

Performance Audit

Cedar Unified School District

District wasted over \$17,000 by holding Governing Board retreats outside District boundaries and did not ensure that Board members and employees complied with conflict-of-interest requirements. The District also put student safety at risk by not limiting access to its buildings and ensuring school buses and drivers met safety requirements; and it did not properly handle cash and credit cards, nor limit access to IT systems.



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October 2, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Cedar Unified School District

Dean Slaga, Superintendent
Cedar Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Cedar Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

This school district performance audit assessed the District's spending on noninstructional areas, including administration, student transportation, food service, and plant operations, and made recommendations to the District to maximize resources available for instruction or other District priorities. As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Superintendent Slaga and District staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Cedar Unified School District

Performance Audit

District wasted over \$17,000 by holding Governing Board retreats outside District boundaries and did not ensure that Board members and employees complied with conflict-of-interest requirements. The District also put student safety at risk by not limiting access to its buildings and ensuring school buses and drivers met safety requirements; and it did not properly handle cash and credit cards, nor limit access to IT systems.

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.

Key findings

- ▶ District held Governing Board retreats outside of District boundaries, limiting public access and wasting over \$17,000 of public monies on unnecessary travel.
- ▶ District did not ensure that school bus drivers met certification and drug testing requirements and that school buses were maintained in accordance with Minimum Standards, which increased risks to student safety; and the District inaccurately reported required transportation information to ADE, potentially impacting its funding amounts.
- ▶ Some employees and Board members did not consistently follow the District's conflict-of-interest policy, increasing the risk that they did not disclose substantial interests that might influence or affect their official conduct.
- ▶ District did not properly handle cash paid for adult meals in its cafeteria, made inaccurate and/or unapproved payments for extra-duty assignments, did not properly manage credit cards and purchases, and inaccurately classified its expenditures, leading to an increased risk of errors, loss, fraud, and theft.
- ▶ District did not appropriately restrict building access, increasing risks to students, and did not consistently perform building preventative maintenance.
- ▶ Excessive user access to sensitive computerized data and other IT deficiencies increased the District's risk of unauthorized access to sensitive information, data loss, errors, and fraud.

Key recommendations to the District

- ▶ Stop holding Board meetings outside the District's boundaries to reduce wasteful spending and increase public transparency; and ensure all travel-related expenditures and reimbursements comply with State requirements.
- ▶ Develop and implement policies, procedures, and processes to ensure that school bus drivers meet all certification and testing requirements, school buses are properly maintained, and transportation reporting to ADE is accurate.
- ▶ Review conflict-of-interest forms for accuracy and completeness; identify and remediate any disclosed substantial interests; and annually provide conflict-of-interest training to employees and Board members.
- ▶ Develop and implement procedures to properly handle cash paid for adult cafeteria meals, ensure payments for extra duties are approved and accurate, track possession of District credit cards, and accurately classify expenditures in accordance with the USFR Chart of Accounts.
- ▶ Conduct an inventory and track the keys to its facilities to limit access only to authorized employees, and implement procedures and training for plant operations employees to ensure it routinely conducts preventative maintenance on its buildings and related infrastructure.
- ▶ Eliminate unnecessary user access to IT systems; limit users' access to critical systems to only those functions necessary to perform their job duties; enforce strong system authentication controls; and conduct cybersecurity awareness training for all employees.

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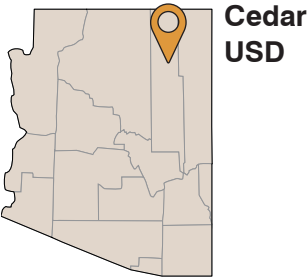
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Cedar Unified School District—FYs 2023 - 2025

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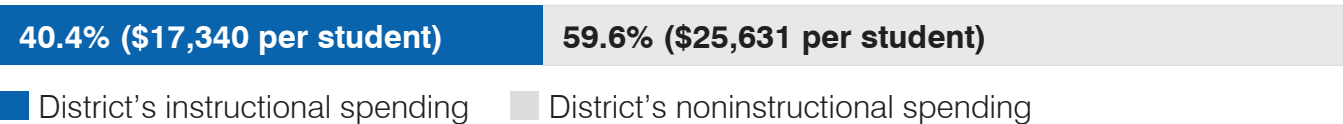
FY 2024 District information

District locality: Rural	Grades: Pre-K through 8
Number of schools: 1	County: Navajo
Students attending: 117	School letter grade: B
Filled certified FTE: 15	Filled classified FTE: 37
Filled board positions: 3 of 5	Student achievement data: N/A ¹

¹ Due to the District's small size, ADE did not present student achievement data to prevent identification of individual results.

FY 2024 operational overview

Total operational spending—\$5 million (\$42,971 per student)



In fiscal year 2024, Cedar Unified School District (District) was among Arizona’s 58 very small school districts that each serve fewer than 200 students. Unlike larger districts, very small districts cannot benefit from economies of scale, and they spread their costs over fewer students. Thus, even relatively small expenses can substantially affect costs in a particular operational area. In fiscal year 2024, noninstructional spending exceeded instructional spending at 29 of 58 very small districts, including the District, and the average instructional spending percentage for these districts was below 50%. See a breakdown below of the District’s noninstructional spending.

Administration

District limited public access to some open meetings while wasting public monies on unnecessary travel and lacked oversight and key internal controls in some areas

A majority of the District’s spending on administration was for salaries and benefits for staff such as the superintendent and District office employees. We found that the District limited public access to its Board retreats and wasted public monies on unnecessary travel (see Finding 1); did not ensure employees and Board members followed District conflict-of-interest policy and State requirements (see Finding 3); and lacked important controls over payroll, credit cards, financial reporting, and IT systems (see Findings 4 and 6).

Per student spending	Percent of total spending
\$7,403	17.2%

Plant operations

District did not follow critical requirements for maintaining and securing its facilities

The District’s spending on plant operations was primarily for utilities and staff salaries and benefits. We found that the District did not fully secure its facilities or follow State requirements for conducting facility preventive maintenance, increasing safety and security risks and potentially reducing the useful life of its building and equipment (see Finding 5).

Per student spending	Percent of total spending
\$7,390	17.2%

Instruction support and student support services

District does not provide instruction to high-school-aged students living in its boundaries due to the District’s high school closing in 2012

The District’s spending on instruction support and student support services primarily consisted of salaries and benefits for support staff. Additionally, despite being a unified school district, the District does not provide instruction to high-school aged students living in its boundaries because the District’s high school closed in 2012, and the District faces barriers to reopening it (see Questions and Answers).

Per student spending	Percent of total spending
\$5,006	11.6%

Transportation

District did not meet some State requirements and required reporting was inaccurate

Most of the District’s transportation spending was for school bus driver salaries and benefits and fuel. We found that the District did not meet some State requirements for school bus drivers and school bus preventative maintenance, increasing student safety risks, and inaccurately reported miles to ADE, likely causing the District to receive more State funding than it should have received (see Finding 2).

Per student spending	Percent of total spending
\$3,929	9.2%

Food service

District’s food service program lacked cash-handling controls

The District’s spending on food service comprised staff salaries and benefits and food supplies. Our review found that the District did not ensure that all cash collected for adult cafeteria meals was accounted for, increasing the risk of errors, loss, or theft (see Finding 4).

Per student spending	Percent of total spending
\$1,903	4.4%

District held Governing Board retreats outside of District boundaries, limiting public access and wasting over \$17,000 of public monies on unnecessary travel

Contrary to State open meeting laws, District held 2 Governing Board (Board) meetings out of town, which were not easily accessible to the public, and wasted over \$17,000 of public monies on unnecessary travel

School districts are subject to Arizona’s open meeting laws, which require all Board meetings, including work-study sessions, to be open to the public, with limited exceptions, to maximize public access to the governmental process.¹ However, our review of the meeting agendas and travel claims for the Board’s February 2023 and January 2024 work study sessions held at hotels located in Flagstaff, Arizona, found that these meetings at which District officials updated the Board on District operations and future goals did not fit any criteria where the public may lawfully be excluded. According to the District, these work-study sessions were held as out-of-town retreats in an effort to increase Board member attendance.

The Arizona Attorney General’s office publishes an agency handbook that provides guidance to State officers and public employees regarding open meeting laws.² According to this guidance, open meeting laws require that “the public body must provide public access to public meetings” and that “this requirement is not met if the public body uses any procedure or device that obstructs or inhibits public attendance at public meetings, such as holding the meeting in a geographically isolated location . . .” The Flagstaff hotels are geographically isolated from the District office in Keams Canyon, Arizona, as the hotels are located approximately 220 miles roundtrip from the District office—an estimated 2-hour drive each way. As a result, the District improperly limited public access and attendance to the Board meetings by requiring the public to travel this distance if they wished to attend, as further evidenced by no members of the public having attended, according to District officials.

Although the District provided a link on its website for virtual access to these Board work sessions that any member of the public was permitted to use, internet access may not be available to many District residents. U.S. Census Bureau data indicates that 49% of households in the zip code associated with the District office do not have an internet subscription, so members of the public in some households may not have been able to attend virtually.³ Therefore, including this link rather than holding the meetings within the District’s boundaries may not have provided sufficient public access, as required by law.

¹ Arizona Revised Statutes (A.R.S.) §38-431.03 allows a public body to hold an executive session from which the public is excluded for specific reasons, including discussing or considering employment, records exempt by law from public inspection, or consultation with legal counsel.

² Arizona Attorney General. (2018). *Arizona agency handbook*. Phoenix, AZ. Retrieved 8/29/2025 from <https://www.azag.gov/office/publications/agency-handbook>.

³ U.S. Census Bureau. (2022). *American Community Survey 2018-2022, 5-Year data estimates—Table S2801, Types of computers and internet subscriptions*. Retrieved 8/29/2025 from <https://data.census.gov/table/ACSST5Y2022.S2801?q=86034>.

In addition to limiting access to its Board meetings in February 2023 and January 2024, the District spent approximately \$17,200 on these out-of-town retreats, which was a much greater cost to the District than if it had held the meetings at its Jeddito campus in Keams Canyon, Arizona. As shown in Table 1, the District spent nearly \$6,600 for 7 District employees, 5 Board members, and the District’s receiver to attend the February 2023 work-study session.⁴ For the January 2024 work-study session, the District spent more than \$10,600 for 9 District employees and 3 Board members to attend.

