






# Mountain Institute Career and Technical Education District

## Initial Followup of Report 24-208

The June 2024 Mountain Institute Career and Technical Education District performance audit found that the District spent \$3 million on career and technical education (CTE) programs in fiscal year 2022 but had not established critical accounting and IT controls to prevent errors, fraud, and data loss; lacked policies governing \$2.4 million in accumulated fund balances; and did not collect, validate, and use key CTE program outcome data to demonstrate how it effectively prepared students for high-need occupations. We made **19** recommendations to the District.

### District's status in implementing 19 recommendations

Implementation status		Number of recommendations
	Implemented	7 recommendations
	In process	6 recommendations
	In process in a different manner	1 recommendation
	Not yet applicable	1 recommendation
	<b>Not implemented</b>	<b>4 recommendations</b>

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

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## Finding 1: District did not comply with important cash-handling, purchasing, and payroll requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

1. The District should develop and implement written cash-handling policies and procedures in accordance with USFR requirements, which should include separating responsibilities for cash collection, deposit, and review among more than 1 employee and regularly accounting for all sequential, prenumbered receipts.

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

The District developed and implemented cash-handling policies and procedures for cash collection, deposit, and review in December 2024 and updated its business operations manual in February 2025. The cash-handling policies and procedures separate cash-handling responsibilities among more than 1 employee, and our April 2025 review of all 6 cash deposits from December 2024 and January 2025 found that the District followed its updated policies and procedures.

2. The District should require the regular reconciliation of cash receipts to cash deposits.

► Status: **Implementation in process.**

Although the District developed and implemented a reconciliation process to reconcile cash receipts to its bank deposits, we found that the District did not complete monthly reconciliations for cash deposits it made directly to the County Treasurer. Specifically, our review of all 6 cash deposits from December 2024 and January 2025 found that the District reconciled cash receipts to cash deposits for 4 deposits it made to its bank but did not complete reconciliations for the 2 cash deposits it made directly to the County Treasurer. District officials reported that the District began reconciling deposits it made with the County Treasurer to its cash receipts in May 2025. However, due to the District having recently implemented this process and the timing of our followup, we were unable to assess whether the District was following its updated process. We will assess the District's efforts to implement this recommendation at the 24-month followup.

3. The District should separate responsibilities for credit cards among more than 1 employee so that no employee can make purchases, reconcile purchases receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.

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

We reviewed all 18 District credit card purchases on the District's December 2024 credit card statement and found that all 18 credit card purchases were approved by an employee other than the purchaser. Additionally, 2 employees were responsible for reconciling and reviewing the transactions for appropriateness, and our review found that all 18 transactions had been reviewed and reconciled, and we did not identify any improper transactions.

4. The District should require an independent review and approval of its purchases prior to the purchase being made.
  - ▶ Status: **Implemented at 6 months.**

Our review of 10 judgmentally selected District purchases from fiscal year 2025 totaling approximately \$19,000 found that the District required an independent review and approval of purchases prior to the purchases being made for all 10 purchases we reviewed.
5. The District should identify and correct all overpayments made to employees from fiscal year 2022 to the present, including the overpayments we identified.
  - ▶ Status: **Not implemented.**

In April 2025, the District's Governing Board (Board) voted in a public meeting to not correct the overpayments totaling \$3,619 the District made to the 3 District employees we identified during the performance audit. Additionally, although District officials reported that they had determined that the District had not made any additional overpayments to employees since fiscal year 2022, they did not provide documentation of their review. We will assess the District's efforts to implement this recommendation at the 24-month followup.
6. The District should develop and implement formal, written payroll policies and procedures in accordance with USFR requirements, which should include a process for regularly reconciling payroll distribution amounts to governing board-approved employee contracts.
  - ▶ Status: **Implemented at 12 months.**

The District developed and implemented written payroll policies and procedures in December 2024 and updated its business operations manual in February 2025. Additionally, the District developed a process in January 2025 to reconcile payroll distribution amounts to Board-approved employee contracts quarterly. Our July 2025 review found that the District followed its process and reconciled payroll distribution amounts to Board-approved employee contracts in January and April 2025.
7. The District should immediately stop prorating and paying in advance for contracted workdays that do not fall within a regular pay period.
  - ▶ Status: **Implementation in process in a different manner.**

