

## Pine Strawberry Elementary School District 42-Month Followup of Report 21-207

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The December 2021 Pine Strawberry Elementary School District performance audit found that the District employed more noninstructional staff than peer districts and did not ensure all cash was deposited, and a District Board member did not comply with conflict-of-interest law. We made **14** recommendations to the District.

### District's status in implementing 14 recommendations

Implementation status		Number of recommendations
<input checked="" type="checkbox"/>	Implemented	11 recommendations
<input type="checkbox"/>	Partially implemented	3 recommendations

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on the District's efforts to implement the recommendations from the December 2021 report.

# Recommendations to the District

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## **Finding 1: District employed more noninstructional staff than peer districts at a cost of about \$258,100 in fiscal year 2020—monies that it could have spent on instruction or other District priorities**

1. The District should reduce its administrative spending by assessing its administrative staffing levels and reducing to levels similar to its peer districts' averages.

▶ Status: **Implemented at 30 months.**

The District conducted a review of its staffing levels, and in fiscal year 2023, reduced its administrative staffing levels by 1 full-time equivalent employee (FTE). With the reduction, the District employed a similar number of administrative employees in fiscal year 2024 as the peer districts we used as a comparison group during the audit. The District also maintained similar administrative staffing levels in fiscal year 2025, although peer district data is not available for comparison. Likely due to these efforts, the District's administrative spending per student relative to peer districts declined from 52% higher in fiscal year 2020 to 23% higher in fiscal year 2024. About half of the higher administrative spending was for salaries and benefits, which the District attributed to a higher cost of living in the Pine Strawberry community and the need to attract and retain qualified staff in hard-to-fill positions.

2. The District should reduce its plant operations spending by assessing its plant operations staffing levels and reducing to levels similar to its peer districts' averages.

▶ Status: **Implemented at 30 months.**

The District reduced plant operations staffing levels in fiscal year 2023 by 1 FTE compared to the audit year and by an additional 0.5 FTE in fiscal year 2024. These reductions brought the District's plant operations staffing levels in line with the average for peer districts during the audit. Likely due to these efforts, the District's plant operations spending per student relative to the peer districts' average declined from 63% higher in fiscal year 2020 to 30% higher in fiscal year 2024. The District maintained similar plant operations staffing levels in fiscal year 2025, although peer district data is not available for comparison.

3. The District should reduce its food service spending by assessing its food service staffing levels and reducing to levels similar to its peer districts' averages.

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

The District reduced its food service worker staffing levels in fiscal year 2023 to be similar to what peer districts averaged from the audit. Specifically, the District reduced staffing by 1 FTE compared to the audit year, which reduced the District's food service salaries and benefits spending by about \$22,000 compared to the audit year. Although District officials stated that they had no plans to adopt staffing goals in the future, they

stated that the lower food service staffing in fiscal year 2023 is sufficient to meet the food service program's needs and plan to continue operating the food service program at its fiscal year 2023 staffing level.

## **Finding 2: Board member failed to fully disclose and improperly participated in over \$12,000 in payments to business for which he had substantial interest**

4. Board members should ensure they follow the State conflict-of-interest law by following the practices they learned in the District-provided training, including describing their substantial interests on the District's conflict-of-interest form as required and only approving vouchers for or voting on consent agenda items related to matters for which they do not have a substantial interest.

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

5. The District can help ensure that Board members do not approve payments for or vote on matters for which they have a substantial interest by:
  - a. Developing and implementing written procedures to help Board members identify meeting agenda items for which they have conflicts based on the substantial interests listed on their forms, such as requiring District staff to review Board member conflict-of-interest forms, identify substantial interest items in meeting agenda and packets, and notify the Board member accordingly. The District should develop and implement a secondary review procedure to ensure this happens.

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

- b. Including in its Board member conflict-of-interest training information regarding the importance of Board members reviewing their Board meeting packets and consent agendas to ensure they do not approve payments to a vendor for which they have a substantial interest.

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

The District held a conflict-of-interest training for Board members in September 2022 during a Board retreat. The training included a review of the conflict-of-interest issue identified during the audit and the District's new procedures for reviewing Board meeting packets and consent agendas prior to every Board meeting to identify any potential conflicts; informing the Board member if a conflict exists; and ensuring the Board member properly refrains from participating in or voting on any manner in which they have a substantial interest.

