

## RESULTS

The Arizona Auditor General engaged Sjoberg Evashenk Consulting, Inc. to conduct a performance audit of Tonto Basin Elementary School District, pursuant to Arizona Revised Statutes §41-1279.03(A)(9), and determine the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements. We found that the District did not comply with key requirements in financial and operational areas, including accounts payable, credit cards, cash handling, payroll, procurement, transportation, and information technology security. These deficiencies increased the District's risk of errors, fraud, and improper payments and weakened the District's ability to safeguard public resources.

### AUDIT PURPOSE

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

### BACKGROUND

Tonto Basin Elementary School District is a rural school district located in Gila County and was responsible for the education of 71 students in fiscal year 2024. The District has 1 school providing education services for students in kindergarten through 8<sup>th</sup> grade.

### KEY FINDINGS

- The District's internal controls were insufficient in various areas, including for purchasing, credit cards, cash handling, and procurement, putting public monies at increased risk of errors, fraud, and improper payments. The District also did not consistently classify expenditures correctly, potentially impacting the accuracy of its financial reports.
- The District made improper and/or erroneous payments to some employees and lacked sufficient oversight over payroll processing to ensure that timecards and overtime pay were properly approved.
- The District inaccurately reported school bus riders and miles driven to the Arizona Department of Education (ADE) for State funding purposes in fiscal year 2024, and lacked a process for ensuring its reports were accurate.
- Excessive user access to sensitive data, a lack of cybersecurity training, and inadequate monitoring increased the risk of unauthorized access, data loss, and cybersecurity threats.

### KEY RECOMMENDATIONS

The District should:

- Implement strong financial controls—Develop and implement written procedures and a supervisory review process for all financial activities and transactions and maintain required documentation to prevent errors and fraud.
- Enhance payroll safeguards—Establish payroll processing and oversight procedures, verify timecard approvals, and ensure contract terms are followed to prevent inaccurate or unallowable payments.
- Ensure accurate transportation reporting—Develop written procedures for preparing and reviewing transportation funding reports to ensure information submitted for funding purposes is accurate.
- Bolster IT security measures—Promptly disable unnecessary user accounts, regularly review user access permissions, and provide annual cybersecurity awareness training to employees to help protect sensitive District data.