By choosing to hold the February 2023 and January 2024 Board meetings in Flagstaff, Arizona, the District incurred unnecessary and wasteful expenses. Specifically, the District had to pay for meals, lodging, meeting facilities, and mileage reimbursements or fuel that it otherwise would not have had to pay if the meetings had been held locally. Additionally, the District’s wasteful spending on the Board retreats occurred during and shortly after it exited State receivership, which it had been under for over 12 years due to its past financial insolvency. When we brought these concerns to the District’s attention, District officials told us that they would no longer hold out-of-town Board retreats or any other Board meetings outside District boundaries to reduce costs and ensure public access to the meetings.

Table 1
District unnecessarily spent nearly \$17,200 of public monies on the out-of-town Board meetings held in February 2023 and January 2024

Expenditure type	February 2023 spending	January 2024 spending	Total spending
Meals	\$1,652	\$4,196	\$5,848
Lodging	2,405	3,004	5,409
Mileage reimbursement	1,918	1,553	3,471
Meeting facilities	603	1,868	2,471
Total	\$6,578	\$10,621	\$17,199

Source: Auditor General staff review of District’s February 2023 and January 2024 Board meeting documentation.

⁴ On April 26, 2011, the Arizona State Board of Education (State Board) appointed a receiver for the District based on its financial insolvency pursuant to A.R.S. §15-103. The District remained in receivership until December 4, 2023.

District exceeded State maximum allowable travel costs by more than \$4,300 for the 2 Board meetings

In addition to wasting money on unnecessary travel, the District also exceeded State maximum travel allowances for these same trips. The District's travel policies specify that the District uses the maximum reimbursement rates provided by the *State of Arizona Accounting Manual* (SAAM).⁵ SAAM provides detailed guidance and rate tables for maximum lodging, meal, and mileage reimbursements when governing board members and staff are on authorized travel status, which is defined as at least 50 miles from the employees' duty post or, for governing board members, their homes. The District paid the hotels and restaurant directly for most of the lodging and meal costs associated with the Flagstaff Board meetings rather than reimbursing Board members and District staff for the costs through its typical travel reimbursement process. However, the District did not have procedures to ensure when paying for these items, the total amount was still within allowable SAAM per-person limits. As a result, the District exceeded State travel policy maximum allowances by a combined total of more than \$4,300 for lodging and meal expenses associated with these 2 Board meetings.

Specifically:

▶ District exceeded SAAM lodging maximum rates by nearly \$800 in total

For the January 2024 Board retreat, the District exceeded SAAM's lodging reimbursement rates. Specifically, SAAM's maximum allowable lodging reimbursement rate at the time was \$107 per night plus tax, but the District paid between \$149 and \$159 per night. In total, the District spent almost \$800 on lodging costs in excess of SAAM's limits.

▶ District exceeded SAAM per person meal limits by more than \$3,500 in total

During its Board retreats held in February 2023 and January 2024, the District provided 5 meals to participating Board members, employees, and/or the District's receiver that exceeded the SAAM-established maximum meal reimbursement rates by a total of more than \$3,500. As shown on Table 2, page 6, all but 1 of these meals cost more than double the maximum allowable SAAM per-person reimbursement rate, and 1 of the meals the District provided cost \$206 per person—or \$193 more than the SAAM maximum—primarily because the District ordered and paid for a breakfast buffet for 15 people when only 6 people attended the meeting.

⁵ SAAM contains the State's accounting policies and procedures and is published by the Arizona Department of Administration's (ADOA) General Accounting Office in accordance with statute.

Table 2

District substantially exceeded SAAM-established maximum meal reimbursement rates for meals provided in February 2023 and January 2024

Meal/Date	SAAM meal rate	Actual spending per person	Amount spending exceeded meal rate (\$)	Amount spending exceeded meal rate (%)
Dinner buffet 2/24/23	\$35	\$41	+ \$6	+ 17%
Breakfast buffet 2/25/23	\$13	\$49	+ \$36	+ 277%
Steakhouse dinner 1/26/24	\$35	\$101	+ \$66	+ 189%
Breakfast and lunch buffet 1/27/24	\$29	\$129	+ \$100	+ 345%
Breakfast buffet 1/28/24	\$13	\$206	+ \$193	+ 1,485%

Source: Auditor General staff analysis of District’s February 2023 and January 2024 Board retreat claim documentation and fiscal year 2023 and 2024 SAAM maximum meal reimbursement rates.

Wasting public monies on unnecessary travel and exceeding SAAM’s travel limits reduces monies available for other District priorities. Additionally, wasteful spending increases the risk that the District may again become financially insolvent.

Recommendations to the District

- 1. Stop paying for unnecessary travel costs, including by holding Board meetings outside the District’s boundaries, which is contrary to open meeting law.
- 2. Develop and implement procedures to ensure that all travel expenditures and reimbursements are planned for the District’s convenience using the most reasonable and economic means and comply with SAAM-established maximum rates.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

Recommendations to the Board

- 1. In consultation with legal counsel as needed, determine whether any actions taken at out-of-town Board meetings were contrary to open meeting laws and if so, take appropriate corrective measures to validate those actions.
- 2. If it determines it took any actions contrary to open meeting laws, report all such actions to the Arizona Attorney General’s Office.

District did not meet some transportation Minimum Standards requirements and inaccurately reported miles to ADE, increasing risks to student safety and potentially resulting in inaccurate transportation funding

District did not conduct some required drug tests for school bus drivers, and driver certification files were incomplete, increasing risks to student safety

The District contracts with a third-party vendor to perform random drug and alcohol testing for its school bus drivers.¹ However, our review of random drug and alcohol tests conducted on the District's school bus drivers in fiscal year 2024 found that the District did not ensure that its vendor met *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) requirements for randomly testing school bus drivers for drug use. Specifically, our review found that only 25% of the District's school bus drivers were randomly tested for drugs in fiscal year 2024, which was below the Minimum Standards requirements to test 50% of drivers each year.² The District was unaware of this issue until we brought it to their attention during the audit.

Whether operating a transportation program or contracting for transportation services, statute requires all district school bus drivers to meet the State's Minimum Standards developed by the Arizona Department of Public Safety (DPS). Federal rules further require districts to monitor the vendors performing random drug and alcohol testing on their behalf to ensure that the vendor is meeting the required testing percentage thresholds.³ Contrary to these requirements, District officials stated they did not oversee the vendor's random selection process, nor did they have documentation to ensure the process the vendor used to select drivers for random drug and alcohol tests complied with Minimum Standards requirements. Additionally, the District lacked written policies and procedures for overseeing its drug and alcohol testing vendor to ensure it meets Minimum Standards requirements.

Additionally, our review of driver files for the 8 school bus drivers employed by the District in fiscal year 2024 found that the District had not ensured certifications were up-to-date or lacked documentation to support that the school bus drivers met all Minimum Standards certification requirements. Six of the 8 bus driver files we reviewed were missing evidence of 1 or more valid, active certifications or tests required by Minimum Standards.

¹ District officials indicated that because the District is small, it has joined a pool of other local school districts whose drug and alcohol testing is coordinated by a third-party vendor. The vendor is contracted to select school bus drivers from the pool for random drug and alcohol testing, which it is supposed to perform quarterly.

² The vendor tested 13% of the District's school bus drivers for alcohol use in fiscal year 2024, which met the Minimum Standards requirement to test 10% of school bus drivers each year.

³ 49 CFR 382.305(j)(2) and 49 CFR 40.15(c).

Specifically:

- ▶ 1 driver's CPR certification expired in May 2023, and the driver transported students with the expired certification from November 2023 until their resignation in February 2024.
- ▶ 6 drivers' files were missing 1 or more required documents, such as documentation of physical performance tests (3 drivers), a medical examination (1 driver), initial classroom training (3 drivers), behind-the-wheel training (2 drivers), and refresher training (4 drivers).

Although District officials indicated that they had an informal process to review drivers' files and drivers' credentials monthly to determine whether certifications are up to date, we found that the District had not performed these monthly reviews. Additionally, the District's informal review process did not include steps for updating drivers' files to ensure the District maintains required documentation supporting that drivers' certifications are all current.

By not meeting Minimum Standards for random drug testing for school bus drivers, and by failing to ensure that its bus drivers met all driver certification requirements, the District increased risks to student safety.

District did not systematically perform and document required school bus preventative maintenance, potentially increasing risk to student safety and reducing the school buses' useful lives

The District did not systematically perform and document required routine preventative maintenance on its school buses, contrary to Minimum Standards requirements. Our review of the District's fiscal year 2024 school bus maintenance records for all 6 of the District's school buses and 3 of its 11 white fleet vehicles found that the District did not systematically perform and document all required preventative maintenance in accordance with the Minimum Standards.^{4,5} Although District officials indicated that the District had an informal policy to perform preventative maintenance every 5,000 miles, the District did not always maintain documentation showing the mileage at which preventative maintenance was performed. As a result, we were unable to determine whether preventative maintenance had been performed in accordance with the District's informal policy for 12 of 14 preventative maintenance services we reviewed due to a lack of mileage tracking information or tracking of previous preventative maintenance performed. Further, the 2 preventative maintenance services for which we could determine mileage between preventative maintenance services both exceeded the District's informal policy of 5,000 miles by over 3,800 miles each.

District officials indicated that the District lacked a consistent process or system to track mileage and monitor for upcoming preventative maintenance, and as a result, the District did not ensure that it performed preventative maintenance in accordance with its informal policy. For example, we observed that the District used a manual written log and 2 separate software systems for monitoring and tracking its preventative maintenance needs but was using each of these systems

⁴ The District's white fleet includes all vehicles other than school buses such as vans, cars, SUVs, or trucks.

⁵ Although ADE guidelines prohibit using white fleet vehicles to transport students on daily routes, we included them in our analysis of preventative maintenance because they were sometimes used to transport students to and from school, which District officials stated was because school buses were unable to safely travel to pick up students in inclement weather.

inconsistently. By not ensuring its school buses are maintained in accordance with Minimum Standards requirements and inconsistently following its informal policies, the District increases safety risks to students and may reduce the school buses' useful lives.

District inaccurately reported its transportation program's miles, which may have resulted in inaccurate transportation funding

Our review of the miles and riders figures the District reported to the Arizona Department of Education (ADE) in fiscal year 2024 found that rather than reporting fiscal year 2024 miles, the District appeared to report its miles from the previous year, fiscal year 2023.⁶ Further, contrary to ADE's transportation reporting guidelines, the District counted and reported to ADE mileage for District white fleet vehicles.⁷ The District's erroneous fiscal year 2024 reporting likely caused the District to receive more fiscal year 2025 State funding than if it had accurately reported its miles.

