

Ganado Unified School District

24-Month Followup of Performance Audit Report 23-205

The October 2023 Ganado Unified School District performance audit found that the District failed to maintain required accounting records, limiting the scope of our review; limited public access to some Board meetings and wasted more than \$48,000 on unnecessary travel; operated its schools far below capacity; and failed to comply with other important requirements putting public monies, student safety, and sensitive computerized data at risk. We made **20** recommendations to the District. In addition to reporting on the status of the District's efforts to implement these recommendations, we have also provided an update on the District's noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR).¹

District's status in implementing 20 recommendations

Implementation status	Number of recommendations
 Implemented	6 recommendations
 In process	7 recommendations
 Not implemented	7 recommendations

We will conduct a 36-month followup with the District on the status of the recommendations that have not yet been implemented.

¹ The Arizona Auditor General and the Arizona Department of Education jointly developed the USFR pursuant to Arizona Revised Statutes §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

Recommendations to the District

Audit Scope Limitation: District failed to maintain required accounting records, thereby limiting the scope of our review of payroll, purchasing, and cash-handling documentation and procedures, and increasing the risk of undetected fraud, waste, and misuse

1. The District should comply and cooperate with the Auditor General's Office, including providing timely and complete information requested for audit followups, special studies and reviews, and status reviews on USFR compliance.

▶ Status: **Implementation in process.**

Since the initial followup, the District has cooperated with our Office, although they did not always provide timely responses to our requests for this followup, which required our staff to request the same documentation multiple times before the District provided it. We will continue to assess the District's compliance and cooperation during subsequent followups, special studies and reviews, and status reviews to assess USFR compliance.

2. The District should submit its annual financial statement audit and compliance questionnaires to the Auditor General's Office by March 31 each year, as required.

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

The District submitted both its fiscal year 2023 and fiscal year 2024 financial statement audits and Compliance Questionnaires to our Office by the required deadlines.

3. The District should update its corrective action plan (CAP) to ensure it adequately addresses the significant deficiencies identified, including what actions have been taken to correct the deficiencies, the date the process was implemented, and the results of the District's review of transactions processed under the newly implemented process. Additionally, the District should ensure it timely submits its completed CAP to the Auditor General's Office as required.

▶ Status: **Not implemented.**

Although the District submitted its annual financial statement audit and Compliance Questionnaire for fiscal year 2024 by the March 31, 2025, deadline, it has yet to update its CAP to adequately address or demonstrate what actions it has taken to correct the deficiencies identified. Additionally, the District's fiscal year 2024 annual financial statement audit and Compliance Questionnaire identified additional deficiencies, but the District has not submitted a new CAP to fully address them. We will assess the District's efforts to implement this recommendation at the 36-month followup.

4. The District should comply with USFR requirements and increase its accountability and transparency by maintaining adequate supporting documentation for its payroll, purchasing, and cash-handling procedures and transactions.

► Status: **Implementation in process.**

As we reported in our previous initial followup, the District had addressed the deficiencies we identified related to payroll and accounts payable but continued to have deficiencies with its cash-handling process.

During this followup, we reviewed supporting documentation for all 42 cash deposits the District made in January and April 2025 totaling nearly \$51,000 and identified concerns with the District's cash-handling similar to those identified during the audit and initial followup.

Specifically, for the 42 deposits we reviewed:

- 7 deposits lacked adequate documentation to support the amount of cash collected, such as sequentially issued receipts or tickets, or inventory reports supporting the number of items sold.
- 19 deposits lacked evidence of a secondary review.
- 12 deposit amounts did not match amounts on the supporting documentation provided, ranging from \$45 less to nearly \$20 more than should have been deposited without any indication the discrepancies had been investigated or resolved.
- 9 deposits from school sites were not deposited within 7 days of collection, as required by the USFR, with these 9 deposits being made between 8 and 126 days after the cash was collected.

District officials reported that the District continues to operate without formal written cash-handling policies and procedures. As a result, the District continues to increase the risk that cash is not appropriately safeguarded to prevent its theft, loss, or misuse. We will assess the District's efforts to address its cash-handling deficiencies at the 36-month followup.

Finding 1: District held Governing Board (Board) meetings out of town, limiting public access and wasting more than \$48,000 of public monies on unnecessary travel expenses

5. The District should consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

► Status: **Not implemented.**

We reported in the previous initial followup that District officials indicated they had consulted with legal counsel regarding the potential open meeting law violations we identified. In the same followup, we reported that the District had no plans to speak with the Arizona Attorney General's Office nor to take steps to ensure that any District actions taken contrary to open meeting laws were appropriately addressed to be made valid. Although the District reported during this followup that it had reached out to the Attorney General's Office regarding the open meeting law violations we identified in the original performance audit, the District was unable to provide any evidence that it had done so. We will assess the District's efforts to implement this recommendation at the 36-month followup.

