

Performance Audit

Mohawk Valley Elementary School District

Report 2 of 2

District compensated some employees contrary to USFR requirements and/or employment agreement terms, including improperly paying \$31,000 to 4 employees that may be considered improper bonuses under State law; additionally, it did not follow some cash-handling, purchasing, and conflict-of-interest requirements and allowed some users too much access to accounting system functions



Arizona Auditor General's mission

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

Senator **Mark Finchem**, Chair

Senator **Flavio Bravo**

Senator **Tim Dunn**

Senator **David C. Farnsworth**

Senator **Catherine Miranda**

Senator **Warren Petersen** (ex officio)

Representative **Matt Gress**, Vice Chair

Representative **Michael Carbone**

Representative **Michele Peña**

Representative **Stephanie Stahl-Hamilton**

Representative **Betty Villegas**

Representative **Steve Montenegro** (ex officio)

Audit staff

Scott Swagerty, Director

Christine Haidet, Manager

Isiah Alvarez, Deputy Manager


Natalie Pflieger, Report Writer

Brittany Hughes, Team Leader

Kate Hartland

Katrina Randolph

Contact information

 **(602) 553-0333**

 contact@azauditor.gov

 www.azauditor.gov

2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271



**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

November 13, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Mohawk Valley Elementary School District

Shanna Johnson, Superintendent
Mohawk Valley Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Mohawk Valley Elementary School District—Report 2 of 2*, 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 performance audit report is the second and final report in a series of 2 reports on the District and focuses on additional compensation improperly paid to some District employees, potential conflicts of interest, and deficiencies associated with the District's internal controls and information technology management and oversight.

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 Johnson 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

Mohawk Valley Elementary School District Performance Audit Report 2 of 2

District compensated some employees contrary to USFR requirements and/or employment agreement terms, including improperly paying \$31,000 to 4 employees that may be considered improper bonuses under State law; additionally, it did not follow some cash-handling, purchasing, and conflict-of-interest requirements and allowed some users too much access to accounting system functions

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.

Our Office has issued a series of 2 performance audit reports of the Mohawk Valley Elementary School District (District). The first report, issued in August 2025, primarily discussed issues we identified related to the District's capital planning, funding, and assets, including a property tax that may have been unnecessarily levied to pay for emergency repairs and the District's management and use of District-owned housing units. Additionally, the report provided information about the District's recently constructed water treatment facility and the challenges the District has faced in obtaining safe drinking water for its facilities. The first audit report included 3 findings that resulted in 8 recommendations to the District and 3 recommendations to the Governing Board.

This second and final report focuses on additional compensation improperly paid to some District employees, potential conflicts of interest, and deficiencies associated with the District's internal controls and information technology management and oversight.

Key findings

- ▶ District improperly paid 4 employees \$31,000 in additional compensation and may have violated State law and contributed to the District's increased financial risk.
- ▶ Some District staff and Governing Board members did not comply with certain State conflict-of-interest requirements and recommended practices, increasing the risk that undisclosed substantial interests could affect their official conduct.
- ▶ District incorrectly compensated some employees and did not ensure payments for additional duties or work outside employees' contract periods were approved in advance. The District also did not comply with requirements relating to cash deposits, purchasing, and payments involving a Board member.

- ▶ District allowed users, including external users, excessive access to its accounting system and had not implemented sufficient reviews of system users' activities to reduce the risk of unauthorized access to sensitive information, data loss, errors, and fraud.

Key recommendations to the District

- ▶ Ensure that any modification to employees' employment terms, such as pay or duty changes, are appropriately documented in employment agreements and approved in advance of the work being performed.
- ▶ Train employees and Board members on its conflict-of-interest requirements, processes, and disclosure forms, and implement written procedures for reviewing conflict-of-interest disclosure forms and remediating disclosed conflicts.
- ▶ Develop and implement policies and/or procedures and train staff to ensure employees are paid accurately, cash deposits are timely, and purchases have evidence of receipt and billings are accurate prior to payment.
- ▶ Comply with State law by immediately discontinuing the practice of hiring and/or compensating any current Board member for any position.

Key recommendation to the Board

- ▶ Determine whether the District had the legal authority to pay the 4 employees \$31,000 in additional compensation and take action based on its determination.

TABLE OF CONTENTS

DISTRICT OVERVIEW 1

FY 2023 operational overview

FINDING 1 3

District improperly paid 4 employees \$31,000 in additional compensation contrary to USFR requirements, and the payments may have violated State law and contributed to the District’s increased financial risk

- ▶ District paid 4 employees \$31,000 in additional compensation for work that was not approved in advance, contrary to State requirements, and may have been required by existing employment agreements
- ▶ District’s payment of additional compensation contributed to its increased financial risk and limited its ability to respond to changing financial conditions

Recommendation to the District 5

Recommendations to the Board 5

FINDING 2 6

Some District staff and Board members did not comply with certain State conflict-of-interest requirements and recommended practices, increasing the risk that undisclosed substantial interests could affect their official conduct

- ▶ Statute addresses conflicts of interest for school district employees and Board members
- ▶ District’s business manager and 2 Board members did not comply with some conflict-of-interest requirements and recommended practices, and the business manager and 1 Board member improperly participated in matters in which they had a substantial interest

Recommendations to the District 9

FINDING 3 10

District did not comply with important requirements in various areas, resulting in miscalculated and improper payments to employees and an increased risk of loss, theft, or fraud

- ▶ Deficiency 1: District did not comply with important payroll requirements,

which led to some employees being paid for additional duties without required approvals and/or being incorrectly compensated

- ▶ Deficiency 2: District did not timely deposit more than \$31,000 cash, increasing the risk that cash could be lost or stolen
- ▶ Deficiency 3: District paid for purchases without required evidence of receipt, increasing risk of unauthorized purchases, errors, and fraud
- ▶ Deficiency 4: District employed and paid compensation to a Board member, contrary to State law

