




## Morristown Elementary School District Initial Followup of Report 23-208

The December 2023 Morristown Elementary School District performance audit found that the District used informal, deficient processes in some areas after it stopped outsourcing certain responsibilities and did not follow some important requirements and recommended practices, increasing risk to District assets, student safety, and sensitive computerized data. We made **27** recommendations to the District.

### District's status in implementing 27 recommendations

Implementation status		Number of recommendations
	Implemented	14 recommendations
	In process	11 recommendations
	Not implemented	2 recommendations

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 used informal, deficient processes in some areas after it stopped outsourcing various District responsibilities, increasing risk to District assets and student safety

1. The District should perform its payroll and cash-handling responsibilities in conformance with the USFR and its school bus preventive maintenance in conformance with DPS' Minimum Standards.

► Status: **Implementation in process.**

The District's Governing Board (Board) voted at its July 2024 meeting to approve new policies and procedures to guide staff responsible for payroll, cash-handling, and school bus preventative maintenance, but additional work is needed to fully address this recommendation. For instance, the District's new school bus preventative maintenance policy does not include maximum mileage and time frame intervals for preventative maintenance services to help ensure that the District systematically performs its preventative maintenance in accordance with its policy and with Arizona Department of Public Safety's (DPS) Minimum Standards.

Additionally, we identified several continued deficiencies in the District's payroll and cash-handling practices. Specifically, we judgmentally selected and reviewed fiscal year 2025 payroll records for 8 of the District's 24 employees and 13 cash transactions totaling \$6,215 from October 2024, and identified the following issues:

- Contrary to the USFR, the District did not issue a contract addendum or a new contract specifying the change in employment status for 1 employee whose pay classification was changed from salaried to hourly in September 2024. Following the change, the employee earned a total of \$213 less than they would have earned under their salaried pay classification, but the District had no documentation to show that the employee agreed to the change nor that the Board had approved it.
- The District did not provide sick time in accordance with District policy to 4 employees we reviewed. According to District policy, each of these 4 employees should have received between 37.1 and 40 hours of sick leave but instead received between 15 and 20 hours. The District provides sick time to employees in 2 installments—at the beginning and midway through the school year—and did not provide the 4 employees we reviewed with the midyear sick leave installment.
- The District did not separate cash-handling responsibilities as required by the USFR. We found that for 6 of 13 cash transactions we reviewed, 1 employee was responsible for both collecting cash and recording cash received, without any additional supervisory review to ensure that all cash collected was deposited.
- District officials reported District staff do not always timely document cash collections when collecting cash, and our review found 1 cash transaction that District staff did not record on a cash collection form until several days after the cash had been received.

These deficiencies continue to increase the District's risk for errors, theft, and fraud. District officials reported that they would continue to review and improve processes to ensure it follows State requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. The District should utilize external guidance, such as from Maricopa County School Superintendent's Office (MCSSO) staff or resources available on the Arizona Auditor General's website, to develop and implement written policies and procedures that require it to:
  - a. Separate responsibilities in its payroll process to ensure that no individual employee is responsible for preparing payroll, authorizing payroll, and distributing warrants in accordance with the USFR;
    - ▶ Status: **Implemented at 6 months.**
    - The District received assistance from the MCSSO to develop a new payroll policy that complies with the USFR. The revised policy, which the Board voted to approve at its July 2024 meeting, appropriately separates responsibilities for preparing payroll, authorizing payroll, and distributing warrants.
  - b. Separate responsibilities in its cash-handling processes to ensure that no individual employee is responsible for cash-handling and recordkeeping functions in accordance with the USFR;
    - ▶ Status: **Implementation in process.**
    - The District worked with MCSSO to develop a new cash-handling policy that requires separating cash-handling and recordkeeping responsibilities, and the Board approved the policy at its July 2024 meeting. However, as previously discussed in recommendation 1, the District has not fully implemented this updated policy, and we found that its current cash-handling practices still do not meet USFR requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.
  - c. Perform and track systematic preventive maintenance on its school buses that considers maximum mileage and time frame intervals and the maintenance work that should be completed in accordance with DPS' Minimum Standards.
    - ▶ Status: **Implementation in process.**
    - As discussed in recommendation 1, the District has approved a new school bus preventative maintenance policy, but the policy does not include maximum mileage or time frame intervals to guide staff who perform preventative maintenance services. Establishing a maximum mileage and time frame interval for school bus preventative maintenance in its policy would help ensure that the District systematically performs its preventative maintenance in accordance with its policy and with DPS' Minimum Standards. District officials reported that they would revise the District's policy and procedures to include these intervals. We will assess the District's efforts to implement this recommendation at the 24-month followup.

