

# Liberty Elementary School District

## Initial Followup of Performance Audit Report 25-201

The February 2025 Liberty Elementary School District performance audit found that the District did not comply with important requirements and recommended practices in various areas, including accounts payable, travel reimbursements, credit cards, and procurement, increasing the risk for errors, fraud, and improper payments. Additionally, the District did not accurately calculate bus mileage and riders, which may have impacted the District’s transportation funding. Finally, various information technology deficiencies were identified that increased the District’s risk for unauthorized access to sensitive District information and data loss. The consulting firm Sjoberg Evashenk Consulting, who conducted the performance audit under contract with the Arizona Auditor General, made **22** recommendations to the District.

### District’s status in implementing 22 recommendations

| Implementation status  | Number of recommendations |
|--|---------------------------|
|  Implemented                      | 4 recommendations         |
|  In process                       | 10 recommendations        |
|  In process in a different manner | 1 recommendation          |
|  <b>Not implemented</b>           | <b>7 recommendations</b>  |

The District described various corrective actions it planned to take to address the recommendations that were not fully implemented as of this followup. We will reassess the District’s progress during our 24-month followup, and anticipate that it will have fully addressed each of the remaining recommendations if it completes the actions it has described.

# Recommendations to the District

---

## Finding 1: The District's internal controls in some areas were deficient, putting public monies at an increased risk of errors, fraud, and improper payments

1. The District should develop and implement written procedures and a supervisory review process to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive a secondary approval.

▶ Status: **Implementation in process.**

In May 2025, the District's Governing Board (Board) reviewed and approved updated purchasing policies and procedures that require prior approval for purchases and limit purchase amounts to the approved purchase order amount. We judgmentally selected and reviewed 9 of the approximately 1,200 purchases the District made in fiscal year 2026 as of September 2025 and found that all 9 purchases were made in accordance with the District's updated policies and procedures.

Similarly, in July 2025 the District updated its credit card policies to require prior approval for credit card purchases, but we found some credit card purchases that did not comply with the District's updated policies. Specifically, we reviewed all 63 credit card purchases on the District's July 2025 credit card statements and transaction reports and found 2 credit card purchases that lacked the required prior approval and 2 other purchases that exceeded the approved purchase order amounts. For the 2 purchases that exceeded approved purchase order amounts, the District did not create and approve revised purchase orders to reflect the higher purchase amount until more than a month after the purchases were made. As a result, the District continues to increase the risk of improper and/or unauthorized purchases. The District reported it will develop a process to review and monitor credit card purchasing by June 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. The District should develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.

▶ Status: **Implementation in process.**

As stated in recommendation 1, the Board reviewed and approved updated purchasing policies and procedures in May 2025. The updated policies require training for District staff involved in purchasing. Although the District provided training to its school site office staff in July 2025 that addressed some of the District's purchasing and accounts payable processes, our review of the training materials found that the training did not cover all the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements. Additionally, District officials reported that its school site office staff provided the same training on purchasing and accounts payable

to school-level support staff, but the District lacked any documentation to support that the training had occurred and which staff attended. As a result, the District continues to increase the risk for unauthorized purchases. We will assess the District's efforts to implement this recommendation at the 24-month followup.

3. The District should ensure employees responsible for classifying expenditures review the Uniform System of Financial Record's (USFR) Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.

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

In July 2025, District business office staff reviewed changes to the USFR Chart of Accounts and developed an account coding guide to assist District staff in correctly coding expenditures. The District also reported that business office staff attend discussion forums hosted by the Arizona Department of Education (ADE) related to classifying expenditures in accordance with the USFR Chart of Accounts when such forums are available. We reviewed a sample of the District's fiscal year-to-date 2026 expenditures and found that the District had substantially corrected the coding errors identified during the audit.

4. The District should require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and the associated purchase order.

▶ Status: **Implementation in process.**

Since the audit, the District updated its credit card logs to include enough information to track who used which credit card at what time and the associated purchase order. The District reported it relocated most credit cards to the District office in August 2025 and began maintaining new credit card logs for its District office credit cards. Due to the District having recently implemented these updated procedures and the timing of our followup, we were unable to assess whether the District was consistently following them.