Recommendations to the District

13

FINDING 4

15

District's excessive access to its sensitive computerized data increased risk of unauthorized access to sensitive information, data loss, errors, and fraud

- ▶ District has not complied with important IT security requirements and recommended practices
- ▶ Deficiency 1: District did not limit user access to its accounting system and network, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud
- ▶ Deficiency 2: District lacked an effective process to monitor external party access to its accounting system, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud
- ▶ District lacked effective procedures, which contributed to its failures to comply with IT requirements and recommended practices

Recommendations to the District

17

SUMMARY OF RECOMMENDATIONS

18

The Arizona Auditor General makes 14 recommendations to the District and 3 recommendations to the Board

APPENDIX

a-i

Objectives, scope, and methodology

- ▶ Efficiency and effectiveness
- ▶ Financial accounting data and internal controls

- ▶ Student achievement

DISTRICT RESPONSE

TABLE

- ▶ **Table 1**

11

District paid some employees for work outside their contract terms and/or additional duties without required approvals

Mohawk Valley Elementary School District— FYs 2023 through 2026

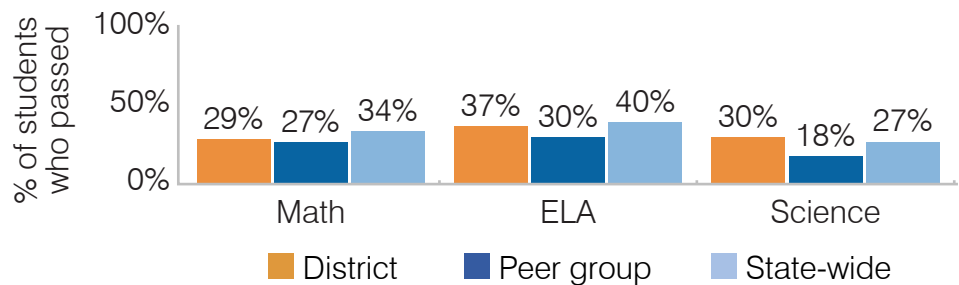
FY 2023 District information

District locality: Rural	Grades: Pre-K through 8	Number of schools: 1
County: Yuma	Students attending: 152	School letter grade: B
Filled certified FTE: 15	Filled classified FTE: 18	Filled Board positions: 5 of 5

Location

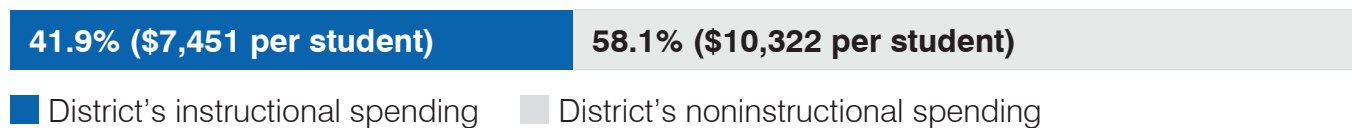


Student performance on State assessments



FY 2023 operational overview

Total operational spending—\$2.7 million (\$17,773 per student)



Mohawk Valley Elementary School District is 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 2023, noninstructional spending exceeded instructional spending at 36 of 58 very small districts, and the average instructional spending percentage for these districts was below 50%.

This performance audit report is the second in a series of 2 reports. The first report focused on issues we identified with the District's capital planning, property tax levies, and management of its housing units. This second and final report focuses on issues we identified in the operational areas described below.

Administration

District did not comply with State laws and other requirements in various areas, and other improvements are needed

A majority of the District's spending on administration was for District office employees' salaries and benefits and superintendent services through a contracted vendor. However, the District improperly paid 4 employees \$31,000 in additional compensation for work that was not approved in advance and may have been required by existing employment agreements (see Finding 1). Also, the District did not comply with some conflict-of-interest requirements and requirements in other various areas, resulting in reduced transparency into District operations, miscalculated and improper payments, and an increased risk of errors, fraud, and theft (see Findings 2 and 3). Further, the District's excessive access to its sensitive computerized data increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud (see Finding 4).

Per student spending	Percent of total spending
\$2,292	12.9%

Plant operations

District lacked comprehensive capital plan for District facilities and mismanaged its housing units

The District's spending on plant operations was primarily for staff salaries and benefits, insurance, and utilities. We reported our findings related to the District's plant operations in the first performance audit report.

Per student spending	Percent of total spending
\$3,249	18.3%

Operational areas with no reported findings

The District's spending on instruction support and student support services primarily consisted of salaries and benefits for support staff and contracted student services. Food service spending was primarily for staff salaries and benefits and food supplies. We did not identify substantial deficiencies in these areas. Most of the District's transportation spending was for school bus driver salaries and benefits and fuel. We found that the District's transportation program appeared to meet the State requirements related to school bus preventative maintenance and driver certifications.

Operational area	Per student spending	Percent of total spending
Instruction support and student support services	\$2,752	15.5%
Food service	\$1,101	6.2%
Transportation	\$928	5.2%

District improperly paid 4 employees \$31,000 in additional compensation contrary to USFR requirements, and the payments may have violated State law and contributed to the District's increased financial risk

District paid 4 employees \$31,000 in additional compensation for work that was not approved in advance, contrary to State requirements, and may have been required by existing employment agreements

In fiscal year 2024, the District improperly paid its superintendent, business manager, facilities manager, and principal secretary a total of \$31,000 in additional compensation that was not included in their employment agreements. According to District officials and a Governing Board (Board) member we spoke with, a now-former Board member recommended considering additional compensation for these employees to recognize work they performed to facilitate and oversee a comprehensive school renovation project. The Board discussed the additional compensation with District officials during Board meetings in October, November, and December 2023, with the Board ultimately voting to approve the additional compensation at its December 2023 meeting. The payments the Board approved included \$11,000 for the superintendent, \$8,000 for the business manager, \$8,000 for the facilities manager, and \$4,000 for the principal secretary.