District officials stated that the District incorrectly reported its miles because transportation staff incorrectly updated an internal spreadsheet used to compile the information. However, the District also lacked a secondary review process to ensure its mileage reporting was accurate, which may have helped it identify the errors before submitting the information to ADE.

Recommendations to the District

Develop and implement:

- 3.** Written policies and procedures to test school bus drivers for drug and alcohol use, including processes to oversee its vendor to ensure the vendor conducts the number and type of tests required by DPS Minimum Standards.
- 4.** Written policies and procedures to ensure school bus drivers meet all driver certification requirements and maintain driver certification files in accordance with DPS Minimum Standards.
- 5.** Written policies and procedures for systematically performing school bus preventative maintenance in accordance with DPS Minimum Standards, including a schedule of maximum mileage and time frame intervals for performing preventative maintenance and what maintenance work should be completed.
- 6.** A monitoring process to ensure it completes preventative maintenance in accordance with its policy.
- 7.** A secondary review process to ensure route miles traveled information is accurate prior to submitting it to ADE.

⁶ A.R.S. §15-922 requires school districts to report to ADE the miles they drive to transport students to and from school and the number of eligible students they transport for State funding purposes.

⁷ ADE School Finance Transportation FAQ: <https://www.azed.gov/finance/transportation-faq>.

8. Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven, and accurately calculate and report to ADE the number of route miles traveled for State funding purposes.
9. Recalculate and resubmit accurate fiscal year 2024 miles driven to ADE to determine if any corrections are necessary to its transportation reporting.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

District did not ensure employees and Board members followed District’s conflict-of-interest policy, increasing the risk that employees and Board members did not disclose substantial interests that might influence their official conduct

Statute addresses conflicts of interest for school district employees and Board members

State conflict-of-interest laws, the *Uniform System of Financial Records for Arizona School Districts* (USFR), and District policy require District public officers and employees to avoid conflicts of interest that might influence or affect their official conduct.¹ To determine whether a conflict of interest exists, employees/public officers must first evaluate whether they or a relative has a “substantial interest” in (1) any contract, sale, purchase, or service to the District or (2) any District decision.² Additionally, according to the USFR, districts should establish procedures to ensure that all employees and Board members comply with conflict-of-interest laws.

If an employee/public officer or a relative has a substantial interest, statute and District policy require the employee/public officer to fully disclose the interest and refrain from voting upon or otherwise participating in the matter in any way as an employee/public officer.^{3,4}

Key terms

Substantial interest: Any direct or indirect monetary or ownership interest that is not hypothetical and is not defined in statute as a “remote interest.”

Remote interest: Any of several specific categories of interest defined in statute that are exempt from the conflict-of-interest requirements. For example, an employee or public officer who is reimbursed for actual and necessary expenses incurred while performing official duties.

Source: Auditor General staff review of A.R.S. §38-502 and the *Arizona Agency Handbook*. Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Phoenix, AZ. Retrieved 8/29/2025 from <https://www.azag.gov/office/publications/agency-handbook>

¹ The Arizona Auditor General and ADE 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.

² A.R.S. §38-503(C) allows a school district governing board to purchase supplies, materials, and equipment from a school board member if the transaction complies with A.R.S. §§15-213 and 15-323. Specifically, a purchase from a board member must not exceed \$300 per transaction, and the total purchases from any board member must not exceed \$1,000 in a 12-month period. Additionally, the board must have adopted a policy authorizing the purchases within the preceding 12-month period. For governing boards of school districts with fewer than 3,000 students, A.R.S. §15-323(C) allows governing boards to make purchases from a board member in any amount, subject to provisions in A.R.S. §§15-213 and 15-323(C), including a requirement that any such purchase be approved by the governing board approve and the purchase amount or purchase contract be included in the meeting minutes for the meeting in which the board approved the purchase.

³ A.R.S. §§38-502 and 38-503(A) and (B).

⁴ A.R.S. §38-502(8) defines “public officer” as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State constitution, or statute. A.R.S. §38-502(6) defines “public agency” to include political subdivisions, and A.R.S. §38-502(5) defines “political subdivision” to include school districts. According to the *Arizona Agency Handbook*, public officers may or may not be paid. AAG, 2018.

The interest must be disclosed in the District’s official records, either through a signed document or the Board’s official minutes. Further, conflict-of-interest recommended practices indicate that employees should attest that they do not have any of these potential conflicts, if applicable, also known as an “affirmative no” on their disclosure form. Statute requires school districts to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and Board meeting minutes, and to make this file available for public inspection.⁵

In response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.⁶ Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State’s conflict-of-interest laws.⁷ Specifically, conflict-of-interest recommended practices indicate that all public employees and public officers complete, or be reminded to update, a disclosure form annually. Recommended practices also indicate that the form includes a field for the individual to provide an “affirmative no,” if applicable. These recommended practices also advise developing a formal remediation process and providing periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met.

District did not review employee and Board member conflict-of-interest forms to identify and correct errors and remediate potential conflicts, and did not provide formal conflict-of-interest training

We reviewed fiscal year 2024 conflict-of-interest disclosure forms for all 53 employees and 4 active Board members and found that some forms either did not clearly state whether a conflict existed or did not include required details when a potential conflict was disclosed. Specifically, we found that 9 employees had signed disclosure forms indicating both that they did and did not have a substantial interest, making it unclear whether they should have provided further details about a potential conflict.⁸ Similarly, 2 other employees and 2 Board members reported potential substantial interests but none of them provided details describing the interests as required by the District’s form, policy, and State conflict-of-interest laws.⁹

⁵ A.R.S. §§38-509 and 38-502.

⁶ See, for example, Auditor General reports: 24-211 *Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 *Arizona School Facilities Board—Building Renewal Grant fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

⁷ Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 5/5/2025 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 5/5/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>

⁸ The District’s conflict-of-interest forms require the employee or Board member to complete and sign 1 of 2 sections: One section is entitled “Statement of Disqualification,” which employees and Board members should complete when they have a conflict to disclose; the other is entitled “Statement of No Conflict,” which employees and Board members should complete when they have no conflicts to disclose.

⁹ Both Board members disclosed on their forms that 1 of their parents was employed by the District. A.R.S. §38-502(10)(h) specifies that relatives of public school board members are remote interests when the relative involved is not a dependent, as defined in A.R.S. §43-1001, or a spouse.

We also found that the District lacked a process for reviewing employee and Board member disclosure forms to ensure they were completed appropriately and to identify potential conflicts that may require action to remediate. Remediation steps may include, for example, informing Board members when agenda items contain matters in which they are prohibited from participating. District officials indicated they had not implemented review and remediation processes because the District is small and they believed that any conflicts of interest could be effectively monitored without a formal process. However, by not ensuring employees and Board members properly disclosed conflicts of interest in accordance with District policy and taking action specifically to remediate disclosed conflicts, the District increases the risk that employees or Board members may not disclose substantial interests as required by State laws and District policy, or refrain from participating in matters in which they have substantial interests.

Additionally, the District did not provide formal conflict-of-interest training to its employees and Board members, which may have helped to ensure that disclosure forms were completed accurately and included required details. Although the District provided instructions for completing the disclosure forms each year, the information the District provided appears to be insufficient based on the deficiencies we identified.

Recommendations to the District

- 10.** Establish and implement written procedures for District management's review of disclosure forms for accuracy and completeness to ensure that any potential conflicts are fully described; and to identify and remediate any disclosed substantial interests.
- 11.** Require employees and Board members to annually attend training on the State's conflict-of-interest requirements and the District's conflict-of-interest disclosure process, and maintain attendance records and documentation of the training provided.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

staff cannot complete a proper secondary review to ensure all monies received are accounted for and deposited.

We also identified other issues that affected the District's ability to maintain accurate records and safeguard cash. Specifically, we reviewed 5 meal tickets that staff used to record cash payments and meals redeemed and found that the meal tickets lacked critical information, and the District's process for maintaining them was haphazard. For example, we were unable to determine the accuracy of the balance shown on the meal ticket in Figure 1, page 14, because it lacks supporting details such as payment dates, the amount of money received, the dates meals were redeemed, and when staff had updated the balance.

In addition, food service staff did not consistently turn cash and the associated cash-collections reports into the business office the same day it was collected, contrary to the District's informal cash-handling procedures. We reviewed all 16 daily cafeteria cash-collections reports from September and November 2023, and identified 5 instances where the cash and cash-collections reports were not submitted timely, with the delays ranging between 1 and 5 days. Although food service staff reported that cash is secured in a locked box in the food services area, delays in submitting it to the business office for deposit increases the risk of loss and theft.

Deficiency 2: Contrary to the USFR, the District paid some employees without establishing employment agreements and/or ensuring agreements were approved in advance and accurately reflected approved pay rates

Our review identified concerns with the District's employment agreements for extra-duty pay and the accuracy of these payments. Specifically, we judgmentally selected 10 of the 51 employees who were paid for additional duties during fiscal year 2024 and reviewed 45 of the extra-duty payments they received.¹ We found that 10 of the 45 payments, which totaled approximately \$7,900, lacked evidence of any Board approval. Additionally, for 5 of these payments, the District had not developed any employment agreements specifying duties and pay rates in accordance with the USFR. The USFR requires employment agreements, such as employment contracts or personal action requests (PARs) that specify employees' duties and pay, to be established and approved by the Board prior to work being performed.

Additionally, we determined that some of the extra-duty payments to 3 employees we reviewed were inaccurate and/or were for different amounts than supported by employment agreements or approved by the Board. Specifically, for 1 employee, the extra-duty pay rate in the payroll system did not match the approved pay rate documented in the associated PAR. Although the hourly difference was minimal, we calculated that the incorrect pay rate resulted in this employee being underpaid by a total of approximately \$40 over the course of the school year. The 2 other employees were paid a total of \$1,750 more than the Board-approved amounts. These employees were paid a total of \$5,250, which was specified in their PARs, but the Board had approved payments totaling \$3,500. District officials indicated these errors occurred because of a lack of communication between business office staff.

¹ Our sample included the superintendent and business manager, 2 department directors, 2 teachers, and a paraprofessional, custodian, bus driver, and food service employee.

The District lacked written procedures to ensure extra-duty employment agreements are established and accurately presented to the Board for approval prior to any work being performed. The District also lacked written payroll procedures to ensure that staff verify that payments are supported by approved employment agreements and accurately reflect approved pay rates prior to the payments being made. Additionally, although the District had a secondary review of its payroll process, this review appears to have been insufficient because it did not identify and correct the deficiencies we identified during our review.

