




Concho Elementary School District

Initial Followup of Report 24-211

The August 2024 Concho Elementary School District performance audit found that the District did not comply with State conflict-of-interest and open meeting law requirements, limiting transparency; did not appropriately handle cash and calculate payroll; provided food and beverages at District events without prior Board approval; and allowed too much access to its IT network and accounting system, increasing the risk of fraud and abuse. We made **24** recommendations to the District.

District's status in implementing 24 recommendations

Implementation status		Number of recommendations
	Implemented	6 recommendations
	In process	13 recommendations
	Not implemented	5 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

Finding 1: Board members and employees did not comply with conflict-of-interest requirements and recommended practices, which resulted in improper participation in matters in which they had substantial interests and reduced public transparency

1. The District should develop and/or update and implement conflict-of-interest policies and procedures for:

- a.** Requiring all Board members and employees to complete a conflict-of-interest disclosure form upon the start of their terms or upon hire, annually, or when circumstances change, including fully describing any substantial interest or attesting that no conflicts exist, if applicable.

► Status: **Implementation in process.**

In July 2024, the District's Governing Board (Board) adopted new policies related to conflicts of interest, but additional work is needed to require all conflict-of-interest disclosure forms to be submitted annually and to review submitted forms for completeness. The District's new policies require all Board members to complete a conflict-of-interest form annually and when their circumstances change. However, the new policies do not require employees to complete a conflict-of-interest form annually, instead requiring them to complete a form only when a conflict exists. Although not required by its policies, in fiscal year 2025, all District employees completed a conflict-of-interest form.

The District provided completed conflict-of-interest forms for all 49 employees and 5 Board members as of March 2025. The completed conflict-of-interest forms included a statement of no conflict, which allowed individuals to attest that no conflicts existed, when applicable. However, we identified 2 District employees who worked with close relatives but had not disclosed these potential conflicts on their forms. We also identified 2 other employees who disclosed potential conflicts on their forms but did not provide enough information to fully describe the nature of their conflicts, indicating that the District's review of the forms is insufficient. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- b.** Helping Board members identify meeting agenda items involving their interests, such as notating Board meeting agendas and/or adding vendor names to the voucher forms or consent agenda items, to identify items for which Board members have conflicts based on the interests listed on their forms.

► Status: **Implementation in process.**

Although the District took action to address the specific conflict-of-interest we identified during the audit, it has not yet developed or implemented policies and procedures to help all Board members identify items involving their interests. During

the audit, we identified a Board member who may have acted contrary to State conflict-of-interest laws by voting to approve payments to a business for which he had a substantial interest. Since the audit, the District has begun separately listing payments to this business when seeking Board approval so the conflicted Board member can refrain from participating in approving the payments.

We reviewed all 28 payments totaling more than \$19,000 the District made to this business after the District began separately listing them for Board approval and while the Board member with the substantial interest served on the Board.¹ We found that all 28 payments were separated from other payments when presented for approval, and the Board member did not participate in the votes to approve these payments.

Additional efforts are needed to ensure all Board members' potential conflicts of interest are similarly addressed. According to District officials, they plan to develop written procedures for separately identifying items involving Board members' disclosed interests. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- c. Ensuring Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

► Status: **Implementation in process.**

The District has not yet developed and implemented policies and procedures to ensure Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest. However, as discussed in recommendation 1b, the District took steps to ensure the Board member with a substantial interest identified during the audit refrained from participating in approving payments to the business for which he had a substantial interest.

Additionally, as reported in recommendation 1a, all Board members and employees completed a conflict-of-interest disclosure form in fiscal year 2025. However, some conflicts were not disclosed or fully disclosed, and the District had not developed and implemented any policies or procedures to address disclosed conflicts. The District reported it intends to develop and implement policies and procedures to help ensure Board members and employees refrain from participating in matters involving their disclosed conflicts. We will assess the District's efforts to implement this recommendation at the 24-month followup.

¹ The Board member with the substantial interest served on the Board through December 2024 and was replaced by a newly appointed Board member in January 2025.

2. The District should develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure forms to its Board members and employees, including how the State’s conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

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

The District developed an annual conflict-of-interest training for Board members and employees that includes information related to the District’s conflict-of-interest requirements, process, and disclosure forms. The training also addresses how the State’s conflict-of-interest requirements relate to employees’ and Board members’ unique programs, functions, or responsibilities. We reviewed fiscal year 2025 conflict-of-interest training documentation and found that the District provided the training to 48 of 49 employees and all 5 Board members. The District was aware that 1 employee did not attend the training and reported the training would be provided to the employee individually.