Prior to the Board voting to approve the additional compensation, District administrators sought advice from the District's independent financial auditors to determine whether such payments were allowable. The District's auditors indicated that the Board could approve such payments and should specify that the monies were being paid for additional work. District administrators relied on their auditors' advice.¹ However, the *Uniform System of Financial Records for Arizona School Districts* (USFR) requires all pay or position changes to be documented and approved prior to the work being performed.^{2,3} Since the additional compensation the Board approved was for work that the employees had already completed and the payment amounts were not included in any employment agreement, the payments did not comply with the USFR.

Additionally, the payments may be considered unallowable bonuses under State law. Statute prohibits State employees, including school district employees, from receiving any payments in excess of their salary provided by law for performing their regular duties.⁴ Arizona Attorney General Opinion 78-188 further clarifies that school districts are prohibited from paying bonuses

¹ In September 2025, we contacted the District's independent financial auditors to discuss the erroneous guidance it provided the District in this matter and ensure the auditors understood how to appropriately handle any future requests for similar guidance.

² The Arizona Auditor General in conjunction with the Arizona Department of Education (ADE) developed the USFR pursuant to Arizona Revised Statutes (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.

³ USFR, VI-H-5.

⁴ A.R.S. §38-601. Attorney General opinion I79-105 indicates that A.R.S. §38-601 applies to school district employees.

unless the bonus is part of a contractual compensation package between an employee and a district and is paid in exchange for services rendered during the contract period. Contrary to these requirements, details related to the additional duties the employees would perform for the additional compensation the District paid to them were not separately included in any employment agreements for the 4 employees.

Moreover, although the Board member and District officials we spoke with indicated the pay was for additional duties performed, the documentation and information the District provided was vague and did not support that the duties cited were outside the employees' regular responsibilities. For instance, the Board minutes for the meeting where the additional compensation was discussed indicated that the compensation was for the extra work, efforts, leadership, and expertise required for the construction project without additional details of what work was required. Similarly, the Board minutes for the meeting where the additional compensation was approved indicated that the compensation was for leadership for the construction project. During the audit, the superintendent indicated that staff members had participated in countless meetings with the various parties involved in the construction project, had overseen the financial side of the project for over 3 years, and had increased workloads. However, meeting attendance, monitoring and maintaining District facilities, and providing financial oversight, such as managing grants and reviewing invoices are job duties commonly performed by these types of employees. As such, the District lacked information supporting that the work they performed to facilitate and oversee the school renovation project was not related to these employees' normal job responsibilities. Additionally, the activities cited may have been included under existing employment agreements that, according to the District, required employees to undertake professional duties and other duties as required.

District's payment of additional compensation contributed to its increased financial risk and limited its ability to respond to changing financial conditions

These additional payments, which the District was not required to make, contributed to the reduction in the District's operating budget limit reserve in fiscal year 2024 and increased its financial risk, as discussed in our *January 2025 Arizona School District Financial Risk Analysis*. Specifically, the District's operating budget limit reserve declined from approximately \$223,000 at the end of fiscal year 2023 to about \$3,700 at the end of fiscal year 2024 (see textbox for more information about the operating budget limit reserve). This decline limits the District's flexibility to help manage future unexpected expenses and placed the District at an increased financial risk. Districts with minimal or no operating budget reserves have less financial flexibility if student enrollment or other factors cause decreases to current year budget limits and revenues.

Operating budget limit reserve

A school district's operating budget limit reserve consists of amounts budgeted in the Maintenance and Operations (M&O) Fund that are unspent at fiscal year-end. Any unspent amounts carried forward from prior fiscal years are added to a district's following year's operating budget limit to increase the maximum amount that it may spend from its M&O Fund.

Source: Auditor General staff review of A.R.S. §15-943.01.

Decreasing operational spending midyear, when employment and vendor contracts are already in place, can be difficult, and districts with minimal or no budget reserves may need to reduce spending immediately when they lose students to avoid overspending. By paying the additional compensation, the District further limited its ability to respond to changing financial conditions, despite having a history of overspending its operating or capital budgets in 3 of the 5 years between fiscal years 2020 and 2024.⁵

Recommendation to the District

1. Ensure that any modification to employees' employment terms, such as pay or duty changes, are appropriately documented in employment agreements and approved in advance of the work being performed.

Recommendations to the Board

1. Work with legal counsel, as needed, to determine whether it had the legal authority to pay the additional compensation to its employees and document its determination and the rationale supporting its determination.
2. Upon determining whether it had the legal authority to pay the additional compensation, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.
3. If the Board determines it did not have the legal authority to pay the additional compensation, determine its ability to recover the monies and take steps to recover the monies, as appropriate.

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

⁵ The District overspent its operating budget in fiscal years 2020 and 2021 and overspent its capital budget in fiscal year 2024. As of September 2025, the District had not yet submitted its fiscal year 2025 *Annual Financial Report*, which is due to ADE by October 15, 2025.

Some District staff and Board members did not comply with certain State conflict-of-interest requirements and recommended practices, increasing the risk that undisclosed substantial interests could affect their official conduct

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

State conflict-of-interest laws, the USFR, and District policy require District public officers and employees to avoid conflicts of interest that might influence or affect their official conduct. 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.¹ 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.^{2,3}

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

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 9/17/2025 from <https://www.azag.gov/office/publications/agency-handbook>

¹ 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 the governing board approve any such purchase and the purchase amount or purchase contract be included in the meeting minutes for the meeting in which the board approved the purchase.

² A.R.S. §§38-502 and 38-503(A) and (B).

³ 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.

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.⁴

In response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employee/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.⁵ 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.⁶ 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’s business manager and 2 Board members did not comply with some conflict-of-interest requirements and recommended practices, and the business manager and 1 Board member improperly participated in matters in which they had a substantial interest

Our review of all conflict-of-interest disclosure forms the District maintained for its 5 Board members and business office employees for fiscal year 2023 found that the District’s business manager and 2 Board members did not follow some conflict-of-interest requirements and recommended practices.