Additionally, during this followup, District business office staff were unaware of how schools were maintaining the physical security of the credit cards that remained at the school sites and had not required school sites to maintain the same credit card logs the District office used. As a result, the District cannot ensure its school sites appropriately secure District credit cards, which increases the risk of improper and/or unauthorized credit card use. The District has experienced turnover in key administrative and business office positions, which may have contributed to this lack of oversight of schools' processes for maintaining credit cards' physical security and monitoring their use. We will assess the District's efforts to implement this recommendation at the 24-month followup.

5. The District should require users to submit annual credit card user agreements and ensure they are filed and accessible to the District.

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

The District requires authorized credit card users to submit annual credit card user agreements, and our September 2025 review found that the agreements were filed and accessible to the District. Additionally, we found that all 18 credit card users who made credit card purchases using District credit cards in July 2025 had a credit card user agreement on file.

6. The District should establish procedures to ensure that all card users have a signed user agreement on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.

▶ Status: **Implementation in process.**

The District established procedures requiring card users to sign a user agreement prior to using a credit card and to receive training on the District's purchasing processes. Although the District provided training to its school site office staff in July 2025 that addressed some of the District's credit card policies and procedures, our review of the training materials found that the training did not cover all the District's credit card policies and procedures, such as the requirements for submitting purchase orders prior to using credit cards, maintaining receipts, and filling out the District's required credit card logs. Additionally, although District officials reported that its school site office staff provided the same training on credit card policies and procedures to school-level support staff, the District lacked any documentation to support that the training had occurred and which staff attended.

As reported in recommendation 5, we found that all 18 credit card users who used a District credit card to make a purchase in July 2025 had signed user agreements on file. However, the District lacked documentation to support that 15 of 18 credit card users attended the July 2025 training prior to using a credit card. Further, as reported in recommendation 1, the District did not always ensure that purchase orders or requisitions were obtained and approved in advance for credit card purchases. This indicates that the District's training has not been fully effective or may need to be updated to specifically address the deficiencies we continue to find. We will assess the District's efforts to implement this recommendation at the 24-month followup.

7. The District should establish a centralized system for storing and managing all procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.

▶ Status: **Implementation in process.**

In July 2025, the Board reviewed and approved updated policies for maintaining procurement-related documentation to ensure the District complies with State laws,

rules and regulations, and the USFR. The District reported it is in the process of updating its procurement files and establishing a centralized system for storing and managing all procurement-related documentation, and it expects to have this system in place by June 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

8. The District should implement a systematic approach to develop, review, and regularly update administrative policies and procedures related to procurement, credit cards, and accounts payable, including record retention requirements, to ensure they are current, consistent, and align with Board-approved policies and State requirements.

▶ Status: **Implementation in process.**

As stated in recommendations 1 and 7, since the audit, the District and its Board have approved policies and procedures related to credit card use, accounts payable, and procurement. However, the District is still in the process of developing and implementing procedures for some of these areas, including procurement. Although the District reported it reviews its administrative policies annually, the District has not developed and implemented a systematic approach to regularly review and update its procedures. We will assess the District's efforts to implement this recommendation at the 24-month followup.

9. The District should improve management oversight of fiscal activities by implementing a process for monitoring and reviewing procurement activities, credit card custody and use, and accounts payable processes to ensure compliance with State requirements and Board policies.

▶ Status: **Not implemented.**

The District has not established management-oversight processes over various fiscal activities to enable it to identify and correct ongoing internal controls deficiencies. As previously discussed, the District has developed new policies and procedures relating to procurement, credit cards, and purchasing but has not ensured staff consistently follow the new guidance, and some issues identified during the audit persist.

Additionally, concerns came to our attention during this followup related to management oversight of procurement activities that pertained to contracts the District initiated after the audit was released. The District entered into 2 contracts—1 in July 2025 and 1 in September 2025—with a single vendor for various educational consulting services. Each agreement included daily and hourly rates for the consultant's services with total payment not to exceed \$9,900 for each agreement or a total of \$19,800 for the 2 agreements. The process to enter into the agreements appears to be contrary to the USFR, which requires school districts to consider the total dollar amount of all like-item purchases from a vendor and to obtain at least 3 written quotes for such purchases if total costs are estimated to be at least \$10,000 but less than \$100,000.