Finding 2: District did not comply with important cash-handling and payroll requirements, resulting in overpayments to employees and incorrect retirement withholdings, and increasing risk of errors, fraud, and improper payments

3. The District should develop and implement written procedures to ensure compliance with USFR requirements and District policies related to cash-handling, and train District employees with cash-handling responsibilities on these procedures.

► Status: **Implementation in process.**

Although the District developed and implemented new cash-handling procedures in July 2024 that address most USFR cash-handling requirements, our review identified some continued deficiencies. For instance, the District lacks procedures for conducting and documenting required reconciliations. Additionally, the District did not always separate cash-handling and recordkeeping functions among employees, prepare evidence of receipt for cash payments received, timely deposit cash received, or prepare or document reconciliations (see recommendations 4 and 5 for further details).

Further, although the District reported providing cash-handling training on an as-needed basis to employees with cash-handling responsibilities, the District lacked documentation of the training materials. The District reported that it plans to incorporate any missing requirements into its cash-handling procedures and address the cash-handling deficiencies we identified by August 2025. We will assess the District’s efforts to implement this recommendation at the 24-month followup.

4. The District should prepare and maintain evidence for all cash received, including by issuing sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

► Status: **Implementation in process.**

The District has improved its cash-handling procedures, but additional work is needed. For example, we reviewed documentation for all cash collected by the District's front office between November 2024 and March 2025, and all cash collected by the business office between February and March 2025. For the 19 payments submitted to the District's front office, which totaled \$740, staff consistently prepared and maintained sequential, prenumbered receipts in accordance with the USFR. However, for 23 other transactions—mainly checks received and processed by the business office—the District did not follow a similar process. We found that the District lacked documentation to support when it received monies for 13 transactions totaling nearly \$3,200. The lack of evidence for all cash received such as sequential, prenumbered receipts for these monies increased the risk of loss or theft.

Additionally, the District did not appropriately separate cash-handling and recordkeeping functions among employees. For example, we identified 13 instances in which cash was collected, prepared for deposit, and approved for deposit by the same employee. We also found that the District did not reconcile deposits to cash-collection documentation to ensure all cash received was appropriately deposited for any of the nearly \$7,000 in cash collections we reviewed.

The District reported that it plans to develop processes to prepare and maintain evidence for all cash received and to reconcile all deposits to cash-collection documentation by August 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

5. The District should deposit timely all front office cash collected, such as by depositing these monies at the same time as other routine District deposits.

► Status: **Implementation in process.**

We reviewed all cash collected by the District's front office between November 2024 and March 2025 and found that the District improved the frequency and timeliness of its deposits compared to what we identified during the audit. However, we identified 3 of 19 front office cash transactions that were deposited between 8 and 18 days after they were received that could have been deposited more timely had they been grouped with other deposits the District was already making. We will assess the District's efforts to implement this recommendation at the 24-month followup.

6. The District should identify and correct all overpayments made to employees since the beginning of fiscal year 2023.

► Status: **Not implemented.**

During the audit, we identified overpayments the District made to 2 employees in fiscal year 2023—a \$671 overpayment to a now-former acting administrator and a \$650 overpayment to a now-former employee. Although the District recouped the \$671 overpayment from the former acting administrator, it has not recouped the \$650 overpayment from the former employee. District officials reported they do not intend to pursue repayment from the former employee for the \$650 overpayment because they consider the overpayment to be of minimal value and the District's error. However, the District indicated that, as of August 2025, this decision had not been discussed or approved by the District's Board.

Additionally, the District was made aware of 1 additional overpayment in fiscal year 2025 when the District's current administrator reported receiving a \$5,000 payment that was not included in their employment contract. Specifically, the District reported it erroneously paid a \$5,000 recruitment bonus for a second year although it was a 1-time bonus approved by the Board. The District reported that its accounting system would not process a lump sum repayment through payroll deductions in the pay periods immediately after the overpayment was reported. As a result, the District and the administrator agreed that the administrator would repay the \$5,000 overpayment by the end of fiscal year 2025 using payroll deductions divided equally among remaining pay periods.

Finally, although District officials reported that they had determined that the District had not made any additional overpayments to employees since fiscal year 2023 other than the \$5,000 overpayment previously discussed, they did not document their review. Therefore, we were unable to determine whether the District's review was sufficient to identify other overpayments it may have erroneously made. We will confirm that the administrator fully repaid the District for the erroneous \$5,000 overpayment and assess the District's efforts to implement this recommendation at the 24-month followup.

7. The District should develop and implement a review process in accordance with USFR requirements to ensure proper separation of responsibilities are established in payroll processing and employees are paid accurately.