Specifically:

- ▶ **Contrary to statute and District policy, the District’s business manager issued \$2,076 in District payments to a vendor for which she had a substantial interest**

The District business manager’s spouse served as a vendor who provided school bus maintenance services to the District. In August 2022, the business manager partially disclosed this substantial interest on her conflict-of-interest form; however, she included only the name of her spouse without fully describing her substantial interest. Specifically,

⁴ A.R.S. §§38-509 and 38-502.

⁵ 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*.

⁶ 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 9/17/25 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 9/17/25 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>

the business manager failed to disclose details about her relationship with the disclosed substantial interest or their spouse's title, role, responsibilities, or compensation. Although the District's conflict-of-interest forms require individuals reporting a substantial interest to fully describe the substantial interest, it lacked a process to ensure employees fully described the nature of any disclosed substantial interests.

Additionally, during fiscal year 2023, the business manager improperly participated in matters involving her substantial interest by processing 4 invoices and issuing payments totaling \$2,076 to her spouse for school bus maintenance services. State law and District policy requires Board members and employees to refrain from voting upon or otherwise participating in substantial interests in any manner, but the District lacked documented procedures to review and remediate disclosed conflicts-of-interest to ensure staff comply with this policy and State conflict-of-interest laws. Further, the District did not develop or provide training on the importance of complying with conflict-of-interest requirements.

▶ **Board member did not disclose potential substantial interest related to District's housing units**

The District owns 10 rental housing units that it rents to both District employees and nonemployees.⁷ The District's Board provides oversight of the District's housing rentals, including reviewing and approving the District's housing rental rate schedule, housing lease agreement templates, and expenditure vouchers that include monies spent on housing maintenance, services, and repairs. One District Board member served as manager for a nearby farm and, in his capacity as the farm manager, signed a lease agreement with the District for the rental of a District housing unit in fiscal year 2023. The rental rate the District charged the farm was in accordance with the rate schedule approved by the Board. However, when the farm terminated the lease early, the District returned the security deposit to the farm, which should have been forfeited according to the lease terms in effect at the time it returned the deposit. Further, upon entering into the lease agreement, the Board member failed to complete an updated conflict-of-interest disclosure form to disclose this potential substantial interest. As discussed above, the District did not develop or provide training on the importance of complying with conflict-of-interest requirements.

▶ **Board member voted on consent agenda items related to a disclosed substantial interest**

As discussed in Finding 3, pages 10 through 14, the District improperly employed a Board member as a sports coach and paid compensation to the Board member in fiscal years 2023 and 2024.⁸ The Board member disclosed the coaching position as a substantial interest on their disclosure forms for each of these years and refrained from voting to approve the coaching contracts. However, contrary to State laws and District policy, the Board member improperly participated in matters related to their disclosed conflicts by voting to approve consent agenda items authorizing payment to themselves for coaching

⁷ See *Mohawk Valley Elementary School District—Report 1 of 2*, Finding 3, pages 8 through 14, for additional information about issues we identified with the District's management of its housing units.

⁸ This individual was no longer a Board member as of January 2025.

services. During public meetings, consent agendas may be used to save time when there are certain routine items to be voted on, such as approval of minutes, expense vouchers, payroll vouchers, and employee separations. Boards typically take 1 vote to approve or disapprove all items on the consent agenda. Thus, Board members voting on consent agenda items, such as authorizing payments, may not be fully aware of all the specific items within the consent agenda when they vote to approve it, which may have been the case in this instance. The District lacked documented review and remediation procedures and training to help ensure its Board members refrain from participating in matters in which they have substantial interests, which may have helped the Board member be aware that the consent agenda item authorized payment to themselves and refrain from voting. Additionally, the District lacked procedures for making Board members aware of agenda items in which they had disclosed a substantial interest.

The employee and Board members may not have complied with District policy and State conflict-of-interest laws designed to protect public monies, thereby limiting transparency into the District's operations. School district employees and officials are required to comply with the State's conflict-of-interest laws, and by not following these laws and recommended practices, the District increases the risk that other Board members or employees may not disclose matters in which they have substantial interests that could influence or affect their official conduct and refrain from participating in those matters. Establishing documented review and remediation procedures and training would help ensure its Board members and employees disclose substantial interests and refrain from participating in matters in which they have substantial interests, as required by State conflict-of-interest laws.

Recommendations to the District

2. Enforce its existing conflict-of-interest policies for Board members and employees by requiring Board members and employees on their annual conflict-of-interest disclosure forms to fully describe any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.
3. Update its conflict-of-interest policies and establish and implement written procedures to include a documented process for reviewing and remediating disclosed conflicts of interest, including a process to help Board members identify meeting agenda items involving their interests, to ensure that Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.
4. Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that include information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

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

FINDING 3

District did not comply with important requirements in various areas, resulting in miscalculated and improper payments to employees and an increased risk of loss, theft, or fraud

As part of our review, we found that the District did not consistently follow requirements set forth by the USFR and/or District policy to ensure payments to employees were appropriate and accurate, cash was timely deposited, and all goods and services were received prior to payment. Additionally, the District employed and compensated a Board member, contrary to State law. By not following requirements in various areas, the District made erroneous and/or improper payments, and also increased the risk that monies could be lost, stolen, or fraudulently obtained. See the details below.

Deficiency 1: District did not comply with important payroll requirements, which led to some employees being paid for additional duties without required approvals and/or being incorrectly compensated

We judgmentally selected and reviewed a sample of employment agreements and payments to 8 of the 42 employees in fiscal year 2023 to determine the appropriateness and accuracy of the District's payroll processes.¹ We found that, contrary to the USFR, the District paid employees for additional work without required approvals and incorrectly compensated some employees.

Specifically:

District paid approximately \$7,900 to 6 employees for work outside their contract terms and/or additional duties without required approvals

The USFR requires payments for additional duties to be approved in advance, but we identified several instances where the District made such payments without prior approval. If additional pay is provided to employees to compensate for added duties, the USFR requires any changes, such as pay or duty changes, to be appropriately documented and approved prior to work being performed.

