentication controls for users accessing critical IT systems.
30. Provide cyber-security awareness training to employees at least annually and document their participation.
31. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

## Appendix A. Objectives, scope, and methodology

Sjoberg Evashenk Consulting conducted a performance audit of Yucca Elementary 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 3 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.

**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 5 of 10 individuals who received payments through the District's payroll system in fiscal year 2024 and reviewed supporting documentation for 60 of 1,640 fiscal years 2023 and 2024 accounts payable transactions, including credit card purchases. 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 the Scope Limitation and Findings 1 through 5.

**Peer groups**—We used 2 peer groups developed by the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2023* 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 2023 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2023 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, the Arizona Auditor General developed a peer group using 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 Yucca ESD, 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 2023*, 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 2023**

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2023)	Poverty rate District type Location	37 percent or higher Elementary school districts Towns and rural areas	11
Administration, plant operations, and food service (fiscal year 2023)	District size Location	Fewer than 200 students Towns and rural areas	58

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2023*.

**Efficiency and effectiveness**—In addition to the considerations previously discussed, we also considered other information 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 District-provided accounting system and software user access and financial 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 years 2023 and 2024; and Board meeting minutes.
- **Observations**—To further evaluate District operations, we observed day-to-day activities in the operational areas we reviewed. This included facility tours and food service operations.

- **Analysis**—We reviewed the Arizona Auditor General’s analysis of the District’s fiscal year 2023 spending on administration, plant operations and maintenance, and food service 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.





# Yucca Elementary School District No. 13

## District Written Response



12261 S. 3<sup>rd</sup> Street • P.O. Box 128 • Yucca, AZ 86438 • [www.yuccaschool.com](http://www.yuccaschool.com) • [admin@yuccaschool.com](mailto:admin@yuccaschool.com)  
B: 928.766.2581 • F: 928.766.2509

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July 10, 2025

Mr. George Skiles, Partner  
Sjoberg Evashenk Consulting, Inc.  
455 Capitol Mall—Suite 700  
Sacramento, CA 95814  
(916) 443-1300

Dear Mr. Skiles:

Yucca Elementary School District No. 13 received and reviewed the Fiscal Years 2023, and 2024 Audit Report as provided by Sjoberg Evashenk Consulting, Inc. on behalf of the Arizona Auditor General. In summary of the report, Sjoberg Evashenk Consulting made 31 recommendations to Yucca Elementary School District No. 13 regarding the implementation of stronger financial controls, strengthening purchasing and procurement oversight, mitigating conflicts of interest, addressing travel reimbursement and safety concerns, and bolstering IT security measures. Upon review of the report, Yucca Elementary School District No. 13 agrees with all findings and recommendations and will be working diligently to address the findings and will be implementing all the recommendations provided.

The District is in the process of implementing the recommendations provided and will work to improve the processes and procedures moving forward.

Yucca Elementary School District No. 13 would like to express gratitude toward the audit team for helping the District in developing strategies and protocols to allow the District to enhance performance and be more responsible as a school district that is entrusted to be more fiscally responsible and adhere to all fiscal requirements.

Sincerely,

Debbie Vincent  
Head Teacher of  
Yucca Elementary School District No. 13  
Yucca, Arizona



**Audit Scope Limitation:** District failed to maintain sufficient fiscal records, limiting the scope of our review of petty cash, cash receipts, and accounts payable documentation and procedures, and increasing its risk of undetected fraud, waste, and misuse.

District Response: The audit scope limitation is agreed to.

Response explanation: The District has been working diligently to keep and ensure a transaction ledger for petty cash transactions. The Board approved a Petty Cash Account that must remain at \$350.00 dollars or less. In the event the excess revenues must be deposited within 1 week's time. Adherence to USFR guidelines will be in effect prior to cash disbursements.

**Recommendation 1:** Develop and implement policies and procedures to ensure that fiscal records are maintained in accordance with USFR requirements, and that all fiscal transactions are recorded in the District's financial system.

District Response: The audit recommendation will be implemented.

Response explanation: The District has been working hard to develop, review, update, and implement policies and procedures regarding fiscal records and maintenance.

**Recommendation 2:** Require that all revenue and expenditure transactions from all bank accounts be recorded in the District's accounting system to ensure transparency and accountability.

District Response: The audit recommendation will be implemented.

Response explanation: The District's current accounting system is known as School ERP Pro. The recommendation will be implemented at the start of this fiscal year, and monthly financial reports will be entered into the District's accounting system regularly.

**Finding 1:** The District lacks sufficient internal controls in most business and financial operational areas, putting public monies at an increased risk of errors, improper payments, and fraud, and limiting the transparency of its activities.

District Response: The finding is agreed to.

Response explanation: Although The District has implemented stages of processes that begin with an employee requisition, Business Manager Approval, Head Teacher review of approval, Head Teacher signature on cover sheet, Board Member review of all approvals, Board Signature, and finally Superintendent Office Approval and Signature. The District will incorporate more segregation of duties within the financial areas.