► Status: **Not implemented.**

District officials reported that the District has implemented a new payroll review process to help separate responsibilities for approving time sheets, but additional review procedures are needed to ensure employees are paid accurately. Specifically, the District's review process failed to identify the \$5,000 overpayment made to the District's current administrator discussed in recommendation 6. The District was made aware of this overpayment only after the administrator self-reported it. The District acknowledged

that its review process did not and would not have identified the erroneous overpayment. We will assess the District's efforts to implement this recommendation at the 24-month followup.

8. The District should work with the ASRS to identify and correct any errors made when making termination payments to former employees.

▶ Status: **Implementation in process.**

The District reported the errors identified during the audit to the ASRS, and the ASRS indicated that it would provide documentation to the District to allow it to correct the erroneous contributions. However, as of August 2025, the District reported that the ASRS has not yet provided it with this documentation. Additionally, although the District reported that it reviewed all termination payments it made during the past 10 years and did not identify any additional errors, it did not document this review. We will assess the District's efforts to implement this recommendation at the 24-month followup.

9. 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: **Not implemented.**

District officials indicated they plan to use ASRS guidance and manuals to determine the types of payments to employees that should be included when calculating ASRS required withholdings, but they have not yet developed policies and procedures to do so. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: District did not comply with some State laws and District policies, resulting in spending monies without Board approval and limiting public transparency into its activities

10. The District should ensure it acknowledges the receipt, purpose, and value of donations and that the Governing Board accepts all donations during meetings open to the public.

▶ Status: **Implementation in process.**

We reviewed each of the 14 donations that the District received between October 2024 and January 2025 totaling nearly \$11,000. We found that the Board voted during public meetings to accept all donations received in each of these months. However, the District lacked evidence that the Board and/or District administrators publicly acknowledged the purpose and value of the donations. The District reported it plans to include information related to the purpose and value of donations within its Board minutes for meetings in which the Board votes to accept donations beginning in September 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 11.** 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 and require the District to acknowledge the contribution's receipt, purpose, and value during public meetings.

► Status: **Implementation in process.**

In July 2024, the District's Board adopted new policies governing open meetings and donation acceptance, but the District has not yet developed and implemented written procedures to guide staff and ensure compliance with their new policies and State law. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 12.** 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: **Implemented at 6 months.**

The District consulted with its legal counsel regarding gifts and donations that were accepted by the District but not presented to or voted on by the Board in a public meeting. During its February 2025 Board meeting, the Board voted to ratify the acceptance of all donations received prior to July 2024.

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

► Status: **Not implemented.**

District officials indicated that they communicated relevant information regarding the importance of complying with State laws related to open meetings with employees but were unable to provide documentation of these communications. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 14.** The District should stop providing food and beverages for any purposes without prior Board approval.

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

In July 2024, the District's Board voted to approve and authorize the District's administrator to provide refreshments at District events during the school year, including but not limited to Board workshops, the District's open house, family nights, parent meetings, and staff trainings. In fiscal year 2025, the District provided food and other refreshments totaling nearly \$400 at 1 District event, a training for all District staff, which was a Board-approved event.

- 15.** The District should after Board approval, ensure it documents the public purpose and benefit of providing food and beverages at District events. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, and maintain documentation supporting all purchases.

► Status: **Implementation in process.**

As discussed in recommendation 14, the District's Board authorized its administrator to provide food and other refreshments at certain District events, including the 1 staff training where it provided food and beverages in fiscal year 2025. This initial effort by the Board to authorize food and beverage purchases did not appear to consider the public purpose and benefit and value to be received by the public, which is necessary to ensure the District complies with the State Constitution's gift clause. For example, the Board's authorization did not appear to consider or restrict costs for food and other refreshments, such as by specifying a per person spending limit. Absent considerations or restrictions related to the public purpose, benefit, and cost of providing food and beverages at these events, the District may be unable to demonstrate that its use of public monies to purchase food and beverages complied with State law and the State Constitution's gift clause.^{2,3}

Since then, the Board has authorized additional food and beverage purchases, and its authorization included additional information about the public purpose and benefit and expected cost of providing food and beverages. Specifically, in July 2025, the Board voted to authorize the District's administrator to provide food and beverages at 1 fiscal year 2026 event—the District's staff orientation. The Board's authorization included information about the public purpose and benefit of providing food and beverages at the event and an estimated per person cost. We will assess the District's efforts to fully implement the recommendation at the 24-month followup after its fiscal year 2026 staff orientation has occurred.

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

- 16.** The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office.

² Arizona Revised Statutes (A.R.S.) §15-342 authorizes school district governing boards to provide food and beverages at school district events subject to Arizona's gift clause in Article IX, §7, of the Arizona Constitution, the laws pertaining to travel and subsistence, gifts; grants, including federal grants, and devises, and policies adopted by the Arizona Department of Education.