We identified 4 employees who the District paid totaling \$4,759 for performing work on days outside of their contracted employment period (see Table 1, page 11). District officials indicated that these employees had been verbally instructed to attend trainings and in-service days or complete preparatory work for the new school year on days that occurred outside their contracted work dates. The District maintained time sheets showing the hours these employees worked and based the employees' pay on what would have been their normal contracted rate. However, the Board had not approved the additional work requirements or the pay rate the District applied for the additional work.

¹ Our judgmental sample included 6 classified hourly employees and 2 certified salaried employees.

We also identified 4 employees who had been paid for additional duties during their contracted employment period without required documented approval or prior approval before the work was performed. As shown in Table 1, the 4 employees we identified included 2 who had also been paid for work outside their contracted employment periods as described above. The District made payments totaling \$3,200 to these 4 employees, including for additional duties such as summer work and sports coaching without documented approval or advance approval prior to the work being performed. By not ensuring additional duties were appropriately approved in advance and documented as required, the District increased its risk of making erroneous, fraudulent, or improper payments.

Table 1

District paid some employees for work outside their contract terms and/or additional duties without required approvals

Fiscal year 2023

Employees sampled	Outside of contract terms	Lacked required approvals
Employee 1	\$666	\$800
Employee 2	\$710	N/A
Employee 3	\$2,893	\$700
Employee 4	\$490	N/A
Employee 5	N/A	\$1,500
Employee 6	N/A	\$200
Total	\$4,759	\$3,200

Source: Auditor General staff review of sampled employees, fiscal year 2023 contracts and supplemental documentation and District fiscal year 2023 detailed accounting data.

District incorrectly calculated pay for 4 hourly employees, resulting in incorrect total annual compensation amounts

Contrary to USFR requirements, the District did not ensure that 4 hourly employees were paid the amount they actually earned, which resulted in 1 employee being overpaid for the year by \$103, and 3 employees being underpaid a total of \$146. As previously discussed, we judgmentally selected and reviewed a sample of employment agreements and payments to 8 employees, 6 of whom were hourly employees. We found that the District incorrectly calculated pay for 4 of these 6 employees, resulting in their being improperly compensated for certain pay periods and their total annual compensation amounts being incorrect. For instance, we identified 22 instances throughout fiscal year 2023 where the 4 employees’ total compensation paid exceeded their amount earned for hours actually worked. According to District officials, the District did not have a process in place for monitoring hours worked versus hours paid to ensure accurate payment amounts.

Deficiency 2: District did not timely deposit more than \$31,000 cash, increasing the risk that cash could be lost or stolen

Our review of 145 fiscal year 2023 cash transactions totaling \$82,559 found that the District did not timely deposit some cash receipts in accordance with USFR and District policy requirements.^{2,3} Specifically, we identified 68 cash transactions totaling \$31,146 that the District deposited between 8 and 38 days after collection. Additionally, we identified 4 cash transactions totaling \$674 where the cash receipts did not include dates, and therefore, we were unable to determine if the cash had been deposited timely. The District's failure to timely deposit cash increased its risk that cash could be lost or stolen and is contrary to USFR requirements. The USFR requires districts to deposit cash at least weekly, or daily when amounts are significant. In accordance with USFR requirements, District policy states that all monies collected shall be directed without delay to the proper location of deposit. District officials reported that the District's remote location made it difficult to deposit cash weekly. However, the District is responsible for following USFR requirements, including by timely depositing cash receipts, to help safeguard public monies from loss or theft.

Deficiency 3: District paid for purchases without required evidence of receipt, increasing risk of unauthorized purchases, errors, and fraud

We judgmentally selected and reviewed 19 of 1,495 District purchases made in fiscal year 2023 and found that the District paid for all 19 purchases, totaling more than \$9,500, without obtaining required evidence that the District had received the purchases and without ensuring that the billings were accurate prior to payment. To ensure payments are made only for goods and services received, the USFR requires districts to prepare receiving reports, including the date of receipt, quantity received, and signature of recipient for all goods and services received except exempted items.⁴ Although our review did not identify any instances of fraudulent purchases, by not preparing and reconciling receiving reports for all goods and services received, the District increased its risk of unauthorized purchases, errors, and fraud. District officials reported that the District's receiving procedures were informal and did not require receiving reports. However, as previously discussed, the District is required to follow the USFR, and the District's informal procedures are insufficient for meeting USFR requirements.

² The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other physical form of payment, such as money orders.

³ Our judgmentally selected sample comprised all cash receipts deposited into the District's food service clearing account in October and December 2022; all cash receipts deposited into the District's student activities account in February and April 2023; and all cash received for housing rental payments between July 2022 and June 2023.

⁴ The USFR states that exempted items include items such as salaries and related costs, utilities, and in-state travel, or when a written contract is prepared.

Deficiency 4: District employed and paid compensation to a Board member, contrary to State law

Contrary to State law, in fiscal years 2023 and 2024, the District hired a Board member as a sports coach and paid the Board member compensation totaling \$2,000 over these 2 fiscal years.⁵ Statute prohibits an employee of a school district from holding membership on the governing board of the district in which they are employed.⁶ The District's hiring of a Board member as a sports coach also may have created a perception of a conflict of interest.

The District's October 2022 Board meeting minutes indicate that the District contacted their independent financial audit firm and requested advice about whether a Board member could be paid by the District. According to the Board meeting minutes, their auditors said the practice was allowable so long as the Board member declared a substantial interest on their conflict-of-interest disclosure form and recused themselves from participating in matters related to their conflict. However, the advice the financial auditors provided to the District was incorrect and led to the District violating the State law prohibiting a district from employing governing board members during fiscal years 2023 and 2024.⁷ Further, contrary to State conflict-of-interest laws and District policy, in fiscal years 2023 and 2024, the Board member voted on 2 consent agenda items to approve \$800 in District payments to themselves for these coaching services because the District lacked procedures to review and remediate disclosed conflicts-of-interest, as discussed in Finding 2, pages 6 through 9.