**Recommendation 3:** Separate incompatible duties for payroll or develop and implement compensating controls in accordance with the USFR, such as additional management reviews by the head teacher, Board members, or another employee with no finance-related responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The District will separate duties further than the explanation above, and will employ one of the teacher aides to review time cards before the process is allowed to continue. Furthermore, the District has been in the process of hiring a Time Clock Management Application.

**Recommendation 4:** Develop and implement written payroll processing procedures and a management oversight process to ensure timecards and any subsequent adjustments are authorized by employees and approved by a supervisor, such as the head teacher or a Board member, and payments to employees are accurate and supported.

District Response: The audit recommendation will be implemented.

Response explanation: The District is diligently working towards developing payroll process procedures, which will be located in the Payroll Manual.

**Recommendation 5:** 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: The District is working on creating training manuals, including classification for expenditures by reviewing and updating the USFR's Uniform Chart of Accounts for School Districts within the District's Accounting System Software.

**Recommendation 6:** Develop and implement written procedures to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive secondary approval.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement the use of pre-approved blanket purchase orders, as well as make sure that a secondary approval will be implemented if the authorized amount has an overage.

**Recommendation 7:** Develop and implement written procedures and a thorough secondary review process to ensure travel expenditures are approved in advance and reimbursements are supported by completed travel claim forms and documentation in accordance with the USFR and District requirements.

District Response: The audit recommendation will be implemented.

Response explanation: The District will ensure that the Governing Board will authorize travel reimbursement prior to the day of travel and will sign a school-level purchase order. Within a travel reimbursement, all reimbursements will be subject to support of receipts, invoices, and all USFR requirements.

**Recommendation 8:** Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.

District Response: The audit recommendation will be implemented.

Response explanation: Training requirements will be on an annual basis.

**Recommendation 9:** Establish procedures to ensure that all credit card users complete an annual user agreement and receive training on the District's credit card policies and procedures prior to using District credit cards, and maintain copies of the agreements and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The District is currently implementing a credit card log for each credit card, along with the annual user agreement. Training will be on an annual basis, and/or when a new, authorized user is hired

**Recommendation 10:** Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track when the cards were used and by whom and the associated purchase order.

District Response: The audit recommendation will be implemented.

Response explanation: The District is currently implementing a credit card log for each credit card, along with the annual user agreement. Training will be on an annual basis, and/or when a new, authorized user is hired

**Recommendation 11:** Develop procedures to ensure procurement processes comply with State procurement requirements and maintain procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation 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 is diligently working at developing procedures to ensure procurement processes comply with State Procurement requirements and maintain procurement-related documentation for District and cooperative agency contracts.

**Finding 2:** Despite past instances of theft, the District has not separated cash-handling responsibilities and lacks other important cash controls, which continues to put public monies at risk and reduces the District's accountability to the public

District Response: The finding is agreed to.

Response explanation: The District is currently implementing more measures for cash controls.

**Recommendation 12:** Develop and implement procedures to ensure compliance with USFR requirements and District policies related to cash handling and petty cash, and train District employees with cash-handling and petty cash responsibilities on these procedures.

District Response: The audit recommendation will be implemented.

Response explanation: The District is currently developing procedures to ensure compliance with USFR requirements and District policies related to cash handling. The District may purchase a cash register for the use of reconciliation and a transaction log

**Recommendation 13:** 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.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented a manual ledger that all transactions are recorded on. This ledger is utilized to ensure all cash received is appropriately deposited. Board Members will review the ledger and initial after approval.

**Recommendation 14:** Ensure cash is deposited at least weekly, and daily when amounts are significant.

District Response: The audit recommendation will be implemented.

Response explanation: The District Governing Board has already implemented this recommendation.

**Recommendation 15:** Separate cash-handling duties from employees with recordkeeping responsibilities and require a separate employee to prepare either deposits or reconciliations, but not both. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews by the head teacher or Board members, or by assigning these additional duties to an employee with no cash handling or recordkeeping responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The District has already implemented these controls as of December 10, 2024.

**Recommendation 16:** Develop and implement procedures to ensure compliance with USFR petty cash requirements, including designating a petty cash account custodian, maintaining a ledger of cash disbursements and receipts, and requiring disbursements to be pre-approved by someone other than the custodian, such as the head teacher, Board members, or an employee with no cash handling or recordkeeping responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The District has already implemented these controls as of December 10, 2024, and will continue to ensure compliance with USFR petty cash requirements.

**Recommendation 17:** Require monthly independent reconciliations and random audits by some other than the custodian, such as the head teacher, Board members, or an employee with no cash handling or recordkeeping responsibilities, and implement a process to close out the account at fiscal year-end, in accordance with the USFR.

District Response: The audit recommendation will be implemented.

Response explanation: The District has already implemented these controls as of December 10, 2024, however an employee is set to be utilized for reconciliations beginning in the new Fiscal Year/School Year starting July 1, 2025.