6. The District should discontinue holding Board meetings outside the District's boundaries, which is contrary to open meeting law and an unnecessary expense to the District.

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

We reviewed agendas for all Board meetings, including regular and special meetings and work study sessions, from October 2023 through June 2024 and found that all took place in Ganado, Arizona. District officials stated that the District plans to continue to hold all future Board meetings within District boundaries.

7. The District should develop and implement Board meeting policies and procedures, including the locations selected outside the District's boundaries for conducting public meetings and the content of public meeting agendas, in consultation with legal counsel to ensure all Board meetings comply with open meeting law and are accessible to the public.

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

During fiscal year 2024, the Board approved updates to Board meeting policies and procedures that include guidance on locations selected for Board meetings and content of public meeting agendas. For example, the updated policies and procedures include guidance that the Board shall meet in the most convenient public facility in the District and requirements for information to be included on the meeting agenda such as the specific matters to be discussed, considered, or decided at the meeting. Additionally, the updated policies and procedures specify that the meeting notice and agenda should include the times that the public will have physical access to the meeting place. As discussed in recommendation 6, we reviewed the District's meeting agendas from October 2023 through June 2024 and found that the District had complied with its updated policy.

8. The District should implement procedures to ensure that all travel expenditures and reimbursements are planned using the most reasonable and economic means and do not exceed Arizona Department of Administration (ADOA)-established maximum rates in accordance with District policy, and follow USFR requirements.

► Status: **Not implemented.**

We reviewed travel reimbursement claims the District paid to 2 Board members and 3 employees for 5 separate fiscal year 2025 trips and found issues similar to those we identified during the performance audit and previous initial followup. Specifically, for 3 travel claims we reviewed, the District continued to use generic city-to-city mileage information instead of actual miles driven to reimburse miles driven using personal vehicles. The same 3 travel claims also lacked information necessary to correctly calculate the actual miles driven, such as the Board member's duty post address. Additionally, for 1 travel claim we reviewed, the District exceeded the ADOA-established maximum allowance rate for lodging by approximately \$187 per night, resulting in an overpayment of \$748, without any documentation to support the higher rate. We will assess the District's efforts to implement this recommendation at the 36-month followup.

Finding 2: District operated its schools far below capacity, using at least an estimated \$353,000 annually that may have been effectively used for other priorities such as improving student achievement

9. The District should evaluate how it utilizes building space at its schools and determine and implement ways to reduce it, including considering whether to consolidate school operations in order to increase its operating capacity to a more efficient level and focus more of its resources on other district priorities like improving its student achievement.

► Status: **Implementation in process.**

Since the previous initial followup, the District has begun the process of selecting a vendor to demolish some buildings not used by students, such as the former middle school building. Additionally, the Board has discussed various scenarios for consolidating schools during its January 2025 work-study session. At that meeting, District officials shared information with the Board about their experiences when 2 schools were combined due to a roof replacement and potential grade-level configurations if schools were to be consolidated. We will assess the impact of the District's actions on its capacity utilization at the 36-month followup.

Finding 3: District did not systematically perform school bus preventative maintenance, putting student safety at risk

10. The District should develop and implement a formal, written school bus preventative maintenance policy in accordance with the State's Department of Public Safety (DPS) *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) that outlines what specific preventative maintenance activities will be completed in addition to oil changes and states at what mileage and time frame preventative maintenance will be completed.

► Status: **Implementation in process.**

The District has developed a written school bus preventative maintenance policy that outlines some preventative maintenance activities and specifies a mileage interval at which preventative maintenance will be completed. However, similar to what we reported in the previous initial followup, the District's school bus preventative maintenance policy still lacks some of the preventative maintenance activities required by DPS' Minimum Standards, such as inspections of the exterior school bus body. Additionally, the policy continues to lack a time frame interval for when preventative maintenance will be completed. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 11.** The District should maintain sufficient documentation to demonstrate that it is following its formal, written school bus preventative maintenance policy in accordance with DPS' Minimum Standards.

► Status: **Not implemented.**

As stated in recommendation 10, the District's written school bus preventative maintenance policy continues to lack details required by DPS' Minimum Standards. In addition, our review of preventative maintenance services performed in fiscal year 2025 on 9 of 29 District school buses found at least 1 instance in which a school bus exceeded the preventative maintenance mileage interval specified in the District's policy by more than 2,400 miles. By not following its preventative maintenance policy, the District increases the risk that it may not timely detect safety issues with its school buses and may reduce the school buses' useful lives. We will assess the District's efforts to implement this recommendation at the 36-month followup.

