




Blue Elementary School District

Initial Followup of Report 24-207

The June 2024 Blue Elementary School District performance audit found that the District educates a small number of students in a remote community and has taken steps to control its costs, but lacked procedures for certain business office activities, resulting in it being underfunded by over \$31,000 and inaccurately reporting its fiscal year 2023 spending; and did not have a formal agreement with Greenlee County Superintendent's Office (GCSSO) to provide business office services, increasing the risk of disruptions to District operations. We made **5** recommendations to the District.

District's status in implementing 5 recommendations

Implementation status		Number of recommendations
	Implemented	2 recommendations
	In process	2 recommendations
	Not implemented	1 recommendation

We will conduct a 24-month followup with the District on the status of the recommendations that have not yet been implemented.

Recommendations to the District

Finding 1: District lacked procedures for certain business office activities, resulting in it being underfunded by over \$31,000 and inaccurately reporting its fiscal year 2023 spending

1. The District should create written policies and procedures for District accounting and finance-related responsibilities that include requirements for:
 - a. Annually reviewing ADE's most recent transportation guidance, and accurately reporting to ADE all route miles traveled and riders transported, including those that are contracted, for State funding purposes.
 - ▶ Status: **Implementation in process.**

Since the audit, the District has worked with a vendor to create written policies for its accounting- and finance-related responsibilities, but it has not yet developed written procedures to guide staff. Specifically, the District lacks procedures for reviewing ADE's transportation guidance and for calculating and reporting miles traveled and riders transported. However, the District provided evidence that its employees had reviewed ADE's transportation guidance and our review found that the transportation reports it submitted to ADE for fiscal year 2024 were accurate. We will assess the District's efforts to implement this recommendation at the 24-month followup.
 - b. Reviewing the impact of reporting contracted miles and riders on its transportation State aid amount when preparing the District's annual budget and, when necessary, updating its tax levy calculations for transportation funding if a local levy for that purpose is not necessary.
 - ▶ Status: **Not implemented.**

Although the District has created new policies detailing the superintendent's responsibilities for preparing transportation route reports and the annual budget, these policies do not address key components of the recommendation. Specifically, the new policies do not address reviewing the impact of reporting contracted miles and riders on the District's budget nor updating the District's tax levy calculations, and the District had not developed written procedures for performing these tasks. Additionally, we found that for fiscal year 2025, the District did not include the amount of transportation State aid it expected to receive in its budget calculations and did not update its tax levy calculations accordingly. The District indicated that it had not resolved the transportation funding issues identified in our performance audit before the deadline for setting property tax rates. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- c. Ensuring staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and at any time it is revised or updated and implement its guidance to accurately account for and report the District's spending throughout the year.

▶ Status: **Implementation in process.**

The District has improved the accuracy of its accounting records, but it has not yet developed written procedures to ensure staff routinely review the Uniform Chart of Accounts and classify expenditures accordingly. We reviewed all payroll and accounts payable transactions completed between July 2024 and April 2025 and found that the District inaccurately classified 9% of its spending. Although this is an improvement from the 26% misclassification rate we reported in the audit, the District should continue its efforts to ensure expenditures are correctly classified. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 2. Immediately work with ADE to correct its transportation funding reporting for the previous 3 fiscal years to account for its contracted miles and riders to ensure it receives the correct level of State aid funding.

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

The District submitted corrections to ADE for the previous 3 fiscal years, resulting in increased State aid for transportation totaling \$96,546.

Finding 2: District did not have a formal agreement with GCSSO to provide business office services, increasing the risk of disrupted District operations

- 3. If the District continues to rely on GCSSO to perform business office functions on its behalf, the District should enter into a formal, written agreement with GCSSO for the services it provides to the District that complies with A.R.S. §11-952 and clearly documents the agreement's duration and purpose and the roles, responsibilities, and expectations for both parties to the agreement.

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

The District continues to rely on GCSSO for business office services and, in November 2024, entered into an Intergovernmental Agreement (IGA) with GCSSO, effective January 2025, for these services. The IGA states the duration, purpose, roles, responsibilities, and expectations for both GCSSO and the District. Additionally, the IGA stipulates the requirement of a written notice for termination if either party wants to cease this agreement, decreasing the risk of sudden disruptions to District operations.