- c. Developing and implementing a written procedure to require District staff to review conflict-of-interest forms to confirm that when a Board member (or District staff person) reports a substantial interest, they must also describe the substantial interest, such as their job title, role or responsibilities, and compensation.

► Status: **Partially implemented at 42 months.**

The District has taken some steps to address this recommendation, including updating its policies to address how employees' conflicts of interest should be reported and remediated, and establishing a process to review disclosure forms. However, the District's process for reviewing employees' disclosure forms does not effectively ensure forms are complete and accurate. For instance, we reviewed all fiscal year 2025 conflict-of-interest disclosure forms completed by 5 Board members and 40 District staff. Although all forms appeared to have been reviewed, we found that 20 forms completed by staff improperly indicated both that the staff member had and did not have a conflict of interest, including 6 where employees had described their conflicts. Taking additional action could help the District ensure its review process identifies errors such as those we found during our review and that its Board members and staff comply with State conflict-of-interest laws.

### **Finding 3: District did not ensure all cash collected was deposited, allowed users too much accounting system access, and misclassified expenditures**

6. The District should provide training on the *Uniform System of Financial Records for Arizona School Districts* (USFR) cash-handling requirements to all employees involved in cash collection, deposit, and review.<sup>1</sup>

► Status: **Implemented at 30 months.**

The District provided annual training on the USFR cash-handling requirements to all employees involved in cash collection, deposit, and review in July 2024.

7. The District should follow USFR cash-handling requirements to ensure all cash collected is deposited by:

- a. Preparing sequentially numbered receipts for all cash received.

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

The District established new written procedures for its receipting process at the beginning of fiscal year 2023 that require preparing sequentially numbered receipts for all cash received. Our review of cash collected at the District in October 2022 found that sequentially numbered receipts were prepared for all cash the District deposited.

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<sup>1</sup> The Arizona Auditor General and the Arizona Department of Education jointly developed the USFR pursuant to Arizona Revised Statutes §15-271. The USFR and related guidance prescribes 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.

- b. Depositing all cash at least weekly.

- ▶ Status: **Implemented at 42 months.**

- As reported in the previous 18-month followup, the District established new written procedures for its deposit process at the beginning of fiscal year 2023 that require all cash collected to be deposited at least weekly. We reviewed documentation for all cash deposits the District made between February and April 2025 and determined that the District had implemented these updated procedures and all cash collected was deposited at least weekly.

- c. Maintaining evidence for all cash deposits.

- ▶ Status: **Implemented at 42 months.**

- As reported in the previous 18-month followup, the District established new written procedures that require it to maintain evidence for all cash deposits at the beginning of fiscal year 2023. To evaluate whether the District had implemented these procedures, we reviewed documentation for all cash deposits the District made between February and April 2025 and determined that the District maintained evidence for all cash deposits.

- d. Reconciling cash receipts to cash deposits.

- ▶ Status: **Implemented at 42 months.**

- As reported in the previous 18-month followup, the District established new written procedures that require it to maintain evidence for all cash deposits at the beginning of fiscal year 2023. We reviewed documentation for all cash deposits the District made between February and April 2025 and determined that District staff followed the procedures to reconcile all cash receipts to cash deposits.

- 8. The District should review accounting system users' access levels and limit users' access in the accounting system to only those functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

- ▶ Status: **Partially implemented at 42 months.**

- Our May 2025 review of the District's user access to its accounting system found that the District had taken some steps to reduce its users' excessive system access. Specifically, we found that the District transferred administrator-level access to someone outside of the business office. However, both District users had more access than necessary to perform their job duties. After we brought this to the District's attention, the District limited these 2 users' access to only those functions needed to perform their job duties.

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

► Status: **Partially implemented at 42 months.**

The District established new procedures requiring staff responsible for classifying expenditures to annually review the USFR Chart of Accounts and attend related training. Although the District correctly classified the operational expenditures we reviewed, we found that the District continued to misclassify certain revenue transactions and capital expenditures. Therefore, additional work is needed to fully implement this recommendation.