






Bagdad Unified School District

36-Month Followup of Performance Audit Report 22-203

The June 2022 Bagdad Unified School District performance audit found that the District did not comply with State laws or USFR requirements, putting public monies and sensitive information at risk, and risked student safety by not complying with school bus driver random drug and alcohol testing requirements and not performing systematic bus preventative maintenance. We made **15** recommendations to the District.

District's status in implementing 15 recommendations

Implementation status		Number of recommendations
	Implemented	8 recommendations
	Implemented in a different manner	1 recommendation
	Partially implemented	1 recommendation
	No longer applicable	2 recommendations
	Not 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 June 2022 report.

Recommendations to the District

Finding 1: Contrary to State law, District failed to accept \$3.6 million during meetings open to public and entered into improper service proposals that superintendent drafted despite apparent substantial interest conflict

1. The District should ensure it complies with State laws governing open meetings, conflicts of interest, and intergovernmental agreements (IGAs). Specifically:

- a. If the Governing Board (Board) accepts a contribution, including those from the mining company and any other gifts and donations, it should ensure the superintendent acknowledges the contribution's receipt, purpose, and value during meetings open to the public, regardless of a contributor's request to maintain privacy.

► Status: **Implemented at 18 months.**

We reviewed Board meeting minutes from May 2023 through March 2024 and found the District acknowledged in a public meeting the receipt, purpose, and value for each monetary contribution the Board accepted during this time frame.

- b. District employees, including the superintendent, should ensure they follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 3), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as drafting and revising a service proposal/agreement, for which they have a substantial interest.

► Status: **Not implemented.**

The District's processes for managing and remediating conflicts of interest continue to be insufficient to ensure that the District employees and Board members follow State conflict-of-interest laws. We reviewed fiscal year 2025 conflict-of-interest disclosure forms for the District's 5 Board members and 10 administrative employees and identified instances where Board members' and employees' forms were incomplete or inaccurate. For example, 3 Board members' forms indicated they had a substantial interest but did not describe the substantial interest, as required. Further, 8 employees signed their forms indicating that they would refrain from participating in matters involving their disclosed substantial interests, despite none of the 8 having disclosed a substantial interest on their forms. A formal review process to ensure employees and Board members have fully and accurately completed their conflict-of-interest disclosure forms would likely have helped the District to identify and address these issues.

- c. District employees should ensure District legal agreements with other school districts are written as IGAs specifying duration, purpose, manner of financing and budgeting, the permissible method(s) to be employed in terminating the agreement, and any other necessary and proper matters; and are reviewed by District attorneys for determination of whether the IGAs are in proper form and within the powers and authority granted under the laws of this State.

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

- 2. The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing open meetings, conflicts of interest, and IGAs in conformance with State law. These policies and procedures should specifically require the Board to accept contributions in a meeting open to the public; disallow District employees from participating in matters for which they have a substantial interest, including drafting and revising service proposals/agreements; and require agreements to comply with IGA statutory requirements.

► Status: **Implemented at 18 months.**

The District developed internal procedures in November 2023 governing open meetings, conflicts of interest, and IGAs. The Board approved these procedures in its December 2023 meeting. These procedures specifically require the Board to accept contributions in a public meeting; disallow District employees from participating in matters for which they have a substantial interest; and require agreements to comply with statutory requirements.¹ The District consulted with its legal counsel to confirm its procedures were in accordance with State law.

- 3. Develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

► Status: **Not implemented.**

Although the District indicated it provides training on its conflict-of-interest policy as part of its annual District-wide training employees take at the beginning of each school year, it was unable to provide evidence that it had provided this training in fiscal year 2025, such as sign-in sheets documenting staff attendance. Additionally, the training appears to be ineffective, as indicated by the deficiencies we identified in employees' and Board members' fiscal year 2025 disclosure forms described in recommendation 1b.

¹ Arizona Revised Statutes (A.R.S.) §11-952, et seq.

4. Include in its employee training information regarding the importance of complying with State laws related to open meetings and IGAs.

► Status: **Implemented at 36 months.**

The District provided evidence showing business office employees attended training that covered State laws regarding IGAs and open meetings. District officials indicated that the District plans to conduct this training at the beginning of the school year and every February.

Finding 2: Despite USFR requirements, District did not safeguard donations, allowed users too much accounting system and network access, did not have an IT contingency plan, and misclassified expenditures

5. The District should separate custodial and recordkeeping functions among employees for items donated to the District and ensure that no one employee can receive and record donated items without an independent review.

► Status: **No longer applicable.**

As reported in our previous 18-month followup, the District discontinued the practice of accepting donations and distributing them to students in April 2021. During this followup review, District officials provided a draft policy formalizing its current procedures of not accepting donations on behalf of students, which is now managed by the local Parent/Teacher Organization (PTO). The District's superintendent indicated that the District planned to present the revised policy to the Board for final approval.

6. The District should ensure staff follow District procedures to collect signatures of students accepting donated items to provide evidence that donated items were used for their intended purpose.

► Status: **No longer applicable.**

See recommendation 5.

7. 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 and ensure that no one employee can initiate and complete a process without an independent review and approval.