Deficiency 3: District made some credit card purchases without prior approval and did not maintain some required supporting documentation

We judgmentally selected and reviewed 12 credit card purchases comprising approximately half of the District's fiscal year 2024 credit card expenditures—\$14,000 of nearly \$25,000—and found that most purchases we reviewed did not comply with District policy. District policy requires purchases, including those made with credit cards, to be approved in advance and supported by documentation such as receipts. However, 4 of the purchases we reviewed, totaling over \$7,000, lacked prior approval. These purchases included equipment, furniture, and supplies. Another 2 purchases we reviewed, including 1 that was not approved in advance, lacked supporting documentation showing that District officials reconciled the purchases to credit card statements and/or that the items purchased were for District purposes.

Moreover, contrary to the USFR, the District did not consistently track possession of its credit cards using a check-out log or other procedure. Without this documentation, we were unable to determine who made 5 of the purchases we reviewed and whether the users were authorized and had completed credit card training as required by District policy.

Although District officials reported that employees should check out credit cards, obtain advance approval for purchases, and reconcile purchases to credit card statements, we found that the District lacked written credit card purchasing procedures for employees to follow. It also lacked a sufficient supervisory review process to identify and correct the deficiencies we identified, increasing the risk of unauthorized or unallowable purchases.

Deficiency 4: District misclassified approximately 9% of its operational expenditures during fiscal year 2024, resulting in inaccurately reported financial information and reduced transparency

We found that the District did not consistently classify expenditures in accordance with the USFR Chart of Accounts. To ensure accurate financial reporting and comparability among Arizona school districts and nationally, school districts are required to record expenditures in accordance with the USFR Chart of Accounts. However, our review of District expenditures made between July 2023 and March 2024 found that the District did not correctly classify nearly \$330,000, or approximately 9%, of its more than \$3.6 million in operational spending. As a result, the District's *Annual Financial Report* and supporting accounting data likely did not accurately present the District's spending in several operational categories to the public and decision makers who may rely on the report and data to know how the District spent its public monies in these areas.

After we corrected the District's classification errors, the District's instructional spending as a percentage of its total operational spending decreased from 38.4% to 34.3%—a decrease of more than 4 percentage points—with the largest amount shifting to spending for student support services.² Although the District has a secondary review process for its account coding of expenditures, we found that this review was not sufficient to identify and correct the issues we identified. When we brought the misclassifications to District officials' attention, they indicated that business office employees were not fully aware of or trained on the USFR Chart of Accounts' expenditure classification requirements. Thus, staff had classified expenditures the same way they had in prior years without reviewing the coding for accuracy.

Recommendations to the District

12. Develop and implement written cash-handling procedures that meet USFR requirements for monies collected for adult cafeteria meals, including steps for issuing evidence of receipt at the time cash is received, timely depositing cash, and reconciling cash collections.
13. Develop a process to provide accurate, up-to-date prepaid meal balances and a process for accurately recording prepaid meals when redeemed.
14. Develop and implement written procedures and a secondary review process to ensure that extra-duty employment agreements are initiated and presented to the Board, approved by the Board, and reflect accurate pay rates before work is performed, and that extra-duty payments are accurate.
15. Review extra duty payments made in fiscal year 2024 to identify and correct any over- or underpayments. For any over- or underpayments identified, determine and document what action(s) will be taken to correct them.
16. Develop and implement written procedures in accordance with District policy and USFR requirements to ensure all credit card purchases are reviewed and approved in advance by authorized District officials, and to maintain physical security and track possession of District credit cards.
17. Ensure employees who are responsible for classifying expenditures and for conducting secondary reviews of account coding review the USFR Chart of Accounts for changes at least annually and implement its instructions to accurately account for and report the District's spending.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

² We made these calculations based on the District's expenditures between July 2023 and March 2024.

District did not appropriately restrict building access to better protect students and staff, and did not consistently perform preventative maintenance on its buildings

As part of our review, we identified deficiencies with the District's facilities management and maintenance practices that impacted its ability to appropriately secure and maintain its facilities. See the details below.

Deficiency 1: District did not systematically restrict building access to only authorized personnel, which increases safety and security risks

Our review of the District's fiscal year 2024 building key agreements found that the District could not identify all individuals who had keys that could be used to access its facilities and did not maintain complete, accurate key records. The District reported that it had informal procedures for tracking key issuance and return, including assigning keys to employees based on job responsibilities, requiring keys to be returned when employees leave District employment, and annually reviewing the District's key agreements. The District's key agreements are to be completed each time a key is issued and require employees to acknowledge that they will not loan or duplicate the key and will return it upon demand or upon leaving District employment. However, we found that the District did not consistently follow these procedures, and its key agreement review process was insufficient. For instance, we reviewed the 28 key agreements the District had on file and found that 4 lacked an employee signature acknowledging their agreement to comply with the terms. The District did not maintain a complete key inventory log and relied solely on its key agreements, so we were unable to determine whether keys were issued and/or returned for the employees who did not sign the 4 key agreements. As a result, the District was unable to ensure that all keys were fully accounted for.

District officials indicated that because the District is small, it would be easy to notice if someone was in an area of campus where they are not supposed to be. However, individuals may access campus before or after school hours, and regardless of the District's size, the USFR requires school districts to safeguard District property by restricting access to school buildings, gates, and equipment to appropriate personnel. By not ensuring its building and gate keys were restricted to appropriate personnel, the District increased the risk of unauthorized use, theft, or damage to its property and increased risks to student and staff safety.

Deficiency 2: Contrary to State requirements, the District did not consistently perform preventative maintenance on its buildings, potentially reducing the useful life of its buildings and equipment

Between August 2023 and August 2024, the District completed several facilities projects that cost approximately \$3.4 million, consisting of upgrades and renovations to the school gymnasium, staff housing units, playground, interior walls, and parking lot. However, it did not follow State

preventative maintenance requirements and guidelines in fiscal year 2024 to protect these investments and to limit the potential for additional extensive repairs to existing facilities. State statutes, the Arizona School Facilities Oversight Board's (SFOB) *Preventative Maintenance Guidelines*, and District policy all require routine preventative maintenance be performed on a regular schedule for critical systems and structural building components.¹ To facilitate this process, the SFOB publishes checklists that denote what type of preventative maintenance should occur and at which interval and provide a means for school districts to document completion of the work.

Although the District has adopted the SFOB checklists for its maintenance staff to use, staff did not consistently complete the checklists, and they also did not generate any other documentation, such as work orders, to ensure that any deficiencies identified during inspections were corrected. For example, SFOB guidance sets routine preventative maintenance intervals ranging from monthly to annually for various heating, ventilation, and cooling equipment. We judgmentally selected and reviewed 15 of 21 checklists for these systems that the District had for fiscal year 2024 and found that 2 of the checklists were blank and 11 others did not have all recommended preventative maintenance tasks documented as complete.

According to the District, it has not trained maintenance staff to complete the SFOB checklists and to document any resulting maintenance activities. Additionally, maintenance staff reported that completing and documenting all the work required by the checklists is time-consuming and challenging. Because the District has not ensured that routine preventative maintenance is completed for all its critical equipment and systems, these items could break down, potentially affecting student and staff safety and necessitating emergency repairs, or could become unusable.

Recommendations to the District

- 18.** Conduct a physical key inventory to determine how many District facility keys exist, how many are distributed and to whom, and facilities each key can access.
- 19.** Upon conducting the physical key inventory in recommendation 18, maintain an accurate key inventory by developing and implementing written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance.
- 20.** Develop and implement written procedures for plant operations preventative maintenance in accordance with statute and SFOB guidelines. Specifically, these procedures should clearly detail a schedule of when the District should perform preventative maintenance and the type of preventative maintenance records to maintain.
- 21.** Develop and provide preventative maintenance training for plant operations employees that includes any new or updated procedures and instructions for completing the SFOB preventative maintenance checklists.

¹ A.R.S. §41-5702(L).

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

District's excessive access to sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud

District has not complied with important IT security requirements and recommended practices

The USFR and credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), set forth important IT security requirements and recommended standards that help districts safeguard sensitive information and prevent errors, fraud, and data loss.¹ However, our review of the District's IT security practices identified several deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, that increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

District did not regularly review and limit user access to its critical systems and network, increasing its risk of fraud, misuse, unauthorized access, and data loss

The District did not limit user access to its critical IT systems in accordance with the USFR.

Specifically:

► **Contrary to the USFR, some employees had more access than necessary to carry out assigned job duties, increasing the risk of fraud, unauthorized access to sensitive information, and data loss**

Our review of user accounts on the District's accounting system, network, and student information system conducted between May 2024 and May 2025 identified 11 accounting system users with excessive access to payroll and accounts payable functions, contrary to the USFR requirement to limit access to only what is necessary for any employee to carry out their assigned job duties. The 11 users we identified had the ability to initiate and complete payroll and/or purchasing transactions without another employee reviewing and approving the transactions, increasing the risk of fraud or misuse.

We also found that the District granted unnecessary administrator-level access to 5 accounting system user accounts, including 2 user accounts associated with current employees, 2 duplicate user accounts associated with 1 former employee, and 1 user account for a consultant. Similarly, we identified 2 student information system vendor accounts with unnecessary administrator-level access and 5 network employee accounts with unnecessary administrator-level access as shown in Table 3, page 22 (see page 22 for more information on the District not having removed access for terminated employees).

¹ National Institute of Standards and Technology (NIST). (2020). *NIST Special Publication 800-53(R5): Security and privacy controls for information systems and organizations*. Gaithersburg, MD. Retrieved 9/4/25 from <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP800-53r5.pdf>.

Administrator-level access provides full control over system settings, such as the ability to view and edit data, add new users, and modify the level of access that users have to various functions. By granting unnecessary administrator-level access, the District increased the risks of fraud, unauthorized access to sensitive information, and data loss.

Table 3

District did not consistently restrict user access across critical IT systems for accounts we reviewed

Requirement	Network	Student information system	Accounting system	Summary
Limit the number of users with administrator-level access	✗	✗	✗	We identified 5 network, 2 SIS, and 5 accounting system administrator accounts that did not require this level of access.
Adequately remove terminated employees' access	✗	✓	✓	We identified 5 network accounts associated with terminated employees.
Disable/remove accounts that no longer need access	✗	✗	✓	We identified 1 network service account and 2 SIS account associated with vendors that were no longer needed.