3. The District should identify and provide training to staff responsible for payroll, cash-handling, and school bus preventive maintenance to ensure they follow the developed policies and procedures.

► Status: **Implementation in process.**

In fiscal year 2025, the District and MCSO provided training to staff responsible for cash-handling and payroll activities, but the District has not developed and documented training on its preventative maintenance procedures for transportation staff. As previously discussed, the District is working to update its school bus preventative maintenance policy. District officials reported that they would continue improving their processes to provide training for staff in these key areas. We will assess the District's efforts to implement this recommendation at the 24-month followup.

4. The District should ensure it continues to develop and implement processes, including creating written policies and procedures, for responsibilities other than payroll, cash-handling, and school bus preventive maintenance that it had previously outsourced in accordance with the USFR, DPS' Minimum Standards, and other applicable requirements and train applicable staff accordingly.

► Status: **Implementation in process.**

The District is working to develop and implement new policies to govern previously outsourced activities, such as accounts payable and transportation, but we identified various problems in these areas that the District should continue working to address.

Specifically:

- The District did not consistently pay its credit card invoices timely and wasted at least \$84 of public monies on late fees and finance charges during fiscal year 2025.
- District staff did not consistently obtain required prior approval for purchases, including some credit card purchases we reviewed.
- The District lacked an effective receiving process to ensure goods and services were received and invoices were accurate prior to paying them.
- District officials reported that the District did not conduct required random drug and alcohol testing on its school bus drivers. Further, our July 2025 review of the District's bus driver certifications found that the files were incomplete because they lacked evidence that either of the District's 2 school bus drivers had received required physical performance tests and refresher trainings in accordance with DPS' Minimum Standards.

The deficiencies we identified increase the District's risk for errors, unauthorized purchases, and fraud. Additionally, by not conducting required drug and alcohol testing and ensuring school bus drivers meet all certification requirements, the District increased risks to student safety. District officials reported that they would continue improving their processes to ensure that they are aligning with District policy and State requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.

## **Finding 2: District did not comply with legal requirements in various areas, resulting in it spending monies for an unauthorized purpose, paying unnecessary penalties and fees, and limiting transparency into District activities**

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

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

The Board voted in its May 2024 meeting to approve the closure of its community preschool program for fiscal year 2025. District officials reported that the community preschool program will stay closed unless the District obtains appropriate grant funding.
- 6.** The District should review and update its policies and procedures to ensure that employee tax withholdings are remitted in accordance with IRS requirements to avoid penalties and interest charges.

▶ Status: **Implemented at 18 months.**

The Board voted in its July 2024 meeting to approve a new written policy requiring the District to remit employee tax withholdings in accordance with IRS requirements and District management to review and verify the accuracy of withholding deposits. Our review of the District's fiscal years 2024 and 2025 employee tax withholding activity found the District properly remitted employee tax withholdings.
- 7.** The District should review and update its policies and procedures to ensure that if employee tax withholdings are remitted late, the late payments are resolved in a timely manner.

▶ Status: **Implemented at 18 months.**

The Board voted in its July 2024 meeting to approve a new written policy requiring District management to promptly resolve any late employee tax withholding remittances. Our review of the District's fiscal years 2024 and 2025 employee tax withholding activity found the District timely remitted employee tax withholdings.
- 8.** The District should ensure it acknowledges the receipt and value of donations and that the Governing Board accepts all donations during meetings open to the public.