Recommendations to the District

5. Pay employees accurately and in accordance with employment agreement terms by developing and implementing policies and procedures to ensure payments meet USFR requirements, including obtaining appropriate prior approval; retaining all required supporting documentation; and accurately calculating payment amounts.
6. Once developed, train all appropriate staff on the District's payroll procedures to follow USFR requirements and District policy.
7. Timely deposit cash in accordance with USFR requirements and District policy by developing and implementing procedures to ensure all cash collected is deposited within a week of collection, or more frequently when amounts are significant.
8. Pay for purchases only after obtaining evidence of receipt, as required by the USFR, by updating its purchasing policies and procedures to require employees to verify that all purchases have been received and billings are accurate prior to payment.

⁵ This individual was no longer a Board member as of January 2025.

⁶ In fiscal years 2023 and 2024 the Board member provided coaching services for the District as a 1099 independent contractor. However, A.R.S. §15-421(D) prohibits a school district from employing a governing board member in any capacity, including as a third-party contractor.

⁷ In September 2025, we contacted the District's independent financial auditors to discuss the erroneous guidance it provided the District in this matter and ensure the auditors understood how to appropriately handle any future requests for similar guidance.

9. Once updated, train all appropriate staff on the District's purchase-receiving procedures to follow USFR and District policy requirements.
10. Comply with A.R.S. §15-421(D) by immediately discontinuing the practice of hiring and/or compensating any current Board member for any position.

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

District's excessive access to its sensitive computerized data increased 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 practices 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 2 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.

Deficiency 1: District did not limit user access to its accounting system and network, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. However, our September 2025 review of accounting system access levels for the District's 3 active users at the time of our review found that 2 District users' access was more than what was necessary to complete their job duties and allowed these users the ability to initiate and complete payroll or purchasing transactions without another employee reviewing and approving the transactions. As a result, the District increased its risk for errors and fraud because these users could have completed payroll or purchasing transactions or changes without a second employee to verify the transactions or changes were accurate or appropriate.

Similarly, we reviewed the 31 active user accounts on the District's network in September 2025 and found that, contrary to credible industry standards, the District did not require 3 employees with administrator-level access to use separate nonadministrator accounts to perform their day-to-day activities. By not limiting administrator-level account usage to only administrative purposes, the District increased its risk of security breaches and data loss because hackers typically target administrator accounts for their greater access privileges. Although we did not identify any improper activity due to these deficiencies, system access beyond what is needed for an employee's job duties increases the risk of unauthorized access to sensitive information, data loss, errors, and fraud.

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 9/18/25 from <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP800-53r5.pdf>

Deficiency 2: District lacked an effective process to monitor external party access to its accounting system, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

Our September 2025 review of accounting system access levels identified 5 active system users with administrator-level access associated with a District vendor's employees, providing them with full control over accounting system settings, such as the ability to add new users, modify the users' accounting system access levels, and grant themselves full access to view and edit all accounting system data. Additionally, we identified that these 5 users, as well as 3 active system users associated with County employees, had broad access that allowed these users to initiate and complete payroll and/or purchasing transactions without another user reviewing and approving the transactions. District officials stated this level of external access was necessary due to the County and vendor providing financial and/or technical support services to the District. However, contrary to credible industry standards, the District had not implemented effective compensating controls to reduce the risk of these users performing unauthorized activities in the accounting system.² Although District officials indicated that they regularly review external user activity logs and document these reviews, their review process appears insufficient. Specifically, District officials stated that they do not have a process or know how to identify unauthorized activities and instead rely on familiar patterns of activity to assess appropriateness. As described above, administrator-level and broad system access increases the District's risk of errors and fraud going undetected as well as the risk of unauthorized access to and loss of sensitive data or disruption of some District operations. By not implementing compensating controls that are sufficient to ensure that the activities performed by the County and vendor users with administrator-level and/or broad access are necessary and appropriate, the District increases the risk that unauthorized activities may be performed by these users and may go undetected by the District.

District lacked effective procedures, which contributed to its failures to comply with IT requirements and recommended practices

Credible industry standards recommend that districts develop procedures to regularly review and limit user access, which would help districts ensure they meet USFR requirements. Although District officials indicated they have developed procedures to regularly review and limit user access, their procedures are insufficient to ensure compliance with important IT requirements. Specifically, the District reported it has a process to review accounting system and network user access levels; however, these procedures appear insufficient since the District did not appropriately identify and limit users' excessive access within its accounting system and network. Similarly, as previously discussed, the District's review of external user activity logs appears insufficient to identify unauthorized activities. The District's noncompliance with USFR

² The USFR requires that school districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. When that is not possible, credible industry standards recommend that entities implement compensating controls to reduce risks associated with broad system access and provide suitable security and privacy protections to facilitate risk management. See National Institute of Standards and Technology (NIST). (2020). NIST Special Publication 800-53B: *Control baselines for information systems and organizations*. Gaithersburg, MD. Retrieved 9/18/25 from <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP800-53B.pdf>

requirements, and the lack of effective procedures as recommended by credible industry standards, increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud.

Recommendations to the District

11. Limit employees' access in the accounting system to only those accounting functions needed to perform their job duties.
12. Assign separate nonadministrative accounts to employees with administrator-level access to the District's network to perform their day-to-day activities.
13. Update and implement its process to assign new employees appropriate accounting system and network access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties.
14. Work with the County and vendor to review and limit the access of external accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If external users' access cannot be limited due to the responsibilities they perform for the District, the District should implement effective compensating controls, such as a process for regularly reviewing external user activity logs to assess the appropriateness of user activities and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

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

SUMMARY OF RECOMMENDATIONS

The Arizona Auditor General makes 14 recommendations to the District and 3 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. Ensure that any modification to employees' employment terms, such as pay or duty changes, are appropriately documented in employment agreements and approved in advance of the work being performed.