**Finding 3:** Board members and employees did not comply with some conflict-of-interest requirements and recommended practices, and 1 employee may have improperly participated in District employment decisions and payments to close relatives

District Response: The finding is agreed to.

Response explanation: The District will review and update procedures to ensure that all persons of the District will be in compliance with State Conflict of Interest Laws and District Policies. The updated procedures will include an annual disclosure form.

**Recommendation 18:** 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 and refrain from participating in any District decision, contract, sale, purchase, or service for which they have a substantial interest.

District Response: The audit recommendation will be implemented.

Response explanation: The District will review conflict of interest disclosure forms to identify and communicate conflict of interests. The District will do everything in its power to remediate disclosed conflicts of interest.

**Recommendation 19:** 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 and employees refrain from participating in any matter in which they or a relative has a substantial interest.

District Response: The audit recommendation will be implemented.

Response explanation: The District will review conflict of interest disclosure forms to identify and communicate conflict of interests. The District will do everything in its power to remediate disclosed conflicts of interest.

**Recommendation 20:** Establish procedures to prevent employees from supervising close relatives and ensure that activities, such as approving purchase orders, signing off on completed work, or processing payments, are assigned to or closely overseen by someone

without a conflict, such as the head teacher, Board members, or other employees who are assigned these additional duties.

District Response: The audit recommendation will be implemented.

Response explanation: Supervisor, Board Member, or other qualified employee will closely oversee activities such as approving purchase orders, signing off on completed work, or processing payments when or if there are any close instances.

**Recommendation 21:** 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 relative have a substantial interest.

District Response: The audit recommendation will be implemented.

Response explanation: The District is developing periodic training for employees and Board Members on the requirements for complying with conflict-of-interest laws.

**Finding 4:** The District did not ensure employees using personal vehicles for District business, including transporting students, were properly insured and licensed, increasing the risk to students, and did not correctly reimburse some travel expenses and ensure tax requirements were met.

District Response: The finding is agreed to.

Response explanation: The District has required a valid driver's license and insurance for student transportation in personal vehicles for District business, including transporting students, but failed to provide documents that would help in assuring compliance. Moving forward, the District will maintain all travel records correctly.

**Recommendation 22:** Strengthen policies and develop and implement procedures to ensure that the District collects and retains up-to-date documentation to demonstrate that employees who use their personal vehicles for District business, including transporting students, are properly licensed and insured.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement procedures to ensure it retains the collected, up-to-date documentation to demonstrate that employees who use their personal vehicles for District business are properly licensed and insured.

**Recommendation 23:** Develop and regularly provide training to staff responsible for processing travel expense claims, which should include information about travel-related District policies and guidance documents and USFR and SAAM requirements, and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and regularly provide training to staff that process travel expense claims. The District will also document the training provided.

**Recommendation 24:** Review travel mileage reimbursements paid to District employees from January 8, 2024 through June 30, 2024, to determine whether the correct mileage reimbursement rate was used. Where appropriate, remit payment to the District employees who were underpaid for mileage reimbursements.

District Response: The audit recommendation will be implemented.

Response explanation: The District will be implementing new procedures for travel reimbursement so that every reimbursement has the correct mileage rate.

**Recommendation 25:** Determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.

District Response: The audit recommendation will be implemented.

Response explanation: The District will seek legal counsel for mileage reimbursed for travel within District boundaries, and the District will formally document its determination.

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

District Response: The finding is agreed to.

Response explanation: The District will utilize more qualified employees than one to comply with USFR Standards

**Recommendation 26:** Review and revise, as needed, the District's processes for ensuring access to the District's IT network is immediately terminated when employees and contractors no longer work for the District.

District Response: The audit recommendation will be implemented.

Response explanation: The District currently reviews access to the District's IT network, and has already implemented the immediate termination of access upon employee and/or contractor termination

**Recommendation 27:** Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate.

District Response: The audit recommendation will be implemented.



Response explanation: The District regularly performs a detailed review of users' accounts. The District will continue to work on policy updates.

**Recommendation 28:** Implement comprehensive authentication controls for users accessing critical IT systems.

District Response: The audit recommendation will be implemented.

Response explanation:

**Recommendation 29:** Establish comprehensive IT policies and procedures that assign responsibility for overseeing and monitoring IT operations and system access, require regular review of user accounts, and include processes to detect and respond to unauthorized or suspicious activity in compliance with the USFR.

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

Response explanation: The District currently has IT policies and procedures to assign responsibility for monitoring IT operations and system access and is able to detect unauthorized or suspicious activity in compliance with the USFR. The District will work on updating the IT policy.

**Recommendation 30:** Provide cyber-security awareness training to employees at least annually and document their participation.

District Response: The audit recommendation will be implemented.

Response explanation: The District currently provides training on an annual basis and documents such participation.

**Recommendation 31:** Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work closely with credible industry individuals to meet the USFR requirements and will test the plan annually in order to identify and remedy any deficiencies.