Source: Auditor General staff analysis of the District's network user accounts as of July 2024 and May 2025; student information system user accounts as of February 2025; and accounting system user accounts and access levels as of May 2024.

► **The District did not promptly remove unneeded or unused accounts from its IT systems, increasing the risk of unauthorized access to sensitive information and data loss**

Our review also identified 5 network accounts associated with terminated employees, including 4 accounts with administrator-level access, contrary to the USFR requirement to immediately disable system access when it is no longer needed. The 5 accounts were associated with employees whose District employment ended between 1 and 5 years prior to our review. Further, 4 of these network accounts appeared to have been accessed up to several years after the employees no longer worked for the District. District officials indicated that a District employee continued using the terminated employees' accounts because they were uncertain whether replacing the accounts would cause disruption to the District's operations. Similarly, we identified 2 vendor accounts in the District's student information system and 1 network service account that no longer appeared to be necessary. Although we did not identify any improper system activities resulting from these

unnecessary accounts, the District's failure to limit access to its systems and regularly review and remove unnecessary user accounts increases the risk of unauthorized access to sensitive information and data loss.

District's authentication controls did not meet USFR requirements and credible industry standards, putting District operations at risk

Our review of the District's password requirements and practices as of July 2024 found that they were not aligned with credible industry standards, such as those developed by NIST and required by the USFR. Additionally, the USFR states that school districts should require comprehensive authentication of users accessing critical IT systems. Although the District began requiring additional user authentication for some systems in January 2024, it has not added these controls for all its critical systems. By not having authentication controls that meet USFR requirements and credible industry standards, the District increases the risk of unauthorized access to its critical systems and disruptions to District operations.

District could not demonstrate that it conducted annual security awareness training for staff, increasing employees' vulnerability to cyberattacks

According to the USFR and credible industry standards, school districts should provide annual cybersecurity awareness training to employees that includes information about preventing and detecting technology-related threats, but the District could not demonstrate that it met this requirement. Specifically, the District indicated that staff had completed cybersecurity training, but lacked attendance records and documentation showing what information its cybersecurity training covered. Additionally, we found that the District lacked a policy requiring cybersecurity training for staff upon hire and annually thereafter, as recommended by credible industry standards. Providing annual cybersecurity training to all employees could help ensure that they are aware of the need to protect District systems and comply with District policies, their responsibilities for information security, and the risks associated with various cybersecurity threats.

District's contingency plan was not yet finalized and lacked key components, increasing its risk of interrupted operations and data loss

As of July 2025, the District had a draft IT contingency plan that had not yet been reviewed and approved by the Board. Our review of the draft plan found that it did not include any of the key elements recommended by credible industry standards and required by the USFR to help ensure continued operations and data recovery in the event of a system outage. Specifically, the District's plan did not identify some critical IT systems, specify the order in which critical systems should be restored, clearly outline who is responsible for which activities during a system outage or attack, contain contingencies for continued business operations during a system outage, or include detailed restoration steps. Additionally, the District had not tested its plan, which may help it to identify and address deficiencies. By prioritizing the development of a comprehensive contingency plan aligned with the USFR and credible industry standards and regularly testing it, the District could better ensure that staff members understand their roles and responsibilities during system outages and reduce the risk of extended system disruptions and data loss.

District lacked complete written IT policies and procedures to help safeguard IT systems

The District lacked complete written IT policies and procedures to guide staff and ensure compliance with USFR requirements and credible industry standards. Further, although District officials reported that the District had informal IT procedures, staff did not consistently follow them. For example, the District reported that it had informal processes to identify and remove inactive user accounts from its IT systems, but we found that these processes were ineffective, as previously discussed. By developing and implementing formal IT policies and procedures to ensure system access is up to date and appropriate, the District could limit the potential for unauthorized system access and/or data loss and reduce the fraud risk associated with excessive system access.

Recommendations to the District

- 22.** Limit users' access in the accounting system to only those functions needed to perform their job duties.
- 23.** Review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access.
- 24.** Immediately disable or remove all network and critical system accounts associated with terminated employees and/or individuals no longer working for vendors.
- 25.** Develop and implement written procedures to ensure that network and critical system accounts are promptly removed when no longer needed to reduce the risk of unauthorized access.
- 26.** Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrator and user accounts and assess their access levels to ensure that access levels are appropriate, and access was promptly disabled when it was no longer needed.
- 27.** Implement and enforce strong authentication controls that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.
- 28.** Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually.
- 29.** Develop and implement policies and procedures to conduct mandatory cybersecurity awareness training that meets USFR and credible industry standards for all employees upon hire and at least annually thereafter, and document the training provided.

30. Develop and implement a Board-approved IT contingency plan that meets USFR requirements and credible industry standards; perform documented tests against the plan, at least annually, to identify and remedy any deficiencies; and update the plan based on the results of these tests.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

District does not currently educate high school students but is considering whether to begin serving those students again and how to address its vacant former high school building

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Questions and answers

Question 1: Why did the District eliminate its high school programs and close its high school?

Arizona unified school districts such as the District are established to offer instruction to students from preschool through grade 12 living within their boundaries.¹ However, the District has not offered in-person instruction for any students in grades 9 through 12 since the District, under a State-appointed receiver, closed its high school in fiscal year 2012. The District’s high school, which was only 7 years old when the Board voted to close it and eliminate in-person high school programs, was constructed using monies from a \$4.8 million revenue bond and at least \$385,000 from the Arizona School Facilities Board (SFB).² After experiencing declining enrollment, the

¹ A.R.S. §15-901(A)(18).

² Laws 2021, Ch. 404, §116, terminated SFB and created SFOB and the School Facilities Division within ADOA. These laws also transferred many of the former SFB responsibilities to the Division, including reviewing and approving districts’ requests for Building Renewal Grant Fund monies to complete school facility repair projects.

District was unable to repay its revenue bond and became financially insolvent in fiscal year 2011. Consequently, the State Board appointed a receiver to oversee the District's operations—an arrangement that lasted for over 12 years. While the District was under receivership, its unused high school fell into disrepair and was vandalized.

Question 2: Because the District does not offer instruction to high school students living within its boundaries, what educational options are currently available to those students?

For the past 13 years, the District has not provided any in-person educational courses or programs for students beyond grade 8, and any students in grades 9 through 12 must seek out other schools or educational options for completing their high school educations. Currently there are 4 high schools within about 70 miles of the District's single K-8 school, including a Bureau of Indian Education (BIE) grant school open to tribal members, and 3 public schools. Students who enroll in the public schools do so under the State's open enrollment policy, which permits students in kindergarten through grade 12 to attend any traditional public school so long as classroom space is available.^{3,4}

Although the District has not taken steps to verify the number of high school students living within its boundaries, based on information from area high schools, it appears that in fiscal years 2024 and 2025, most high school students within the District's boundaries opted to attend the BIE grant school, Hopi Junior Senior High School, which is located nearest to the District's K-8 school and provides student transportation. Approximately 30 students attended either Holbrook High School or Ganado High School, which also provide student transportation.⁵ According to the District, 12 of 13 students who completed grade 8 at the end of fiscal year 2025 plan to attend 1 of these 3 high schools.⁶

Other educational options for the District's high school students potentially include online high school programs and/or home schooling. However, online programs require reliable internet access, which may be unavailable in the District's remote area, and home schooling requires parents or guardians to file an affidavit of intent to homeschool with the County School Superintendent's Office.⁷ Additionally, the District is uncertain about the total number of high school students within its boundaries and whether they are receiving an education elsewhere, so it is possible that some students have dropped out and are not receiving any type of high school education.

³ A.R.S. §15-816(2).

⁴ A.R.S. §15-816.01(A).

⁵ The third public high school near the District, Piñon High School, is about 40 miles away from the District's elementary school, but Piñon school officials indicated that no students from within the District's boundaries attended Piñon High School in fiscal years 2024 or 2025.

⁶ According to District officials, 1 student moved out of the District.

⁷ A.R.S. §15-802(B)(2).

Question 3: What considerations has the District identified that would affect whether it would again offer high school instruction to students living within its boundaries?

As the District exited receivership and has reviewed its educational programs, it has identified some key considerations that would influence whether the District would again offer high school courses. These considerations include community and student interest, potential enrollment, and the quality of programming it could provide as compared to other area schools.

According to District officials, the community has not expressed interest in the District restarting its high school programming, and if the District were to begin offering high school courses, District officials do not believe that enrollment would justify operating a separate facility. In fiscal year 2011—the year prior to its high school’s closure—the District’s 2 schools had a total of 289 students attending. In fiscal year 2024, the District’s K-8 school had 117 students attending, and according to the District, only 13 students were completing grade 8 in fiscal year 2025. According to our analysis, the District’s K-8 school operated at just 11% of its 1,099-student capacity in fiscal year 2024, and the campus could easily accommodate high school students without needing to open and operate a separate facility.

Enrollment would also influence how the District would provide high school classes, and District officials indicated that without a substantial number of students, any high-school course offerings would likely need to be limited to online classes. Online courses may be less attractive to students since the 3 area high schools that most District students attend offer several athletic programs as well as career and technical education programs, which the District would likely not be able to offer. In addition, District officials indicated that some of the District’s middle-school students already attend other nearby middle schools that feed into the other 3 area high schools, and they believe these students would be unlikely to leave their current programs to return to the District.

Question 4: What is the current condition of the District’s former high school facility, and what options has the District considered to address the building’s future?

While under receivership, the District spent very little money to maintain or secure its White Cone High School building, and over time, it has become dilapidated and damaged. Numerous structural issues, some of which became apparent soon after the campus closed, pose safety concerns and could be costly to remediate. Specifically, in 2014, an engineering firm documented cracks in the walls, potential foundation problems, and other issues such as leaking utilities lines that could require lifting the foundation to address. Our staff also noted these concerns when touring the school in April 2024 (see Photo 1, page 29). District officials indicated that the building’s plumbing and septic systems have also failed, creating further hazards and repair costs if the District decided to return the campus to service. Additionally, vandals have damaged the building by smashing windows, stealing copper piping, and graffitiing the walls (see Photo 2, page 29).

Now that the District is no longer under receivership, officials are considering what the District should do with the high school building. District officials indicated that the District currently has no

plans to repair or reopen the high school. However, allowing the facility to remain unused without maintaining or securing it carries the risk of continued vandalism, ongoing structural deterioration, higher liability costs, and the potential for unauthorized use.