5

FINDING 2

6

2. Enforce its existing conflict-of-interest policies for Board members and employees by requiring Board members and employees on their annual conflict-of-interest disclosure forms to fully describe any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.

9

3. Update its conflict-of-interest policies and establish and implement written procedures to include a documented process for reviewing and remediating disclosed conflicts of interest, including a process to help Board members identify meeting agenda items involving their interests, to ensure that Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

9

4. Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that include information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

9

FINDING 3

10

5. Pay employees accurately and in accordance with employment agreement terms by developing and implementing policies and procedures to ensure payments meet USFR requirements, including obtaining appropriate prior approval; retaining all required supporting documentation; and accurately calculating payment amounts.

13

- 6. Once developed, train all appropriate staff on the District's payroll procedures to follow USFR requirements and District policy. 13
- 7. Timely deposit cash in accordance with USFR requirements and District policy by developing and implementing procedures to ensure all cash collected is deposited within a week of collection, or more frequently when amounts are significant. 13
- 8. Pay for purchases only after obtaining evidence of receipt, as required by the USFR, by updating its purchasing policies and procedures to require employees to verify that all purchases have been received and billings are accurate prior to payment. 13
- 9. Once updated, train all appropriate staff on the District's purchase-receiving procedures to follow USFR and District policy requirements. 14
- 10. Comply with A.R.S. §15-421(D) by immediately discontinuing the practice of hiring and/or compensating any current Board member for any position. 14

FINDING 4 15

- 11. Limit employees' access in the accounting system to only those accounting functions needed to perform their job duties. 17
- 12. Assign separate nonadministrative accounts to employees with administrator-level access to the District's network to perform their day-to-day activities. 17
- 13. Update and implement its process to assign new employees appropriate accounting system and network access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties. 17
- 14. Work with the County and vendor to review and limit the access of external accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If external users' access cannot be limited due to the responsibilities they perform for the District, the District should implement effective compensating controls, such as a process for regularly reviewing external user activity logs to assess the appropriateness of user activities and documenting these reviews, to limit risks of unauthorized access, errors, and fraud. 17

Recommendations to the Board

FINDING 1

3

1. Work with legal counsel, as needed, to determine whether it had the legal authority to pay the additional compensation to its employees and document its determination and the rationale supporting its determination.

5

2. Upon determining whether it had the legal authority to pay the additional compensation, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

5

3. If the Board determines it did not have the legal authority to pay the additional compensation, determine its ability to recover the monies and take steps to recover the monies, as appropriate.

5

Objectives, scope, and methodology

We have conducted a performance audit of Mohawk Valley Elementary 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 2023 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 we reviewed for this audit includes the following operational categories:

▶ **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.

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.

▶ **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, the USFR, 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 if the District complied with conflict-of-interest requirements and recommended practices, we reviewed District fiscal year 2023 conflict-of-interest disclosure documentation for 3 District employees and all 5 Board members, fiscal year 2024 conflict-of-interest disclosure documentation for 1 Board member, and conflict-of-interest requirements and recommended practices. We also reviewed Board meeting minutes for various Board meetings held between May 2022 and March 2024 where matters involving potential substantial interests we identified were discussed and/or considered by the Board. Additionally, we reviewed invoices and payments for school bus preventative maintenance services, housing rental information related to a Board member's potential substantial interest, and employment agreements and payments made to a Board member in fiscal years 2023 and 2024. Further, we conducted a business entity search on the Arizona Corporation Commission's website for the 3 District employees and all 5 Board members to identify any potentially undisclosed substantial interests.
- ▶ To determine whether the District paid employees in accordance with Board-approved employment contracts, USFR requirements, and State laws, we judgmentally selected and reviewed employment agreements, time sheets, and payments to 8 of 42 employees in fiscal year 2023, employment agreements and additional compensation payments made to 4 employees in January and February 2024, and employment agreements and payments made to a Board member in fiscal years 2023 and 2024. We also reviewed Board meeting minutes for various Board meetings held between April 2022 and December 2023 where matters involving additional compensation payments and/or Board member employment agreements and payments were discussed and/or considered by the Board. Additionally, we interviewed District officials and a Board member, reviewed correspondence between the District and its independent financial auditors, and reviewed our Office's January 2025 *Arizona School District Financial Risk Analysis*.
- ▶ To determine whether the District's cash-handling procedures met USFR requirements and whether the District consistently followed its procedures, we judgmentally selected and reviewed a sample of all cash receipts deposited into the District's food service clearing account in October and December 2022; all cash receipts deposited into the District's student activities account in February and April 2023; and all cash received for housing rental payments between July 2022 and June 2023. In total, we reviewed 145 fiscal year

2023 cash transactions totaling approximately \$82,500. We also reviewed documentation related to the cash transactions we reviewed, such as District-provided receipts, cash collection forms, and bank statements.

- ▶ 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 19 of 1,495 fiscal year 2023 nonpayroll expenditures, totaling approximately \$9,500.

Financial accounting data and internal controls

We evaluated the District's internal controls related to expenditure processing and reviewed all fiscal year 2023 payroll and 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 8 of the 42 individuals who received payments through the District's payroll system in fiscal year 2023 and reviewed supporting documentation for 19 of 1,495 fiscal year 2023 accounts payable transactions. We also reviewed fiscal year 2023 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns.

We 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 1 through 3 (see pages 3 through 14).

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 4 (see pages 15 through 17).

Specifically:

- ▶ To determine whether the District appropriately limited system access to only those functions needed for users 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 appropriately limited administrator-level access to its network, we reviewed all accounts with administrator-level access to determine if the District appropriately granted access.

Student achievement

To compare the District's student achievement, we developed a peer group using district poverty rates, type, and locality because these factors have been shown to be associated with student achievement. Specifically, the District's peer group includes elementary school districts in towns and rural areas with poverty rates between 29% and 37%. We used this peer group to compare the District's fiscal year 2023 student passage rates on State assessments as reported by ADE. We also reported the District's fiscal year 2023 ADE-assigned school letter grade.

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.

