




Stanfield Elementary School District

Initial Followup of Report 24-206

The May 2024 Stanfield Elementary School District performance audit found that the District did not comply with important requirements and recommended practices in various areas, including travel reimbursements, accounts payables, and payroll, increasing the risk for errors, fraud, and improper payments. Additionally, the audit identified various IT deficiencies that increased the District's risk for unauthorized access to sensitive District information and data loss. Finally, the District did not fully comply with annual school bus driver drug testing requirements and did not maintain all required school bus driver records, increasing risks to student safety. The consulting firm Sjoberg Evashenk Consulting, who conducted the performance audit under contract with the Arizona Auditor General, made **27** recommendations to the District.

District's status in implementing 27 recommendations

Implementation status	Number of recommendations
 Implemented	8 recommendations
 In process	15 recommendations
 Not implemented	4 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: The District did not comply with some school bus driver annual drug testing requirements or maintain all required bus driver certification documentation, increasing risks to student safety, and did not accurately report miles and riders for State funding purposes

1. The District should develop and implement a process to ensure school bus drivers complete annual drug testing in accordance with the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards).

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

The District has developed and implemented a process to ensure its school bus drivers meet certification and testing requirements, including annual drug screenings. The District maintains a tracking spreadsheet that District officials review monthly to ensure that they are aware of and have time to address upcoming requirement deadlines. We reviewed the District's tracking spreadsheet, all files associated with current school bus drivers as of April 2025, and monthly transportation department meeting minutes from December 2024 through March 2025. We found that the District accurately tracked requirements and deadlines for each driver, discussed upcoming certification requirements in the monthly meetings, and had conducted annual drug screenings in accordance with the State's Minimum Standards.

2. The District should immediately review certification records for all drivers to ensure all required documentation is maintained by the District.

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

As discussed in recommendation 1, we found that the District had complete and accurate certification records for all current school bus drivers.

3. The District should annually review the Arizona Department of Education's (ADE) most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and accurately calculate and report to ADE the number of route miles traveled and riders transported for State funding purposes.

► Status: **Implementation in process.**

The District has taken steps to address this recommendation, but additional efforts are needed to ensure that the information it uses to complete transportation funding reports is accurately recorded and reported. Since the audit, the District has provided evidence that staff reviewed ADE's transportation guidance in the most recent fiscal year and maintained documentation supporting its miles driven and riders transported. However, we reviewed fiscal year 2025 data from the District's mileage and rider tracking spreadsheet, which it used to complete its State transportation funding reports, and found that the spreadsheet did not consistently reflect the totals recorded on

school bus drivers' daily mileage and rider logs. Specifically, the number of daily riders recorded on the spreadsheet differed from the numbers recorded on the bus drivers' daily logs more than 65% of the time. However, since the variances involved both over- and under counts of riders and the resulting total variance was small, it is unlikely that these errors affected the District's fiscal year 2025 funding amounts. However, without a process to ensure accurate reporting, the District continues to be at risk for inaccurate transportation funding. We will assess the District's efforts to implement this recommendation at the 24-month followup.

4. The District should recalculate and resubmit accurate fiscal year 2022 miles driven and riders transported to ADE to determine if any corrections are necessary to its transportation reporting.

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

The District recalculated its fiscal year 2022 miles driven and riders transported and submitted revised transportation reports to ADE that appeared to be accurate for funding purposes.

Finding 2: The District lacked sufficient internal controls in some areas, putting public monies at an increased risk of errors, fraud, and improper payments, and incorrectly classified its expenditures, potentially impacting the accuracy of its financial reporting

5. The District should modify and implement written procedures that provide effective internal controls over receiving processes to ensure compliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) and Board-approved policies, including processes for receiving services and to monitor and enforce staff compliance with the District's procedures.¹

► Status: **Implementation in process.**

After the audit, the District updated a checklist that it had previously developed to guide staff who were responsible for the District's receiving and payment processes, but staff did not consistently follow the revised checklist. Specifically, we judgmentally selected and reviewed 5 purchase orders from the first half of fiscal year 2025 and found that the District did not follow its checklist for 2 purchases we reviewed. In 1 instance, the District paid for items 9 days prior to receiving them. In the other instance, the District did not verify the correct credit card account and payment amount prior to making payment. This resulted in the District initially making a payment to the wrong credit card account and also paying more than the correct amount. In both instances, if District staff had followed the checklist, they likely would have identified these issues before making the payments. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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The Arizona Auditor General and ADE 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.