³ Arizona caselaw interpreting the Arizona Constitution's gift clause, Art. IX, §7, requires that payment of public monies is for a public purpose and the value to be received by the public is not far exceeded by the consideration being paid by the public. *Wisturber v. Paradise Valley Unified School Dist.*, 141 Ariz. 346, 678 P.2d 354 (1984), *Turken v. Gordon*, 223 Ariz. 342, 224 P.3d 158 (2010), and *Schires v. Carlat*, 250 Ariz. 371, 480 P.3d 639 (2021).

► Status: **Not implemented.**

The District has not taken action to ensure that employees' accounting system access is limited to only what is needed to perform their job duties. District officials reported that they do not intend to adjust any user access levels because they believe that the District's small size and accounting system features, such as access and change logs, which track user activity, are sufficient to deter fraud or other potential misuse posed by the excessive access levels the District currently permits. However, the District has not implemented a process to regularly review employees' system access and change logs, which is essential for timely detecting unauthorized activity.

We reviewed accounting system access for all 4 of the District's active employee users as of March 2025 and found that all 4 had more access than necessary and could each initiate and complete transactions without another employee's review and approval. Specifically, 2 users had the ability to initiate and complete both payroll and purchasing transactions; 1 had the ability to initiate and complete payroll transactions; and 1 had the ability to initiate and complete purchasing transactions. This is similar to the number of employees with excessive access we identified during the audit, and as a result, the District continues to be at an increased risk for errors and fraud because these users could complete payroll and/or purchasing transactions or changes without a second employee verifying the transactions or changes are accurate and appropriate.

Similarly, the District had not transferred administrator-level access to someone outside the business office, which continues to increase its risk for fraud. Users with administrator-level access have full control over accounting system settings, such as the ability to add new users, modify access levels, and grant themselves full access to review and edit all accounting system data. For example, users with administrator-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection. Additionally, by not transferring administrator-level access to someone outside the business office, the District continues to increase its risk for security breaches and data loss because hackers typically target administrator accounts for their greater access privileges. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

► Status: **Implementation in process.**

The District has a process for assigning new employees' accounting system access and changing or removing employees' access if their assigned duties or employment status changes. However, the District has not developed or implemented a process to periodically review users' accounting system access to ensure it is limited to only what is necessary to perform their job duties. Additionally, as discussed in recommendation

16, it continues to knowingly allow some users to have excessive system access. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 18.** The District should develop and implement policies and procedures to periodically review network accounts to ensure access aligns with job duties and change access, as necessary, when the periodic reviews identify accounts with more access than necessary or accounts that are no longer needed.

► Status: **Implementation in process.**

In September 2024, the District developed and implemented procedures to review all network accounts every 2 months to ensure access aligns with job duties. However, additional work is needed to identify and promptly disable unneeded accounts. We reviewed user accounts on the District's network in March 2025 and found that the District had appropriately limited administrator-level access to only those user accounts that required it. However, our review also identified 1 active account that was associated with an employee whose District employment was terminated in November 2023. The District reported that this account has since been disabled. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 19.** 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 single user can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited due to the responsibilities they perform for the District, the District should implement compensating controls, such as a process for regularly reviewing County employee user activity logs and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

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

The District receives accounting support from the County, and in consultation with the County, the District determined that the accounting system access levels assigned to County users were necessary to facilitate support services. To reduce the risk of unauthorized access, errors, and fraud, the District administrator implemented a process to review and document County users' activity logs twice yearly. We reviewed documentation of these reviews and found that the administrator had retroactively reviewed County users' access beginning in fiscal year 2022 and, at the time of our review, had conducted 1 review in fiscal year 2025. We found the reviews indicated the period reviewed and rationale related to the appropriateness of County users' access. The District's reviews did not identify any inappropriate County user access or system activity.

- 20.** The District should develop and implement a process to ensure that network and accounting system user accounts are promptly disabled or removed when they are no longer needed.

► Status: **Implementation in process.**

As previously discussed, the District has a process for reviewing network user access. However, the District's process did not identify 1 network user account that should have been disabled in November 2023 but was still active at the time of our review in March 2025. For its accounting system, the District has a process for removing user accounts when they are no longer needed. We reviewed the user accounts in the District's accounting system as of March 2025 and did not identify any accounts that should have been disabled or removed. 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 for all critical IT systems as required by the USFR, to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Our May 2025 review found that the District had implemented and enforced authentication controls aligned with the USFR and credible industry standards for the critical IT systems that had lacked these controls during the audit.

- 22.** The District should develop and implement policy and procedures to review the District's authentication controls against USFR requirements at least annually and update its authentication controls as necessary to ensure they align with USFR requirements.

► Status: **Implemented at 12 months.**

The District developed and implemented procedures to review the District's authentication controls against USFR requirements and credible industry standards at least annually and update its authentication controls as necessary.