Photos 1 and 2

Structural issues and vandalism at White Cone High School

Fiscal year 2024

Cracks in walls



Vandalism



Source: Photos taken by Auditor General staff, April 2024.

In February 2025, the District applied to ADOA's School Facilities Division, requesting it to determine whether the building had outlived its useful life as a school. Following the Division's structural assessment and other reviews of the facility, SFOB determined in August 2025 that the building should be retired. This determination allows the District to pursue additional options, such as selling the building or demolishing it. According to the District, there are some outside parties potentially interested in leasing the property from the District.

The Arizona Auditor General makes 30 recommendations to the District and 2 recommendations to the Board

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

Recommendations to the District

FINDING 1 3

- 1. Stop paying for unnecessary travel costs, including by holding Board meetings outside the District’s boundaries, which is contrary to open meeting law. 6
- 2. Develop and implement procedures to ensure that all travel expenditures and reimbursements are planned for the District’s convenience using the most reasonable and economic means and comply with SAAM-established maximum rates. 6

FINDING 2 7

Develop and implement:

- 3. Written policies and procedures to test school bus drivers for drug and alcohol use, including processes to oversee its vendor to ensure the vendor conducts the number and type of tests required by DPS Minimum Standards. 9
- 4. Written policies and procedures to ensure school bus drivers meet all driver certification requirements and maintain driver certification files in accordance with DPS Minimum Standards. 9
- 5. Written policies and procedures for systematically performing school bus preventative maintenance in accordance with DPS Minimum Standards, including a schedule of maximum mileage and time frame intervals for performing preventative maintenance and what maintenance work should be completed. 9
- 6. A monitoring process to ensure it completes preventative maintenance in accordance with its policy. 9
- 7. A secondary review process to ensure route miles traveled information is accurate prior to submitting it to ADE. 9

- 8. Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven, and accurately calculate and report to ADE the number of route miles traveled for State funding purposes. 10
- 9. Recalculate and resubmit accurate fiscal year 2024 miles driven to ADE to determine if any corrections are necessary to its transportation reporting. 10

FINDING 3 11

- 10. Establish and implement written procedures for District management's review of disclosure forms for accuracy and completeness to ensure that any potential conflicts are fully described; and to identify and remediate any disclosed substantial interests. 13
- 11. Require employees and Board members to annually attend training on the State's conflict-of-interest requirements and the District's conflict-of-interest disclosure process, and maintain attendance records and documentation of the training provided. 13

FINDING 4 14

- 12. Develop and implement written cash-handling procedures that meet USFR requirements for monies collected for adult cafeteria meals, including steps for issuing evidence of receipt at the time cash is received, timely depositing cash, and reconciling cash collections. 17
- 13. Develop a process to provide accurate, up-to-date prepaid meal balances and a process for accurately recording prepaid meals when redeemed. 17
- 14. Develop and implement written procedures and a secondary review process to ensure that extra-duty employment agreements are initiated and presented to the Board, approved by the Board, and reflect accurate pay rates before work is performed, and that extra-duty payments are accurate. 17
- 15. Review extra duty payments made in fiscal year 2024 to identify and correct any over- or underpayments. For any over- or underpayments identified, determine and document what action(s) will be taken to correct them. 17
- 16. Develop and implement written procedures in accordance with District policy and USFR requirements to ensure all credit card purchases are reviewed and approved in advance by authorized District officials, and to maintain physical security and track possession of District credit cards. 17
- 17. Ensure employees who are responsible for classifying expenditures and for conducting secondary reviews of account coding review the USFR Chart of Accounts for changes at least annually and implement its instructions to accurately account for and report the District's spending. 17

FINDING 5 18

- 18. Conduct a physical key inventory to determine how many District facility keys exist, how many are distributed and to whom, and facilities each key can access. 19
- 19. Upon conducting the physical key inventory in recommendation 18, maintain an accurate key inventory by developing and implementing written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance. 19
- 20. Develop and implement written procedures for plant operations preventative maintenance in accordance with statute and SFOB guidelines. Specifically, these procedures should clearly detail a schedule of when the District should perform preventative maintenance and the type of preventative maintenance records to maintain. 19
- 21. Develop and provide preventative maintenance training for plant operations employees that includes any new or updated procedures and instructions for completing the SFOB preventative maintenance checklists. 19

FINDING 6 21

- 22. Limit users' access in the accounting system to only those functions needed to perform their job duties. 24
- 23. Review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access. 24
- 24. Immediately disable or remove all network and critical system accounts associated with terminated employees and/or individuals no longer working for vendors. 24
- 25. Develop and implement written procedures to ensure that network and critical system accounts are promptly removed when no longer needed to reduce the risk of unauthorized access. 24
- 26. Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrator and user accounts and assess their access levels to ensure that access levels are appropriate, and access was promptly disabled when it was no longer needed. 24
- 27. Implement and enforce strong authentication controls that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations. 24

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| 28. Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually. | 24 |
| 29. Develop and implement policies and procedures to conduct mandatory cybersecurity awareness training that meets USFR and credible industry standards for all employees upon hire and at least annually thereafter, and document the training provided. | 24 |
| 30. Develop and implement a Board-approved IT contingency plan that meets USFR requirements and credible industry standards; perform documented tests against the plan, at least annually, to identify and remedy any deficiencies; and update the plan based on the results of these tests. | 25 |

Recommendations to the Board

FINDING 1	3
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- | | |
|---|----------|
| 1. In consultation with legal counsel as needed, determine whether any actions taken at out-of-town Board meetings were contrary to open meeting laws and if so, take appropriate corrective measures to validate those actions. | 6 |
| 2. If it determines it took any actions contrary to open meeting laws, report all such actions to the Arizona Attorney General's Office. | 6 |

Objectives, scope, and methodology

We have conducted a performance audit of Cedar Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2024 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual *Arizona School District Spending Analysis*. This audit focused on reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and cocurricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following operational categories.

Key term

Operational spending: Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

▶ **Administration**

Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.

▶ **Plant operations and maintenance**

Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.

▶ **Food service**

Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.

▶ **Transportation**

Salaries, benefits, and other spending related to maintaining school buses and transporting students to and from school and school activities.

Efficiency and effectiveness

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing State statutes, rules, District policies and procedures, and other District-provided documentation; interviewing District staff; touring District facilities and day-to-day activities; and reviewing information from ADE's website.

We also used the following specific methods to meet the audit objectives:

- ▶ To determine whether the District's Board meetings were open and easily accessible to the public and complied with the State's open meeting laws, we reviewed meeting agendas for the Board's February 2023 and January 2024 work-study sessions and U.S. Census Bureau data. We also reviewed the District's spending of public monies for these meetings.
- ▶ To determine whether the District complied with Minimum Standards, we reviewed the District's driver files for all 8 school bus drivers the District employed in fiscal year 2024, school bus maintenance records and logs for all 6 of its school buses and 3 of its 11 white fleet vehicles in fiscal year 2024, and records of miles and riders reported to ADE for fiscal year 2024.
- ▶ To determine if the District complied with conflict-of-interest requirements and recommended practices, we reviewed available District conflict-of-interest disclosure documentation for all Board members and District employees in fiscal year 2024 as well as conflict-of-interest requirements and recommended practices. We also conducted an Arizona Corporation Commission business entity search for each employee and Board member to identify any potentially undisclosed substantial interests.
- ▶ To determine whether the District's cash-handling procedures met USFR requirements, we reviewed the District's cafeteria cash receipting system, cash-collections reports, meal tickets, and bank deposit records for September 2023 and November 2023 totaling approximately \$600.
- ▶ To determine whether the District paid employees in accordance with Board-approved employment contracts, PARs, and USFR requirements, we judgmentally selected and reviewed payments totaling over \$600,000 made to 10 of 51 District employees who were paid for additional duties during fiscal year 2024. We also reviewed these 10 employees' contracts and PARs, Board meeting minutes from February 2023 through July 2024, and Board consent agendas from May 2023 through July 2024 to ensure the payments were Board-authorized.
- ▶ To determine whether the District met USFR requirements for purchases, we judgmentally selected and reviewed purchase requisitions, purchase orders, invoices, and all other associated purchasing documentation for 12 credit card purchases for the District's 4 credit cards, totaling approximately half of the District's fiscal year 2024 credit card expenditures—\$14,000 of nearly \$25,000.

- ▶ To determine whether the District safeguarded its facilities and restricted building access as required by the USFR and performed required facility preventative maintenance, we reviewed the District's documentation of 28 fiscal year 2024 and 48 fiscal year 2025 key authorization forms, 51 fiscal year 2025 electronic key authorization forms, and August 2024 and June 2025 electronic key logs. We conducted a high-level review of 7 building component categories of plant preventative maintenance checklists and judgmentally selected and reviewed 15 out of 21 fiscal year 2024 heating, ventilation, and cooling preventive maintenance checklists.
- ▶ To provide relevant context regarding the District's considerations to serve high-school students, we interviewed District administrators and reviewed various District-provided records, such as fiscal year 2024 utility bills, a 2014 engineering report, the District's February 2025 Board meeting video recording, the District's application and subsequent approval for an *End of Useful Life* assessment for the high school facility from ADOA's School Facilities Division, as well as a letter of interest from a party considering leasing the facility. We also reviewed ADOA's School Facilities Division's *District Facility Capacity Listing* for the District, U.S. Census Bureau data, enrollment data from fiscal years 2006 through 2024, and a 2016 report from the District's receiver. Further, we requested enrollment information from school officials at 4 nearby high schools and reviewed these schools' websites.

Financial accounting data and internal controls

We evaluated the District's internal controls related to expenditure processing and reviewed all 375 payroll transactions from July 1, 2023 through March 3, 2024, and all 1,463 accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 10 of the 51 individuals who received payments for additional duties through the District's payroll system in fiscal year 2024 and reviewed supporting documentation for 10 of 1,463 fiscal year 2024 accounts payable transactions. We reviewed fiscal year 2024 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures, the USFR, and related guidance, and IT industry frameworks; interviewing District staff; and reviewing school district statutes, rules, and controls over reporting various information used for this audit. We reported our conclusions on applicable internal controls in Findings 4 and 5 (see pages 14 through 20).

We also reviewed controls over the District's relevant computer systems and reported our conclusions on applicable controls over the District computer systems in Finding 6 (see pages 21 through 25).

