




# Aguila Elementary School District

## 24-Month Followup of Performance Audit Report 23-203

The August 2023 Aguila Elementary School District performance audit found that the District lacked internal controls and did not comply with requirements in multiple areas, putting public monies, student safety, and sensitive computerized data at risk. We made **20** recommendations to the District.

### District's status in implementing 20 recommendations

Implementation status		Number of recommendations
	Implemented	5 recommendations
	In process	6 recommendations
	Not implemented	9 recommendations

We will conduct a 36-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 did not comply with important cash-handling and payroll requirements, putting public monies at an increased risk of errors, fraud, and improper payments

1. The District should develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.

▶ Status: **Implementation in process.**

Although the District created written policies and procedures for its cash collection process in March 2024, it continues to have issues with timely depositing monies. We reviewed all 9 cash receipts that the District deposited in December 2024 and identified 8 receipts totaling approximately \$14,700 that the District did not deposit within a week, as required by the USFR and District policy. The deposit dates for these 8 receipts ranged from 9 days to more than 2 months after the District collected the cash. By not timely depositing monies, the District increases the risk that the monies may be lost or stolen. We will assess the District's efforts to implement this recommendation at the 36-month followup.

2. The District should prepare and maintain evidence, such as sequential, prenumbered receipts or a mail log, for all cash received.

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

As discussed in recommendation 1, the District created written policies and procedures for its cash collection process in March 2024. The District's written policies and procedures require that the District issue prenumbered receipts or document receipt in a mail log for all cash collected. As part of our initial followup, our review of the District's cash collections for December of 2024 found that the District maintained prenumbered receipts for all cash received during the period we reviewed.

3. The District should separate cash-handling duties from employees with recordkeeping responsibilities, such as requiring a separate employee to prepare either deposits or reconciliations, but not both. If adequate separation is not possible due to the District's limited staff size, ensure adequate management review procedures are in place, such as requiring an employee without cash-handling responsibilities to review cash receipt, deposit, and reconciliation documentation, to protect public monies from potential errors and fraud.

▶ Status: **Implemented at 24 months.**

The District's cash-handling policies and procedures require separate employees to prepare deposits and reconciliations. Our review of the District's cash deposits for December 2024 found that different employees were responsible for preparing the deposits and performing the cash reconciliations for all 9 deposits we reviewed.

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

► Status: **Implementation in process.**

Although District officials indicated they reviewed the District's cash-handling policies and procedures with staff, we determined this review was not a comprehensive training that would ensure staff understand how to follow the procedures. The review, which occurred at a District training in July 2024, did not appear to cover all requirements within its cash-handling policies and procedures, which may have contributed to the District's continued delays in making cash deposits, as discussed in recommendation 1. We will assess the District's efforts to implement this recommendation at the 36-month followup.

5. The District should develop formal, written policies and procedures for its payroll process in accordance with USFR requirements 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 established written policies and procedures for the District's payroll process in March 2024. However, the District's policies and procedures continue to lack important details about how overtime and compensatory time should be accrued, documented, and approved. These details are important because during the audit, we found errors staff made in calculating regular and overtime hours worked and in rounding hours that led to improper payments for 10 of 14 hourly employees across 2 separate pay periods we reviewed.<sup>2</sup> We will assess the District's efforts to implement this recommendation at the 36-month followup.

6. The District should ensure it follows its payroll policies and procedures, including its procedures for rounding employee hours worked and compensatory time accrual.

► Status: **Not implemented.**

As discussed in recommendation 5, the District's policies and procedures continue to lack important information regarding compensatory time accrual and overtime payments. We judgmentally selected and reviewed 6 employees over 2 pay periods in fiscal year 2025 and found that the District consistently followed its procedures for rounding employee hours worked. However, our review of fiscal year 2025 detailed payroll records for all employees through April 2025 identified 10 instances where the District paid overtime to 2 employees contrary to its policies. We will assess the District's efforts to implement this recommendation at the 36-month followup.

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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.

<sup>2</sup> See Arizona Auditor General report 23-203, *Aguila Elementary School District*.