Finding 4: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

- 12.** The District should implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

► Status: **Implementation in process.**

Our September 2025 review of the District's network password requirements found that the District had updated some, but not all, of its network password requirements to be consistent with credible industry standards. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 13.** The District should develop and implement policy and procedures to review the District's password standards against industry password standards at least annually.

► Status: **Not implemented.**

The District has not developed and implemented policies and procedures to review its password standards against credible industry password standards at least annually. By not doing so, the District continues to increase the risk of unauthorized access to its IT systems and sensitive District data. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 14.** The District should 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.

► Status: **Implementation in process.**

The District has reduced the number of users with administrator-level access to its critical systems and has added a separate user account without administrator-level access for its network administrator to perform their daily duties. However, the District has not removed the unnecessary administrator-level access to its accounting system. Specifically, our July 2025 review of the District's administrator-level access identified 1 user who continued to have unnecessary administrator-level access to the District's accounting system. This same user was also identified during the initial followup as a user with administrator-level access who did not require it to perform their job responsibilities. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 15.** The District should develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assessing their access level and need for network and critical systems access to ensure that access level was appropriate and access was promptly disabled when it was no longer needed, including for terminated employees.

► Status: **Not implemented.**

Although the District has implemented systematic reminders to annually review accounting system user accounts and to monthly review network user accounts, it continues to have users with too much access across its network and critical systems. For instance, our July 2025 review of user access levels identified 12 users with excessive access to the District's accounting system, including full access to its purchasing and/or payroll processes, which is 8 more users than we identified during the previous initial followup. Our review of the District's network and SIS also found 4 network accounts and 10 SIS user accounts associated with terminated employees, indicating that the District was not immediately disabling accounts when no longer needed. The 14 accounts we identified were associated with District employees who had not been employed by the District for between 3 months to over a year prior to this followup review. Further, the District's SIS had 2 active accounts that were no longer needed and should have been disabled. Finally, as discussed in recommendation 14,

the District did not limit administrator-level access in its accounting system to only those individuals who needed it to perform their job duties. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 16.** The District should upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems.

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

The District has updated its critical IT infrastructure to supported versions.

- 17.** The District should develop and implement policies and procedures to ensure its computer and network infrastructure are properly maintained and up to date.

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

The Board approved the District's new policy for technology replacement and upgrades, and the District provided evidence that it had been monitoring and updating its critical IT infrastructure in accordance with its policy.

- 18.** The District should establish and implement procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activity in a timely manner.

▶ Status: **Not implemented.**

As of July 2025, the District had not established or implemented procedures for regularly collecting and/or monitoring system activity logs to timely detect malicious activity but indicated it was researching such procedures. By not doing so, the District increases the risk that it will not timely detect and/or respond to unauthorized or malicious system activities. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 19.** The District should establish and implement a District policy to conduct mandatory employee security awareness training at least annually.

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

The District reported that it has included online technology training as part of District orientation at the beginning of each school year and that all District employees are assigned to the courses through a vendor. We reviewed the training records for 6 security awareness training courses the District required its staff to take, which covered information security topics relevant to school districts and recommended by credible industry standards, and found that 99% of the District's nearly 300 employees completed the required trainings.

- 20.** The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies.

► Status: **Implementation in process.**

The District has developed and implemented an IT contingency plan that includes some, but not all, key components required by the USFR and recommended by credible industry standards. Specifically, the plan does not identify the order in which the District's critical systems should be restored, and lacked a complete plan for continued operations during a system outage and detailed restoration steps for its identified critical systems. The District had also tested its plan for some IT systems' recovery. However, the Board adopted the contingency plan in March 2025, and thus, the plan had not been fully tested at the time of our review. We will assess the District's efforts to implement this recommendation at the 36-month followup.

District USFR noncompliance

District has been in noncompliance with the USFR since December 2022

The District has been in noncompliance with the USFR since December 2022. In August 2025, we notified the Arizona State Board of Education (State Board) that the District was still in noncompliance with the USFR based on our review of the District's financial audit reports and USFR Compliance Questionnaire for the year ended June 30, 2024, and our September 2024 performance audit followup report. The results of this followup report and the District's fiscal year 2025 financial audit reports, which are due March 31, 2026, will be used to evaluate the status of the District's noncompliance with the USFR. We may also perform a status review to determine if the District is no longer in noncompliance if it submits a completed CAP that shows it has corrected its deficiencies.