Specifically:

- ▶ To determine whether the District appropriately limited system access to only those functions needed for employees to perform their job duties, we reviewed all active users' accounting information system access and compared their access levels with their job responsibilities. We also reviewed all accounts with administrator-level access to determine whether the District had appropriately granted administrator-level access.
- ▶ To determine whether the District had appropriately terminated user access to its network, SIS, and accounting information system, we compared the District's Active Directory, SIS, and accounting information system user listings with a list of terminated District employees whose District employment ended between May 24, 2002, and May 27, 2025, to identify accounts potentially associated with terminated employees. We reviewed all 76 network accounts, 33 SIS accounts, and 16 accounting information system accounts to determine whether the accounts were associated with terminated employees. To identify contractor accounts, we compared the District's Active Directory, SIS, and accounting information system user listings to a list of current employees as of May 27, 2025, and the previously mentioned terminated employee list to identify accounts not associated with users on either list. We reviewed all these accounts to determine whether the accounts were associated with former District contractors and whether the accounts were no longer necessary.
- ▶ To determine whether the District's authentication controls for critical IT systems were consistent with USFR requirements and credible industry standards, we reviewed the District's policies and procedures and current authentication controls for critical IT systems.
- ▶ To determine whether the District was conducting annual security awareness training, we reviewed the District's IT policies and requested any available documentation supporting that training was provided.
- ▶ To determine whether the District's IT contingency plan included key components required by the USFR and recommended by credible industry standards, we reviewed the District's IT contingency plan and the District's efforts to test its plan.

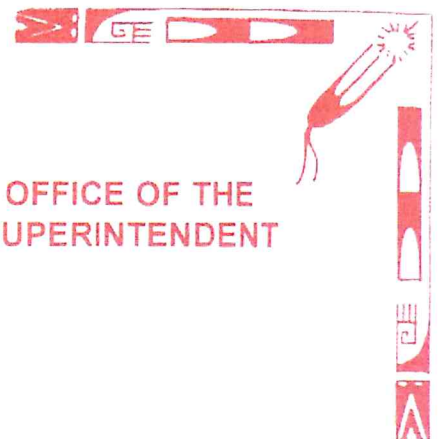
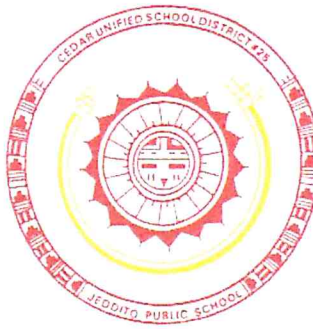
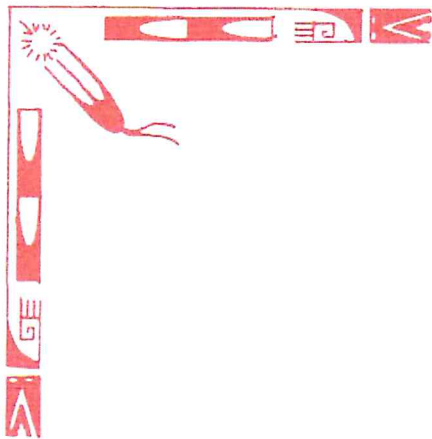
We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District's Board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

The subsequent pages were written by the District to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by the Arizona Auditor General.



**OFFICE OF THE
SUPERINTENDENT**

September 29, 2025

State of Arizona
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Lindsey A Perry,

Cedar Unified School District No. 43 has received and reviewed the findings of the Performance Audit Report. The District would like to acknowledge the professionalism and diligence it took to conduct this audit over the last seventeen months. The District has responded to all findings and corresponding recommendations. The District will work diligently to implement the recommendations provided in the findings.

Please find the attached District's response to each finding and recommendation.

Sincerely,

Dean Slaga
Superintendent
Cedar Unified School District

Finding 1: District held Governing Board retreats outside of District boundaries, limiting public access and wasting over \$17,000 of public monies on unnecessary travel

District Response: The Auditor General's finding is agreed to.

Response explanation: The District has not held any out of District Governing Board retreat meetings since January 2024. The district feels we have solved this issue with the elimination of this board retreat setting over the past twenty months.

Recommendation 1: Stop paying for unnecessary travel costs, including by holding Board meetings outside the District's boundaries, which is contrary to open meeting law.

District Response: The audit recommendation will be implemented.

Response explanation: The District has not held any out of District Governing Board retreat meetings since January 2024. Unnecessary travel costs have been eliminated.

Recommendation 2: Develop and implement procedures to ensure that all travel expenditures and reimbursements are planned for the District's convenience using the most reasonable and economic means and comply with SAAM-established maximum rates.

District Response: The audit recommendation will be implemented.

Response explanation: District travel has been reduced significantly. Staff are only attending Training and conferences that are critical to performing assigned duties.

Recommendation to Board 1: In consultation with legal counsel as needed, determine whether any actions taken at out-of-town Board meetings were contrary to open meeting laws and if so, take appropriate corrective measures to validate those actions.

District Response: The audit recommendation will be implemented.

Response explanation: The District reviewed and determined that there were no actions taken at either 2023 or 2024 Governing Board Retreats.

Recommendation to Board 2: If it determines it took any actions contrary to open meeting laws, report all such actions to the Arizona Attorney General's Office.

District Response: The audit recommendation will be implemented.

Response explanation: The District reviewed and determined that there were no actions taken at either 2023 or 2024 Governing Board Retreats.

Finding 2: District did not meet some transportation Minimum Standards requirements and inaccurately reported miles to ADE, increasing risks to student safety and potentially resulting in inaccurate transportation funding

District Response: The Auditor General's finding is agreed to.

Response explanation: All recommendations have been reviewed and addressed by the transportation department along with district administration. Documentation will be provided to ensure accountability for each audit recommendation.

Recommendation 3: Develop and implement written policies and procedures to test school bus drivers for drug and alcohol use, including processes to oversee its vendor to ensure the vendor conducts the number and type of tests required by DPS Minimum Standards.

District Response: The audit recommendation will be implemented.

Response explanation: The transportation department will follow Policy Regulation EEAEAA-R for drug and alcohol testing. The minimum requirement will be enhanced for all transportation employees to be tested each quarter. In addition, all transportation employees will also take a breathalyzer once each year.

Recommendation 4: Develop and implement written policies and procedures to ensure school bus drivers meet all driver certification requirements and maintain driver certification files in accordance with DPS Minimum Standards.

District Response: The audit recommendation will be implemented.

Response explanation: The Transportation Department will ensure that school bus driver credential information will be entered into the FleetSoft System, which will monitor expiration dates for driver credentials. Automated reminders with email notifications will be sent to drivers at 120, 60, and 30 days prior to expiration. Additionally, all bus drivers will complete an end-of-year check out process, which will include a section for credential verification to ensure any summer deadlines are identified and addressed appropriately.

Recommendation 5: Develop and implement written policies and procedures for systematically performing school bus preventative maintenance in accordance with DPS Minimum Standards, including a schedule of maximum mileage and time frame intervals for performing preventative maintenance and what maintenance work should be completed.

District Response: The audit recommendation will be implemented.

Response explanation: The District Transportation Department will adhere to a new policy preventative maintenance plan. Mechanics and technicians will record all preventative maintenance activities for school buses and district vehicles in the FleetSoft system. This will facilitate accurate tracking of scheduled maintenance tasks such as oil changes, inspections, tire replacements, retractable step repairs, coolant flushes and exchanges, AWD transfer case fluid exchanges, transmission fluid replacements, air conditioning services, underbody inspections, and other relevant maintenance activities.

Recommendation 6: Develop and implement a monitoring process to ensure it completes preventative maintenance in accordance with its policy.

District Response: The audit recommendation will be implemented.

Response explanation: The District Transportation Department will adhere to a new policy preventative maintenance plan. Mechanics and technicians will record all preventative maintenance activities for school buses and district vehicles in the FleetSoft system. This will facilitate accurate tracking of scheduled maintenance tasks such as oil changes, inspections, tire replacements, retractable step repairs, coolant flushes and exchanges, AWD transfer case fluid exchanges, transmission fluid replacements, air conditioning services, underbody inspections, and other relevant maintenance activities.

Recommendation 7: Develop and implement a secondary review process to ensure route miles traveled information is accurate prior to submitting it to ADE.

District Response: The audit recommendation will be implemented.

Response explanation: The transportation Director will complete the initial mileage verification each year. When the process is finalized, a secondary dual verification will be conducted by the Business Manager. This will also require a form to be signed by both the transportation Director and Business Manager prior to submission to ADE.

Recommendation 8: Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven, and accurately calculate and report to ADE the number of route miles traveled for State funding purposes.

District Response: The audit recommendation will be implemented.

Response explanation: The Transportation Director will be required to attend yearly training for route mileage reporting accountability. This process has taken place for the 2025-2026 school year. The 2024-2025 Mileage Reimbursement data has been submitted accurately at this time. The district feels that this recommendation has been solved moving forward.

Recommendation 9: Recalculate and resubmit accurate fiscal year 2024 miles driven to ADE to determine if any corrections are necessary to its transportation reporting.

District Response: The audit recommendation will be implemented.

Response explanation: The district mistakenly submitted the prior year mileage data for the 2023-2024 school year. The 2023-2024 data is currently being recalculated. The Arizona Department of Education transportation office requires that a form be submitted to unlock previous year submittals for correction. This process will be completed in the next few months. The current 2024-2025 school year mileage data have been submitted correctly at this time.

Finding 3: District did not ensure employees and Board members followed District's conflict-of-interest policy, increasing the risk that employees and Board members did not disclose substantial interests that might influence their official conduct

District Response: The Auditor General's finding is agreed to.

Response explanation: The district has completed the review of the conflict of interest policies and processes. The finding included confusion with the signatures on the policy form. The recommendations have been addressed below with proper procedures and corresponding documentation.

Recommendation 10: Establish and implement written procedures for District management's review of disclosure forms for accuracy and completeness to ensure that any potential conflicts are fully described; and to identify and remediate any disclosed substantial interests.

District Response: The audit recommendation will be implemented.

Response explanation: The District has improved the training procedure process and corresponding document accountability trail. Training is conducted during the back to school training each year. The HR Director and Superintendent will sign off each year on the process and corresponding conflict of interest forms. There are no documented conflicts of interest from any employees currently during the 2025-2026 school year, including the three Governing Board members. The district feels we have solved this issue with the dual verification process from the HR Director and Superintendent. The process will be reviewed each year to ensure standards are met by the HR Director and Superintendent.