▶ Status: **Implemented at 18 months.**

The Board voted in July 2024 to approve revised policies and procedures requiring the District to acknowledge the receipt and value of donations and for the Board to accept donations during public meetings. We reviewed all 14 donations that the District received in fiscal year 2025 and found that each was accepted by the Board in a public meeting in accordance with the District's updated policies and procedures.

9. The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing open meetings. These policies and procedures should specifically require the Governing Board to accept donations in public meetings.

► Status: **Implemented at 18 months.**

The Board voted in July 2024 to approve revised policies and procedures requiring it to accept donations during public meetings. As explained in recommendation 8, we found that the District had followed its revised policies for all 14 donations it accepted in fiscal year 2025.

10. The District should consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

► Status: **Implementation in process.**

District officials reported that in July 2024, the District consulted with its legal counsel regarding possible open meeting law violations and will focus on preventing future open meeting law violations. However, at the time of our review, District officials reported the District has not contacted the Attorney General's Office regarding prior open meeting law violations to ensure that actions taken contrary to open meeting laws have been appropriately addressed to be made valid. We will assess the District's efforts to implement this recommendation at the 24-month followup.

11. The District should include in its employee training information regarding the importance of complying with State laws related to open meetings.

► Status: **Implementation in process.**

During the August 2024 Board meeting, the District provided training to Board members and attending District employees on Arizona open meeting law requirements. The training discussed the importance of complying with the State's open meeting laws to increase transparency and promote accountability for the District. However, the District did not document all staff members who attended the training, and therefore we were unable to verify training attendance. District officials reported they would improve their attendance documentation for future trainings. We will assess the District's efforts to implement this recommendation at the 24-month followup.

### **Finding 3: District did not provide required information about its retirement incentive program to ASRS, potentially resulting in unfunded liabilities and improper increases to future retirement benefits for some District employees**

12. The District should work with the ASRS to:

- a. Determine if its termination incentive program created any unfunded liabilities and, if so, resolve them.

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

The District worked with the ASRS to identify and resolve any unfunded liabilities created by its termination incentive program. ASRS officials reported to us in December 2024 that the District had no unfunded liabilities with the ASRS.

- b.** Identify and correct any excess contributions that should not have been included as compensation for the calculation of ASRS benefits.

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

The District worked with the ASRS to identify and correct excess contributions resulting from withholding calculation errors. In March 2024, the ASRS refunded excess contributions to the District and recalculated the pension benefits for the affected employees.

- 13.** The District should develop and implement written policies and procedures specifying the types of payments to employees that should be included as compensation for the calculation of ASRS benefits that comply with State laws and regulations.

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

The Board voted in its July 2024 meeting to approve a new written policy specifying the types of employee payments that should be included as compensation for calculating ASRS benefits in compliance with State laws and ASRS regulations.

#### **Finding 4: District increased risks to student safety by transporting a student in a vehicle that did not have important safety features and failing to ensure a school building was structurally sound**

- 14.** The District should ensure it transports all students to and from school using vehicles that meet all applicable safety guidelines, including DPS' substantive policy statement regarding the use of 11- to 15-passenger vans.

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

In January 2024, the District sold its 15-passenger van and no longer uses 11- to 15-passenger vans to transport students to and from school.

- 15.** The District should ensure the potentially structurally unsound building on its elementary school campus does not pose a safety risk to students by taking action to remedy it, such as repairing or demolishing the building.

► Status: **Implementation in process.**

The District has taken some steps to remedy the potentially structurally unsound building on its campus, but the building is in the same condition as during the audit. In March 2024, the District filed an End of Useful Life Assessment application with the Arizona Department of Administration's School Facilities Oversight Board (SFOB) to have the building demolished. However, SFOB denied the District's application because the building was ineligible for the End of Useful Life Assessment since it did not generate student capacity. District officials indicated that the District is interested in removing the building from its campus but are currently unaware of the options for



doing so. The District should continue reviewing its options for the building, consulting with legal counsel and ADOA's School Facilities Division and/or SFOB, as necessary. In the meantime, the District continues to maintain fencing around the building to limit student and staff access to it. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 16.** The District should ensure that all school buildings meet the State's minimum school facility adequacy guidelines, including that all buildings are structurally sound.