7. The District should require a supervisory review during its payroll process or develop and implement other compensatory controls to ensure that all hourly employees are paid accurately based on actual hours worked.

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

As part of its updated payroll policies and procedures the District implemented during fiscal year 2024, 2 employees verify weekly that time sheets are complete and accurate and review all payroll reports prior to approval. Further, the District's superintendent performs an additional supervisory review and approval of payroll reports prior to payroll processing. Our review of a sample of payments made to 6 employees across 2 pay periods in fiscal year 2024 found evidence that District staff had completed the supervisory reviews required by its policies and procedures in both pay periods we reviewed.

8. The District should identify and correct over- and underpayments made to all current hourly employees from fiscal year 2021 to the present, including the over- and underpayments we identified.

► Status: **Not implemented.**

The District conducted an analysis that it presented to its governing board (Board) in November 2023 where District officials estimated the potential cost of identifying and correcting over- and underpayments made in accordance with this recommendation. Based on the District's analysis, which considered the number of pay periods it needed to review and the hourly rate and expected time of staff needed for the review, the District's Board voted unanimously that the time burden and expense outweighed the value of implementing the recommendation. As of June 2025, District officials reported that the Board has not reconsidered its position on this matter. Therefore, the District indicated that it does not plan to take further action to implement this recommendation.

## **Finding 2: District put student safety and District property at risk by not systematically performing school bus operations checks and preventative maintenance, and not restricting equipment and building access to appropriate personnel**

9. The District should develop and implement written policies and procedures for school bus operations checks and preventative maintenance to ensure school passengers' safety and extend the useful life of its school buses. Specifically, to comply with the State's Department of Public Safety (DPS) *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards), these policies and procedures should:

- a. Include lists of items required to be inspected by school bus drivers before a school bus is operated for the first time each day and for each subsequent operation;

► Status: **Implementation in process.**

Since the initial followup, the District updated its pretrip check list, requiring school bus operations checks that meet DPS Minimum Standards for pretrip inspections

for the first trip of the day. However, the District's policies and procedures still do not require school bus drivers to perform subsequent operations checks of their school buses for afternoon drop-off trips, as required by DPS Minimum Standards. We judgmentally selected and reviewed 2 weeks of school bus operations checks and found that the District completed its pretrip checklist as required; however, the District lacked evidence to support its drivers had conducted subsequent operations checks on any of the days we reviewed. District officials reported being unaware of the requirement to perform checks for subsequent operations. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- b.** Include a schedule of when mechanics should perform preventative maintenance, including maximum mileage and time frame intervals, and what maintenance work should be completed; and

► Status: **Implementation in process.**

Although the District developed written policies and procedures for performing and documenting school bus preventative maintenance to comply with DPS Minimum Standards, including an annual requirement for preventative maintenance, the District's policy does not specify the maximum allowable mileage interval between preventative maintenance services. Without a maximum mileage interval for performing and documenting timely routine preventative maintenance, the District increases the risk of mechanical issues, which may reduce the buses' useful lives and may result in defective safety features that are important for ensuring school buses can safely transport students. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- c.** Train and require that District employees, including school bus drivers, perform and document required school bus operations checks and preventative maintenance in a systematic and timely manner.

► Status: **Not implemented.**

Although we reported in our July 2024 initial followup that District officials planned to conduct an operational check and preventative maintenance training in August 2024, the District has not provided formal training related to operations checks and preventative maintenance since the initial followup. Additionally, the District should ensure its policies and procedures meet DPS Minimum Standards as discussed in recommendation 9a prior to providing the training. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 10.** The District should conduct a physical key inventory to determine how many District facility keys exist, including how many are distributed and to whom.

▶ Status: **Implemented at 24 months.**

The District developed written policy and procedures for distributing, tracking, and collecting keys. The procedures require the District to complete biannual key inventories and employees to sign key agreements. In accordance with its updated policy, the District conducted its first physical key inventory in fiscal year 2025.

- 11.** The District should develop and implement a written policy for distributing, tracking, and collecting keys that requires employees to sign user agreements outlining their responsibilities as a key holder and that would allow the District to account for all distributed and collected keys.