Recommendation 11: Require employees and Board members to annually attend training on the State's conflict-of-interest requirements and the District's conflict-of-interest disclosure process, and maintain attendance records and documentation of the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The District has improved the training procedure process and corresponding document accountability trail. Training is conducted during the back to school training each year. The HR Director and Superintendent will sign off each year on the process and corresponding conflict of interest forms. There are no documented conflicts of interest from any employees currently during the 2025-2026 school year, including the three Governing Board members. The district feels we have solved this issue with the dual verification process from the HR Director and Superintendent. The process will be reviewed each year to ensure standards are met by the HR Director and Superintendent.

Finding 4: District lacked critical controls in various areas, including cash handling, payroll, purchasing, and financial reporting, increasing risk of errors, loss, fraud, and theft

District Response: The Auditor General's finding is agreed to.

Response explanation: The District has reviewed all recommendations in this area and has documented responses for each item. The Business Manager, Superintendent, and all responsible Directors were involved in the documentation and solutions for each recommendation.

Recommendation 12: Develop and implement written cash-handling procedures that meet USFR requirements for monies collected for adult cafeteria meals, including steps for issuing evidence of receipt at the time cash is received, timely depositing cash, and reconciling cash collections.

District Response: The audit recommendation will be implemented.

Response explanation: The District has eliminated any cash handling in the cafeteria starting with the 2025-2026 school year. All employees who wish to purchase breakfast and lunch must work with the Business Office to enroll in a payroll deduction or cash deposit to receive coupons for each meal served. The district feels that this recommendation has been solved moving forward.

Recommendation 13: Develop a process to provide accurate, up-to-date prepaid meal balances and a process for accurately recording prepaid meals when redeemed.

District Response: The audit recommendation will be implemented.

Response explanation: The District has eliminated any cash handling in the cafeteria starting with the 2025-2026 school year. All employees who wish to purchase breakfast and lunch must work with the Business Office to enroll in payroll deduction or cash deposit to receive coupons for each meal served. The district feels that this recommendation has been solved moving forward.

Recommendation 14: Develop and implement written procedures and a secondary review process to ensure that extra-duty employment agreements are initiated and presented to the Board, approved by the Board, and reflect accurate pay rates before work is performed, and that extra-duty payments are accurate.

District Response: The audit recommendation will be implemented.

Response explanation: The HR Director, Superintendent, Business Manager, and Payroll Technician will meet monthly prior to each Governing Board meeting. The group will review all personnel items to ensure that Governing Board approval is completed prior to any compensation being distributed. The District feels with monthly meetings already occurring that this problem has been solved moving forward.

Recommendation 15: Review extra duty payments made in fiscal year 2024 to identify and correct any over- or underpayments. For any over- or underpayments identified, determine and document what action(s) will be taken to correct them.

District Response: The audit recommendation will be implemented.

Response explanation: The Business Manager and Payroll Technician identified an underpayment to an employee from 2024 who was underpaid less than \$50. They are working to process a payment to this individual. Moving forward the HR Director, Superintendent, Business Manager, and Payroll Technician will meet monthly prior to each Governing Board meeting. The group will review all personnel items to ensure that Governing Board approval is completed prior to any compensation being distributed. The District feels with monthly meetings already occurring that this problem has been solved moving forward.

Recommendation 16: Develop and implement written procedures in accordance with USFR requirements to ensure all credit card purchases are reviewed and approved in advance by authorized District officials, and to maintain physical security and track possession of District credit cards.

District Response: The audit recommendation will be implemented.

Response explanation: The District has reviewed all credit card procedures and accountability documentation. Accountability processes are in place moving forward.

Recommendation 17: Ensure employees who are responsible for classifying expenditures and for conducting secondary reviews of account coding review the USFR Chart of Accounts for changes at least annually and implement its instructions to accurately account for and report the District's spending.

District Response: The audit recommendation will be implemented.

Response explanation: The Business Manager is the primary employee for documenting coding expenditures. Miscodes were identified in FY24 and throughout FY25. We have been paying close attention to coding expenditures, especially Object Codes 6700's and 6100's. In preparation for the FY25 AFR, salary object codes were corrected to reflect the USFR chart of accounts updates. The District feels that this issue is under control moving forward with continued vigilance.

Finding 5: District did not appropriately restrict building access to better protect students and staff, and did not consistently perform preventative maintenance on its buildings

District Response: The Auditor General's finding is agreed to.

Response explanation: The recommendations in this finding have been reviewed by the Maintenance Director, Superintendent, and SFD Liaison. Process and documentation for all recommendations is provided.

Recommendation 18: Conduct a physical key inventory to determine how many District facility keys exist, how many are distributed and to whom, and facilities each key can access.

District Response: The audit recommendation will be implemented.

Response explanation: The Maintenance Director and Superintendent oversee the distribution and documentation of all keys within the district. Key issuance and accountability documentation measures are currently in place. Additional keys that are not issued are stored in a locked cabinet in the maintenance building. New keys are made and inventoried when needed.

Recommendation 19: Upon conducting the physical key inventory in recommendation 18, maintain an accurate key inventory by developing and implementing written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance.

District Response: The audit recommendation will be implemented.

Response explanation: The Maintenance Director and Superintendent oversee the distribution and documentation of all keys within the district. Key issuance and accountability documentation measures are currently in place. Additional keys that are not issued are stored in a locked cabinet in the maintenance building. New keys are made and inventoried when needed.

Recommendation 20: Develop and implement written procedures for plant operations preventative maintenance in accordance with statute and SFOB guidelines. Specifically, these procedures should clearly detail a schedule of when the District should perform preventative maintenance and the type of preventative maintenance records to maintain.

District Response: The audit recommendation will be implemented.

Response explanation: The District is in process of completing written procedures for this recommendation. The district has been working with a SFD consultant to bring maintenance record keeping into compliance.

Recommendation 21: Develop and provide preventative maintenance training for plant operations employees that includes any new or updated procedures and instruction for completing the SFOB preventative maintenance checklists.

District Response: The audit recommendation will be implemented.

Response explanation: The Maintenance Director has received training on an on-going basis from a School Facility Liaison Consultant over the past three years.

Finding 6: District's excessive access to sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud

District Response: The Auditor General's finding is agreed to.

Response explanation: The IT Director, Business Manager, and Superintendent reviewed all user access designations. Access specific to only needed job functions were allocated by the IT Director. Continued review will take place regularly as identified across additional recommendation areas.

Recommendation 22: Limit users' access in the accounting system to only those functions needed to perform their job duties.

District Response: The audit recommendation will be implemented.

Response explanation: The District Business Office has only two employees: the Business Manager and the Accounts Payable Technician. They both have access to the accounting system along with the IT Director. With only two employees in the business office with this access, it would be difficult to limit access to either. The employees are cross trained and must cover the needs of the office when one of them is unable to work. The process in place now, and has always been, that each requisition requires two signatures. The Superintendent who does not have access is the second signature always required along with the Business Manager. In addition, administrator approval is required before making any changes to an existing purchase order. The list has been reviewed and access is only given in areas of direct need.

Recommendation 23: Review and reduce the number of users with administrator-level access to its critical systems to only those individuals with a business need for administrator-level access.

District Response: The audit recommendation will be implemented.

Response explanation: The Business Manager and the IT Director are the only two who have administrator-level access to the financial system. Major critical updates/access must be cleared through the Superintendent to move forward.

Recommendation 24: Immediately disable or remove all network and critical system accounts associated with terminated employees and/or individuals no longer working for vendors.

District Response: The audit recommendation will be implemented.

Response explanation: The IT Director has reviewed all user access. Removal of all users except current employees has been completed. Current users only have access to appropriate job function tasks. The District feels this problem has been solved moving forward.

Recommendation 25: Develop and implement written procedures to ensure that network and critical system accounts are promptly removed when no longer needed to reduce the risk of unauthorized access.

District Response: The audit recommendation will be implemented.

Response explanation: The termination process has been reviewed by the IT Director, Business Manager, and Superintendent. The process is now being conducted using an Account Termination & Removal Checklist. Full implementation is in place. The process includes Notification, Account Disabling, Privileged Accounts, Data & Ownership, Account Removal, and Documentation. The District feels that this problem is solved moving forward.

Recommendation 26: Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrator and user accounts and assess their access levels to ensure that access levels are appropriate, and access was promptly disabled when it was no longer needed.

District Response: The audit recommendation will be implemented.

Response explanation: The IT Director has developed and implemented an Annual Account Review Checklist. The process will be completed on a regular basis at least yearly to ensure appropriate access levels. The District feels this recommendation is solved moving forward.

Recommendation 27: Implement and enforce strong authentication controls that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

District Response: The audit recommendation will be implemented.

Response explanation: The Cedar School District has a contractual technical support agreement with Northern Arizona University (NAU). The IT Director and NAU representatives have been working to implement a two factor authentication process for all users over all platforms to meet USFR requirements. Documentation of implementation will be provided when the process is completed.

Recommendation 28: Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually.

District Response: The audit recommendation will be implemented.

Response explanation: The IT Director has reviewed the authentication control process. The process put in place has implemented an authentication control checklist for all users. The checklist includes Notification, Disable Accounts, Security & Access, Post Termination Actions, and Sign Off steps. The District feels this recommendation has been solved moving forward.

Recommendation 29: Develop and implement policies and procedures to conduct mandatory cybersecurity awareness training that meets USFR and credible industry standards for all employees upon hire and at least annually thereafter, and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The It Director has provided Cyber Security Training for all users for the 2025-2026 school year. This took place during orientation week at the beginning of the year. New staff are trained as they arrive throughout any school year moving forward. This process is an on-going endeavor with the cyber security issues changing at a rapid pace. Preparedness is the focus of this training each year.

Recommendation 30: Develop and implement a Board-approved IT contingency plan that meets USFR requirements and credible industry standards; perform documented tests against the plan, at least annually, to identify and remedy any deficiencies; and update the plan based on the results of these tests.

District Response: The audit recommendation will be implemented.

Response explanation: The IT Director with support from the NAU Consortium has developed a Disaster Recovery Plan that will be in front of the Governing Board on Oct 7th for approval. The plan includes Objective, Scope, Roles & Responsibilities, Disaster Recovery Procedures, Pre-Disaster Preparation, Disaster Response Plan, Post-Disaster Recovery, Backup & Redundancy, Testing & Maintenance, Security Measures, and Contact Information. In addition, an Account Review Checklist & Log is provided.