The District has continued prorating and paying in advance for contracted workdays that did not fall within a regular pay period. However, the District developed a process in December 2024 to review the accuracy of employee pay with the County before a full-time employee separates from the District, which helps address the issue we identified during the audit and ensure individuals receive accurate pay. Because the District has not yet performed this review for a separating full-time employee, we will assess the District's efforts to implement this recommendation at the 24-month followup.

## **Finding 2: District's lack of key outcome data prevents it from demonstrating how the \$3 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations**

8. The District should develop and implement consistent data-collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

► Status: **Not implemented.**

At the time of our followup review in May 2025, the District had not developed consistent data-collection protocols for all CTE programs related to collecting data on student certifications earned and post-graduate jobs obtained. Instead, in fiscal year 2024, the District emailed surveys and made phone calls to collect certification and job placement data for central program students. However, contrary to recommended practices and our recommendation, the District reported that it allowed its member districts to determine their own methods for collecting certification and job placement data for its satellite programs.

Additionally, the District reported it does not validate data collected by its member districts and only validates data collected for its central programs. However, the District was unable to provide support that it had validated some of the central program outcome data we reviewed. For example, we requested supporting documentation for 25 certifications the District reported to ADE its students had earned during fiscal year 2024 and found it lacked supporting documentation for 8 of 25 certifications. Further, although the District reported 115 job placement survey responses to ADE, it provided only 43 survey responses for our review. Without consistent data-collection and validation protocols for all its CTE programs, the District continues to lack critical information necessary to demonstrate that its programs are effective in meeting their statutory purpose of preparing students for high-need occupations. We will assess the District's efforts to implement this recommendation at the 24-month followup.

9. The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies, and use the results of its evaluations to make changes to its programs to ensure they are meeting their statutory purpose of preparing students for high-need occupations.

► Status: **Not yet applicable.**

As stated in recommendation 8, the District has not developed consistent data-collection protocols for its CTE programs and continues to lack a process for validating the data to ensure it is complete and accurate. District officials reported they plan to evaluate each CTE program's effectiveness by assessing student-enrollment data, technical skills-assessment scores, program-completion rates, certifications earned, and job placement data. However, by lacking processes for consistently collecting and validating program outcome data, the District's planned approach for evaluating its

programs may result in inaccurate or incomplete information about its CTE programs' effectiveness. We will assess the District's efforts to implement this recommendation at the 24-month followup.

### **Finding 3: District accumulated \$2.4 million in fund balances by end of fiscal year 2022 but did not have a policy regarding amount to be maintained in its general fund or its intended purpose**

- 10.** The District should implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.

► Status: **Implementation in process.**

In January and June each year, the District and its Board review and approve a budget balance carryforward plan for monies in 4 funds, including its general fund. In June 2025, the District and its Board reviewed and approved a budget balance carryforward plan indicating that the District plans to utilize 70% of its carryforward balance for land or building acquisition, 20% for operational reserves, and 10% for special projects, which could include program development, capital purchases, satellite CTE program needs, and any other expenditures to support students and approved CTE programs. However, contrary to GFOA recommended practices, the District's plan does not specify a fund balance amount to be maintained, nor does it specify a maximum or minimum fund balance amount. Thus, the District's plan does not address how the District will use monies in excess of the maximum or how it will replenish its fund balance if the fund balance falls below the minimum amount. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 11.** The District should develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

► Status: **Implementation in process.**

As stated in recommendation 10, the District's budget balance carryforward plan does not include the amount the District should maintain in fund balances, nor does it specify maximum or minimum fund balances. Accordingly, the District is unable to determine the portion of its fund balance that it should plan to spend on its CTE programs. However, the District's budget balance carryforward plan specifies the purpose for some of its accumulated fund balance monies, which includes purchasing additional classroom space for some central programs. In fiscal year 2024, the District entered into 2 intergovernmental agreements (IGAs) to hire an architect to design options for a new building for culinary classes and for the construction and furnishing of the new culinary teaching kitchen. In total, these 2 IGAs were not to exceed \$540,000. Additionally, in fiscal year 2025, the District purchased a commercial building for approximately \$730,000 to use for 2 central programs. We will assess the District's efforts to implement this recommendation at the 24-month followup.