6. The District should develop and require annual training for responsible employees about the District's purchasing and accounts payable processes and related USFR requirements.
- ▶ Status: **Implementation in process.**
- The District has taken steps to ensure that all current business office employees have been trained in the District's purchasing and accounts payable processes and related USFR requirements, but it has not implemented an annual training requirement. We will assess the District's efforts to implement this recommendation at the 24-month followup.
7. The District should retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid for after the goods or services were received.
- ▶ Status: **Implementation in process.**
- Although the District retained documentation to demonstrate that purchases were for allowable District purposes, we found that 2 purchases we reviewed were paid for before the District received the purchased goods, as discussed in recommendation 5. We will assess the District's efforts to implement this recommendation at the 24-month followup.
8. The District should continue reviewing historical use tax payments to identify other errors and take action to correct any past over- or underpayments identified.
- ▶ Status: **Implementation in process.**
- The District indicated it had reviewed all its vendors to ensure that the historical use tax payment setting for each vendor was accurate and provided documentation showing that this setting was appropriately selected in its payment processing system. However, at the time of our review, District officials stated they were still in the process of recouping past overpayments identified during the audit. We will assess the District's efforts to implement this recommendation at the 24-month followup.
9. The District should develop and implement a process to verify accounts payable and use tax payments to ensure amounts paid are accurate and supported.
- ▶ Status: **Implemented at 6 months.**
- The District has implemented a formal process to review and verify the accuracy of use tax payments when vendor accounts are established and on a monthly basis to ensure it remits use tax payments only when required to do so.

- 10.** The District should continue requiring District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and for what authorized District purpose.

► Status: **Implementation in process.**

Although the District improved its credit card tracking since the audit, its credit card logs were still incomplete and did not ensure credit cards' physical security. We compared credit card statements, which included 31 credit card transactions, to District credit card check out logs for July through December 2024. For 6 of the 31 credit card transactions, there was no credit card log entry to identify who possessed the credit card when the purchases were made. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 11.** The District should implement protocols to monitor and enforce compliance with existing District credit card policies, including:

- a.** Verifying an approved purchase order has been obtained prior to making purchases.

► Status: **Implementation in process.**

The District has taken steps to improve its purchasing processes, but we found that employees continued to make some purchases without advance approval. Specifically, the District provided training to business office employees responsible for purchasing that included information about purchase orders and approval requirements. Additionally, at the time of our review, District officials stated that the District was in the process of reviewing its credit card policies and procedures. However, additional work is needed to ensure purchase orders are obtained and approved in advance of purchases being made. We judgmentally selected and reviewed 8 fiscal year 2025 purchases and found that 4 were not approved in advance by the superintendent, as required by District policy. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- b.** Tracking and regularly reviewing the physical chain of custody for all credit cards to ensure users are complying with requirements for checking out and returning District cards.

► Status: **Implementation in process.**

District officials reported that the District had been reviewing credit card use quarterly, but after finding discrepancies in documentation, they began conducting more frequent reviews. As discussed in recommendation 10, we also identified discrepancies, including instances where credit card possession was not tracked in the District's credit card logs, and additional work is needed to fully implement this recommendation. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 12.** The District should provide regular training on USFR requirements and District policies and procedures to staff members responsible for credit cards, as well as authorized credit card users, and ensure that all card users have been trained and completed a signed user agreement prior to using District credit cards.

▶ Status: **Not implemented.**

We reviewed training records and user agreements for all 3 District employees who made credit card purchases in fiscal year 2025 and found that 1 employee had not attended the District's credit card training or completed a credit card user agreement. Despite this, the employee was allowed to check out a District credit card multiple times, making 4 purchases in 2 months. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 13.** The District should recoup the \$119 in travel reimbursements the District overpaid and review other lodging, meal, and incidental reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual reimbursement rates, and recoup any additional overpayments identified.

▶ Status: **Implementation in process.**

We confirmed that the District recouped the \$119 in travel reimbursements it overpaid in fiscal year 2022, but District officials indicated that they have not yet completed their review of travel reimbursements paid in later fiscal years. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 14.** The District should ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.

▶ Status: **Implementation in process.**

The District has updated its accounts payable procedures to require annual training for employees who are responsible for classifying expenditures, and it provided evidence that staff attended training in fiscal year 2025. To determine whether the District provides this training annually, we will again review the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: The District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, putting public monies at an increased risk of errors, fraud, and improper payments

- 15.** The District should develop formal, written policies and procedures for its payroll process in accordance with USFR requirements, including establishing maximum amounts of leave that employees may accrue, and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.

▶ Status: **Not implemented.**

District officials reported that they are working to improve payroll procedures, but the procedures we reviewed did not consistently conform with Board policy and USFR requirements. Further, the District's Board-approved payroll policies still do not establish maximum compensatory time accruals, despite having these maximum accrual amounts for other types of leave. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 16.** The District should ensure District procedures and employee handbooks align with Board-approved policies, USFR requirements, and federal requirements, where applicable.

▶ Status: **Not implemented.**

As of April 2025, the District's employee handbooks were not aligned with Board policy and did not address all the information required by the USFR and federal requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 17.** The District should ensure it follows its payroll policies and procedures, including its procedures for authorizing overtime and compensatory leave and for calculating compensatory time accrual.