► Status: **Implementation in process.**

In December 2023, the District received an inspection report from the Arizona Department of Administration's School Facilities Division (Division) that identified deficiencies in several of the District's buildings. District officials reported that they have not yet fully addressed the deficiencies but are working with the Division to obtain funding to address the deficiencies and make other facility repairs. 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, errors, fraud, and data loss**

- 17.** The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employee's administrator-level access.

► Status: **Not implemented.**

The District has not taken any action to effectively address this recommendation. We found that the same 2 employees we identified in our December 2023 performance audit report continued to have more access than necessary to complete their job duties, and 1 of these employees continued to have administrator-level system access. Each of these employees has the ability to initiate and complete payroll and/or accounts payable transactions without another employee reviewing and approving the transactions. Although the District reported that it had reduced system access for the employee with administrator-level access, it did not remove the administrator-level privileges. Therefore, this employee still had the ability to grant themselves additional access to the system at any time and without the involvement of another employee. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 18.** The District should review and reduce the number of users with administrator-level access to its network and train employees on District policies regarding periodically reviewing network accounts to ensure access aligns with job duties.

► Status: **Implemented at 18 months.**



Our June 2025 review of the District's network accounts found that it reduced the number of administrator accounts to 3 accounts from 10 at the time of our December 2023 performance audit report and that those accounts had been appropriately assigned administrator-level access.

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

► Status: **Implementation in process.**

The District has developed and implemented a process to assign new employees appropriate access in the accounting system and a process to change employees' access if their assigned duties change. These processes, which the Board voted to approve at its July 2024 meeting, require that District officials notify the MCSSO, which assigns employees' access based on a description of their job duties. Additionally, the MCSSO reviews user access on an annual basis. However, as reported in recommendation 17, the District's existing users continued to have more access than necessary to complete their job duties. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 20.** The District should work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no one person can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited, the District should implement compensating controls to limit risks of unauthorized access, errors, and fraud.

► Status: **Not implemented.**

The District has not limited MCSSO users' access to its accounting system since MCSSO officials reported that current access levels are needed to assist the District with its daily operations, and the District has not documented its efforts to implement compensating controls. District officials reported that District staff review accounting system access logs monthly to ensure MCSSO users only access the system on dates they provide assistance to the District and that their system activities are appropriate. However, the District lacked evidence staff had performed these reviews, and therefore, we were unable to confirm that the monthly reviews had occurred or whether the reviews are sufficient to identify unauthorized system access and/or activities. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 21.** The District should implement and enforce strong authentication controls such as multifactor authentication, including compensating controls if necessary, as required by the USFR, to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

► Status: **Implemented at 18 months.**

Our July 2025 review found the District had implemented user access controls for all critical systems in accordance with the USFR and credible industry standards.

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

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

The District developed a policy, which the Board approved at its July 2024 meeting, requiring an annual review of the District's authentication controls against USFR requirements, and it has implemented procedures for conducting the review.

- 23.** The District should require and track employee participation in security awareness training for employees who have not done so in the past year.

▶ Status: **Implemented at 18 months.**

The District requires cybersecurity awareness training through its online training platform when employees are hired and annually thereafter. District officials reported that they receive weekly emails listing any employees who are due for cybersecurity awareness training and have not completed it and then remind those employees to complete the training. We reviewed a compliance report and found that all District employees completed the security awareness training in fiscal year 2025.

- 24.** The District should review its IT contingency plan to ensure that it meets USFR requirements and credible industry standards; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; and document the test results.

▶ Status: **Implementation in process.**

The District has developed and implemented an IT contingency plan that includes some, but not all, key components. Specifically, the plan does not identify the order in which the District's critical systems should be restored, does not clearly outline who is responsible for specific activities during a disaster, did not have a complete plan for continued operations during a system outage, and was missing detailed restoration steps for 1 of its identified critical systems. Additionally, while District officials reported that they have conducted tests of its contingency plan, they did not document the results. The District reported it would update its contingency plan to ensure that it includes the key components identified by the USFR and credible industry standards. We will assess the District's efforts to implement this recommendation at the 24-month followup.