▶ Status: **Implemented at 24 months.**

As discussed in Recommendation 10, the District has developed a written policy for distributing, tracking, and collecting keys, which includes requiring employees to sign key agreements. Our review of signed fiscal year 2025 employee key agreements found that all 29 employees who received keys had signed and dated key agreements.

### **Finding 3: District's excessive access to its sensitive computerized data and lack of security awareness training increased risk of unauthorized access, errors, fraud, and data loss**

- 12.** The District should protect its sensitive computerized data by limiting users' 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: **Implementation in process.**

Similar to the initial followup, our April 2025 review of the District's accounting system access levels found that 2 of 5 employees had more access than needed to perform their job duties and could initiate and complete purchasing and/or payroll transactions without independent review and approval. Although this is fewer than reported in the previous initial followup where we found 3 District employees had more access than needed to perform their job duties, the District has not limited users' access to only what is needed to perform their job duties. As a result, it continues to increase the risk for unauthorized system activities and fraud. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 13.** The District should establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure they have access to only those accounting system functions needed to perform their job duties.

► Status: **Implementation in process.**

As of April 2025, the District created new written policies and procedures for assigning and periodically reviewing employees' accounting system access but had not yet implemented them. The District's new policy states that the superintendent will conduct monthly reviews of accounting system access logs to determine any necessary system access changes. The policy indicates that the business manager should communicate any necessary system access changes to the county school superintendent's office, which hosts the District's accounting system. As of June 2025, District officials reported that they were still in the process of developing the District's process for documenting its accounting system access reviews. We will assess the District's efforts to implement this recommendation in the 36-month followup.

- 14.** The District should immediately disable or remove all network accounts associated with terminated employees.

► Status: **Not implemented.**

Our review of active user accounts with access to the District's network as of May 2025 found 1 active account associated with a terminated employee. The account remained active for nearly 14 months after the employee separated from District employment. By not promptly terminating users' access upon leaving District employment, the District increases the risk of unauthorized access to sensitive District data and disruptions to its operations. After we brought this account to the District's attention in August 2025, District officials indicated that they would disable the account. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 15.** The District should evaluate and document the effects of terminated employees having accessed the District's network after their employment ended, such as any unauthorized activities or changes that may have occurred as a result of the improper access, and remedy any identified effects.

► Status: **Not implemented.**

Although the District previously indicated that it planned to evaluate the effects of terminated employees having accessed the District's network after their employment ended by July 2024, the District was unable to provide any evidence of conducting such an evaluation. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 16.** The District should establish and implement written policies and procedures to ensure terminated employees' network access is promptly removed.

► Status: **Not implemented.**

Since the audit, the District created written procedures for removing terminated employees' network access, but these procedures do not ensure that access is removed promptly as required by the USFR. The District's procedures state that the District should remove network access after the Board's acceptance of a termination;

however, the Board generally meets monthly, which could delay the removal of terminated employees' access and increases the risk that terminated employees may improperly access sensitive District information. We will assess the District's efforts to implement this recommendation at the 36-month followup.

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

▶ Status: **Not implemented.**

The District has implemented procedures for tracking employee participation in security awareness training. However, our April 2025 review found that 10 of 38 active District employees had not completed security awareness training in the past year, which is similar to what we reported in our initial followup. We will assess the District's efforts to implement this recommendation at the 36-month followup.

18. The District should establish and implement written policies and procedures to conduct security awareness training that meets USFR requirements and follows credible industry standards, is provided to its employees at least annually, and includes documentation of training completion.

▶ Status: **Not implemented.**

Although District policy requires security awareness training for employees upon hire, it does not require annual training, contrary to USFR requirements and credible industry standards. Additionally, the District did not provide training during new staff onboarding for employees hired after August 2024, contrary to its policy. Further, and similar to what we reported in the previous followup, the District was unable to provide documentation showing that the August 2024 training covered topics beyond phishing awareness. As a result, we were unable to determine whether the District's training included all topics that were required to be covered by the District's policy. We will assess the District's efforts to implement this recommendation at the 36-month followup.