▶ Status: **Implementation in process.**

Based on our review, the District has improved its procedures for approving and paying overtime, but we identified some continuing issues with the District's process for tracking compensatory time. Specifically, we judgmentally selected and reviewed documentation for 4 employees who were paid overtime and 4 employees who accrued compensatory time across 4 pay periods in fiscal year 2025. We found that the payroll calculations we reviewed were accurate, and the District had authorized and paid overtime according to its policies.

However, the District did not follow its compensatory time policy, which only allows employees to accrue compensatory time if they have worked more than 40 hours in a week. The District maintains a tracking spreadsheet for compensatory time separate from its payroll system and records excess hours worked on a daily basis without determining whether the 40-hour-per-week work requirement was also met. By doing so, the District may allow some employees to accrue more compensatory time than

policy allows. For example, 4 employees we reviewed accrued 5.5 more compensatory hours than they would have if the District has ensured they also met the 40-hour-per-week requirement. Additionally, we identified 1 employee who had both accrued compensatory time and been paid overtime for the same hours worked during 1 pay period we reviewed. This indicates that the District may need additional procedures to track compensatory time accruals and ensure proper payments. Additionally, the District should recover the money for the overtime hours they incorrectly paid or reduce the employee's compensatory time accordingly. We will assess the District's efforts to implement this recommendation at the 24-month followup, including whether it recovered the monies it improperly paid to the 1 employee.

- 18.** The District should ensure staff who are responsible for providing supervisory oversight ensure established policies and procedures are followed and enforced and payroll transactions are accurate and supported prior to authorizing payroll transactions.

► Status: **Implementation in process.**

District officials reported that, since the audit, their supervisory reviews of payroll have identified errors in the payroll process that have resulted in some employees being overpaid, and they are working to improve procedures and prevent future errors. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 19.** The District should identify and correct over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments we identified.

► Status: **Implementation in process.**

The District is working to correct the over- and underpayments identified during the audit. Additionally, District officials indicated that they conducted a review for similar over- and underpayments in other fiscal years and identified similar payment errors in the 2024-2025 school year that the District planned to correct. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 4: The 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

- 20.** The District should enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

► Status: **Not implemented.**

Our review of the District's password requirements in March 2025 found that the District's enforced password requirements continue to not align with credible industry standards. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 21.** The District should develop and implement a policy and process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and accounting system access to ensure that access level is appropriate and access was promptly disabled when it was no longer needed, including for terminated employees and vendors.

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

Since the audit, the District has limited the functions that business office employees may perform in its accounts payable system so that no individual can independently initiate and complete a transaction without another individual's involvement. The District has also instituted a monthly process to review user activity within its accounting system and investigate any unexpected or unusual system activities, which helps to further reduce the risk of unauthorized activity. We reviewed 3 months of the District's fiscal year 2025 accounting system activities logs and found that the District followed its process to review the logs and investigate any unexpected or unusual system activities. Additionally, according to the District, it assesses user access levels at the beginning of each school year and has implemented a process to assign user access levels in both its network and accounting system based on job roles and responsibilities.

- 22.** The District should either cease the practice of keeping shared accounts associated with a terminated employee for the use of knowledge transfer because of the inherent risk associated with maintaining shared accounts or update the District's cybersecurity policy to specify conditions and requirements for the use of shared accounts and review these accounts regularly.

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

The District's cybersecurity policy details how shared accounts are documented and reviewed and what compensating controls are required to maintain these accounts' security. Our May 2025 review identified 1 shared account belonging to a terminated business office employee that was being used by the employee taking over the role, and we found that the District had handled this account in accordance with its policy.

- 23.** The District should standardize user access levels by job function to ensure access rights are consistently applied. Further, for current and future access, establish and review access by accounting system function.

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

The District has created a process to standardize user access levels by job function, and it has also implemented a form to help ensure access rights are consistently applied.

- 24.** The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

▶ Status: **Implementation in process.**

Although the District has developed an IT contingency plan and tested it in fiscal year 2025, the plan lacks several key components. For example, the plan does not identify all critical systems and the order in which those critical systems are to be restored. Additionally, the plan does not contain contingencies for continued business operations during a system outage and lacked evidence that appropriate District staff reviewed and approved it. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 25.** The District should establish and implement procedures for collecting and monitoring logs of accounting system activities to be able to track events and to detect potentially malicious or fraudulent activity in a timely manner.

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

The District has implemented a process for monitoring change logs for their accounting system activities monthly. Through this review, the District is able to track events and detect malicious or fraudulent activity in a timely manner.

- 26.** The District should modify and implement written procedures that provide effective security and access controls over information technology to ensure compliance with the USFR, and develop a process to monitor and enforce staff compliance with the District's procedures.

▶ Status: **Implementation in process.**

The District has created written policies and procedures for user account security and access controls, but we found that it has not consistently enforced these policies and procedures. We will assess the District's efforts to implement this recommendation at the 24-month followup.