November 3, 2025

Lindsey A. Perry
Arizona Auditor General
2910 N 44th Street
Phoenix, AZ 85018-7271

Dear Auditor General Perry:

The Mohawk Valley School District acknowledges receipt of the confidential preliminary performance audit report two and its related recommendations. District administration and the Governing Board are committed to addressing the four findings and implementing the recommendations provided.

We appreciate the valuable information and feedback you have shared. Please note the District's response to the findings and recommendations.

Sincerely,



Shanna Johnson
Superintendent

Finding 1: District improperly paid 4 employees \$31,000 in additional compensation contrary to USFR requirements, and the payments may have violated State law and contributed to the District's increased financial risk

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

Response explanation: The District acknowledges that it paid four employees additional compensation for additional work that was not included in separate employment agreements for the employees. The District is working with legal counsel to implement the Auditor General's proposed recommendations.

Recommendation 1: Ensure that any modification to employees' employment terms, such as pay or duty changes, are appropriately documented in employment agreements and approved in advance of the work being performed.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented and will continue to implement this recommendation for future modifications to employee employment terms.

Recommendation to the Board 1: Work with legal counsel, as needed, to determine whether it had the legal authority to pay the additional compensation to its employees and document its determination and the rationale supporting its determination.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working with legal counsel to implement this recommendation.

Recommendation to the Board 2: Upon determining whether it had the legal authority to pay the additional compensation, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working with legal counsel to implement this recommendation.

Recommendation to the Board 3: If the Board determines it did not have the legal authority to pay the additional compensation, determine its ability to recover the monies and take steps to recover the monies, as appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working with legal counsel to implement this recommendation.

Finding 2: Some District staff and Board members did not comply with certain State conflict-of-interest requirements and recommended practices, increasing the risk that undisclosed substantial interests could affect their official conduct

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

Response explanation: The District acknowledges that its past practices did not clearly outline conflict-of-interest duties for board members and employees. The District has since updated forms, policies, and procedures to ensure that board members and employees understand their conflict-of-interest duties and fully disclose the same. The District is in the process of implementing these practices.

Recommendation 2: Enforce its existing conflict-of-interest policies for Board members and employees by requiring Board members and employees on their annual conflict-of-interest disclosure forms to fully describe any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop an internal checklist to ensure its conflict-of-interest policies for Board members and employees are followed on the annual conflict-of-interest disclosure forms. The District will enhance training to its Board members and employees regarding the same, particularly as it relates to a Board members' and employees' substantial interest in District business.

Recommendation 3: Update its conflict-of-interest policies and establish and implement written procedures to include a documented process for reviewing and remediating disclosed conflicts of interest, including a process to help Board members identify meeting agenda items involving their interests, to ensure that Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop an internal checklist to review and remediate disclosed conflicts of interest. The District will enhance training to its Board members and employees regarding the same, particularly as it relates to a Board members' and employees' involvement in District business that may implicate their disclosed conflict-of-interest. This training will specifically address Board Member obligations for agenda and consent agenda items that include possible conflict-of-interests.

Recommendation 4: Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that include information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The District will enhance training to its Board members and employees regarding its conflict-of-interest requirements. It will provide District training at least annually and tailor the training to the District employee or Board member's unique program, function, or responsibilities.

Finding 3: District did not comply with important requirements in various areas, resulting in miscalculated and improper payments to employees and an increased risk of loss, theft, or fraud

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

Response explanation: The District acknowledges that its payroll procedures resulted in slight overpayment and underpayment of employees. The District has corrected its practices and implemented safeguards to reduce risk of loss, theft, or fraud.

Recommendation 5: Pay employees accurately and in accordance with employment agreement terms by developing and implementing policies and procedures to ensure payments meet USFR requirements, including obtaining appropriate prior approval; retaining all required supporting documentation; and accurately calculating payment amounts.

District Response: The audit recommendation will be implemented.

Response explanation: The District has corrected its practices and implemented safeguards to ensure compliance with payroll requirements.

Recommendation 6: Once developed, train all appropriate staff on the District's payroll procedures to follow USFR requirements and District policy.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work with necessary staff to implement the recommendation.

Recommendation 7: Timely deposit cash in accordance with USFR requirements and District policy by developing and implementing procedures to ensure all cash collected is deposited within a week of collection, or more frequently when amounts are significant.

District Response: The audit recommendation will be implemented.

Response explanation: The District will designate specific staff and implement a timely, routine deposit schedule.

Recommendation 8: Pay for purchases only after obtaining evidence of receipt, as required by the USFR, by updating its purchasing policies and procedures to require employees to verify that all purchases have been received and billings are accurate prior to payment.

District Response: The audit recommendation will be implemented.

Response explanation: The District has created and implemented procedures and checklists to proper purchase and verification procedures.

Recommendation 9: Once updated, train all appropriate staff on the District's purchase receiving procedures to follow USFR and District policy requirements.

District Response: The audit recommendation will be implemented.

Response explanation: The District will prepare an internal checklist regarding receiving procedures and train appropriate staff regarding the same.

Recommendation 10: Comply with A.R.S. §15-421(D) by immediately discontinuing the practice of hiring and/or compensating any current Board member for any position.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented this recommendation.

Finding 4: District's excessive access to its sensitive computerized data increased 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 District will limit access to sensitive computerized data to appropriate personnel.

Recommendation 11: Limit employees' access in the accounting system to only those accounting functions needed to perform their job duties.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented the recommendation as stated.

Recommendation 12: Assign separate nonadministrative accounts to employees with administrator-level access to the District's network to perform their day-to-day activities.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented the recommendation as stated.

Recommendation 13: Update and implement its process to assign new employees appropriate accounting system and network access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented the recommendation as stated.

Recommendation 14: Work with the County and vendor to review and limit the access of external accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If external users' access cannot be limited due to the responsibilities they perform for the District, the District should implement effective compensating controls, such as a process for regularly reviewing external user activity logs to assess the appropriateness of user activities and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented the recommendation as stated.