## Finding 4: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

- 12.** The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

► Status: **Not implemented.**

As of July 2025, the District reported it will not update its IGAs to require member districts to provide the required CTED supplanting worksheet rather than the outdated USFR Memorandum 219 until March 2026. However, until then, the District indicated that it had informed its member districts of the requirement to complete the CTED Supplanting Worksheet, as further explained in recommendation 13. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 13.** The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

► Status: **Implementation in process.**

As stated in recommendation 12, the District has not yet updated its IGAs to require member districts to provide the CTED supplanting worksheet. However, the District informed its member districts of the requirements to complete the required CTED supplanting worksheet and indicated it would withhold funding from any member district that did not submit the required fiscal year 2024 worksheet by the District's February 2025 deadline. Our April 2025 review of the fiscal year 2024 CTED supplanting worksheets found that all 7 member districts submitted the required worksheets to the District and to ADE before the respective deadlines. However, our review found that 1 of 7 member district's submitted worksheet was incomplete. District officials stated that they worked with the member district and provided resources to help it prepare a complete fiscal year 2025 worksheet. Additionally, all 7 member districts submitted the worksheets to the District superintendent, and not to the District's Board, as required by statute.<sup>1</sup> After we brought this to the District's attention during our review, the District included the fiscal year 2024 worksheets as part of the consent agenda at the May 2025 Board meeting, and the Board approved the worksheets. However, the District continues to lack a formal process to ensure that the Board receives the worksheets, as required. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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<sup>1</sup> Arizona Revised Statutes §15-393(D)(7).



- 14.** The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

► Status: **Implementation in process.**

Our April 2025 review of the 7 member districts' fiscal year 2024 CTED supplanting worksheets found that 1 district's worksheet indicated it had supplanted its CTE spending in fiscal year 2024. Further, we found that the member district erroneously completed the required worksheet by including capital expenditures in its base year spending amount which resulted in the appearance of supplanting. District officials reported that they plan to work with this member district to help it accurately complete its required worksheet going forward. Additionally, as stated in recommendation 13, we found that another member district submitted an incomplete worksheet to ADE and the District. District officials indicated they worked with the District to help it prepare a complete fiscal year 2025 worksheet. The District also indicated it was prepared to take appropriate action if it identifies supplanting in future years. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

- 15.** The District should immediately disable or remove all network accounts associated with terminated employees.

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

Our February 2025 review of the District's network accounts found that the District removed all network accounts associated with terminated employees.

- 16.** The District should establish and implement written policies and procedures to ensure terminated employees' network access is promptly removed.

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

The District established and implemented written technology policies and procedures in December 2024 to ensure terminated employees' network access is promptly removed. Further, as stated in recommendation 15, our February 2025 review found that the District removed all network accounts associated with terminated employees.

- 17.** The District should implement and enforce strong authentication controls that align with USFR standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Our March 2025 review found that the District had implemented and enforced authentication controls aligned with the USFR and credible industry standards for the critical IT system that had lacked this control during the audit.

- 18.** The District should develop and implement policy and procedures to review the District's authentication controls against USFR standards at least annually.

▶ Status: **Not implemented.**

The District has not developed and implemented policy and procedures to review the District's authentication controls against USFR standards at least annually, but the District indicated it would do so by July 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 19.** The District should establish and implement a District policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter.

▶ Status: **Implementation in process.**

As of July 2025, the District has not established a policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter. However, the District reported it purchased a training platform in December 2024 and is in the process of developing its training for fiscal year 2026. According to District officials, it will establish a policy to conduct mandatory employee security training at least annually and will conduct security awareness training in August 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.