► Status: **Implemented in a different manner at 36 months.**

The District has continued to grant excessive accounting system access to 1 user. However, consistent with the *Uniform System of Financial Records for Arizona School Districts* (USFR), District officials indicated it has implemented compensating controls to address this user's broad access to payroll functions.² According to the District, rather

² The Arizona Auditor General and the Arizona Department of Education jointly developed the USFR pursuant to A.R.S. §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.

than reducing this user's access, the District has implemented procedures that involve 3 other employees, including the superintendent, in the payroll process. For instance, the District's procedures require the superintendent to review system-generated payroll reports prior to approving and processing payments. If the District consistently follows its procedures, it should reduce the risk associated with the 1 user's excessive accounting system access.

8. The District should remove all unnecessary user accounts in its network and implement a review process to ensure that terminated employees' access is immediately removed.

▶ Status: **Not implemented.**

The District continues to allow unnecessary user accounts on its network, including for terminated employees. Although the District updated its employee-termination checklist to include network access removal, our May 2025 review of 15 employee-termination checklists the District had completed for former employees found that 6 of 15, or approximately 40%, were completed up to 15 days after the employees left District employment. We also identified 2 former employees for whom the District lacked an employee-termination checklist. Finally, our June 2025 review of all active users in the District's network identified 5 accounts that the District confirmed were no longer needed. District officials indicated they would disable these accounts after we brought the accounts to their attention. By not timely removing user access when it is no longer needed, the District continues to increase the risk of unauthorized access to its sensitive data and disruptions to its operations.

9. The District should develop and implement an IT contingency plan that meets USFR requirements and test the plan at least annually to identify and remedy any deficiencies and document the test results.

▶ Status: **Implemented at 36 months.**

The District has developed and implemented an IT contingency plan that meets USFR requirements. The District provided evidence that it reviewed and tested its contingency plan during fiscal year 2025.

10. 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: **Implemented at 6 months.**

In August 2022, the District provided relevant employees with updated copies of the fiscal year 2023 Uniform Chart of Accounts, reviewed changes to the Uniform Chart of Accounts as a group, and added or deactivated codes as needed to accurately account for the District's spending. Our review of the District's fiscal year-to-date 2023 expenditures found that the District had substantially corrected the coding errors identified during the audit.

Finding 3: District did not comply with school bus driver random drug and alcohol testing and did not perform systematic bus maintenance, putting student safety at risk.

- 11.** The District should develop and implement a random drug and alcohol testing policy in accordance with the State's Minimum Standards and conduct and document random drug and alcohol testing in accordance with its policy and the State's Minimum Standards.

► Status: **Implemented at 18 months.**

As reported in our previous 6-month followup, the District partnered with a nearby school district to pool its school bus drivers for random drug and alcohol testing services in January 2023. Additionally, in March 2023, the District developed a random drug and alcohol testing policy in accordance with the State's Minimum Standards that its Board approved in April 2023. Our review of random drug and alcohol tests conducted in calendar year 2023 found that the District randomly drug tested at least 50 percent of its school bus drivers and alcohol tested at least 10 percent of its school bus drivers as required by the State's Minimum Standards.

- 12.** The District should research school bus manufacturer preventative maintenance schedules and recommendations to develop and implement a documented school bus preventative maintenance policy that states what preventative maintenance will be completed at what mileage and time frame and ensure mechanics perform and document school bus preventative maintenance systematically and on schedule in accordance with the District's policy and the State's Minimum Standards.

► Status: **Implemented at 18 months.**

The District reviewed preventative maintenance schedules the engine manufacturer recommended for the District's school buses and developed a preventative maintenance policy for its yellow school buses that states what preventative maintenance will be completed at what mileage and time frame. The Board approved this policy in its April 2023 meeting. Additionally, the mechanic who services the District's school buses uses a preventative maintenance checklist that lists what parts need to be checked and serviced when performing preventative maintenance. In February 2024, we reviewed the District's preventative maintenance service documentation for its 5 school buses and found that the District had performed required preventative maintenance services according to its preventative maintenance policy.

- 13.** The District should research white activity bus manufacturer preventative maintenance schedules and recommendations to develop and implement a documented white activity bus preventative maintenance policy that states what preventative maintenance will be completed at what mileage and time frame and ensure mechanics perform and document white activity bus preventative maintenance systematically and on schedule in accordance with the District's policy.

► Status: **Partially implemented at 36 months.**

Although the District has developed and approved a formal preventative maintenance policy for its white activity buses, it continues to not consistently complete preventative maintenance services in accordance with its policy. As discussed in our previous 18-month followup, in April 2023, the Board approved a preventative maintenance policy that requires preventative maintenance services be performed every 7,500 miles. In March 2024, the District updated its policy to require preventative maintenance services every 7,500 miles or annually, regardless of miles driven. However, our February 2025 review of the District's preventative maintenance documentation for its 2 white activity buses found that 1 activity bus exceeded the District policy's mileage threshold by approximately 420 miles. This same white activity bus exceeded the District's policy mileage threshold by approximately 2,800 miles in our previous 18-month followup. By not consistently following its preventative maintenance policy, the District increases safety risks to its passengers and may be reducing the white activity buses' useful lives.