Although 3 written quotes are not required when a district procures different goods or services costing less than \$10,000 from the same vendor, both contracts indicate that they are for educational consulting services. Specifically, the first agreement is for expertise, guidance, support, and leadership for the District's Educational Services Department. The second agreement is for coaching services for the District's new principals, including providing guidance, feedback, and support to improve educational outcomes. Although the District provided documentation showing it determined the services it procured from the same vendor were different and that the 3 written quotes were not required, the District lacked any documentation to support how it made the determination. Given the District's lack of documentation supporting that the services were substantially different, it appears the District should have obtained written quotes from at least 3 vendors before selecting and entering into agreements exceeding \$10,000 with this vendor, but it did not do so. District administrators responsible for selecting and entering into agreements with this vendor no longer work for the District, and District staff we spoke with during the followup could not provide specifics for how the agreements were different.

Between August and September 2025, the District paid the vendor approximately \$9,100 for consulting services. The vendor completed additional consulting services in September 2025 and invoiced the District for approximately \$4,000. However, in September 2025, after invoicing the District for these services but before the District had paid the invoices, the vendor requested that the District not pay any outstanding vendor invoices. According to correspondence we reviewed between the District and the vendor, the vendor made this request after watching the September 2025 Board meeting where the Board discussed potential issues with the contracts. The District has not made any further payments to the vendor as of October 2025.

We will assess the District's efforts to implement this recommendation at the 24-month followup.

## **Finding 2: The District did not follow State travel policies for reimbursements and insurance, putting public monies at an increased risk of errors and improper payments, and potentially increasing the District's liability for vehicle accidents**

- 10.** The District should regularly provide and document training on USFR requirements, SAAM requirements, and the District policies and guidance documents related to travel to staff responsible for processing travel expense claims.

▶ Status: **Implementation in process.**

Although the District provided training to its school site office staff in July 2025 that addressed some of the District's travel policies, our review of the training materials found that the training did not cover all of the District's travel policies such as requiring employees to use the State travel claim form and provide documentation to support their travel reimbursement amounts. Additionally, although District officials reported that its school site office staff provided the same training on District travel policies to school-

level support staff, the District lacked documentation to support that the training had occurred and which staff attended.

We reviewed all 4 travel reimbursements the District paid in fiscal year 2026 as of September 2025 and found that all 4 travel reimbursements adhered to applicable SAAM reimbursement limits. However, 2 of 4 travel reimbursements did not comply with the District's procedures and/or USFR requirements. Specifically, 1 travel reimbursement lacked an approved purchase order prior to the travel occurring, as required by District policy. Another travel reimbursement lacked any supporting documentation, such as a map, to support the mileage driven, as required by District policy and the USFR. This indicates that the District's training has not been fully effective or may need to be updated to specifically address the deficiencies we continue to find. We will assess the District's efforts to implement this recommendation at the 24-month followup.

11. The District should develop a thorough secondary review process to review travel approvals, claims, and reimbursements to ensure travel expenditures comply with District, State and federal requirements.

▶ Status: **Not implemented.**

The District has not developed a thorough secondary review process to ensure travel expenditures comply with District, State, and federal requirements. Instead, the District reported that it continues to rely on department supervisors to review travel expenditures for compliance with District and State requirements before they are submitted to the business office for reimbursement. However, as stated in recommendation 10, we found that 2 of the 4 travel reimbursements we reviewed did not adhere to the District's procedures and USFR requirements, indicating that a secondary review process is still needed to ensure the District's reimbursements are accurate and comply with applicable requirements. The District's lack of a thorough secondary review process increases its risk of continued noncompliance with State requirements and inaccurate reimbursements to District staff. We will assess the District's efforts to implement this recommendation at the 24-month followup.

12. The District should determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.

▶ Status: **Not implemented.**

The District reported it has not determined whether District employees' travel within District boundaries meets the requirement for official travel status and does not plan to do so until it can consult its legal counsel. Until the District makes this determination, the District will continue to use its current travel procedures for employees to use to account for mileage traveled within District boundaries that do not require out-of-State travel. District officials reported they plan to meet with the District's legal counsel to finalize their determinations on whether employees traveling within District boundaries are on

official travel status by June 2026 in preparation for the new school year. We will assess the District's efforts to implement this recommendation at the 24-month followup.

### **Finding 3: The District inaccurately reported miles and riders to ADE for State funding purposes**

- 13.** The District should annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and review and revise its secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

▶ Status: **Not implemented.**

The District has not developed a process to annually review ADE's most recent transportation guidance nor implemented a secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE. By not doing so, the District continues to increase the risk of inaccurate reporting that may impact its transportation funding amounts. For instance, during this followup, the District reported that it had identified errors in its fiscal year 2025 riders data it had already reported to ADE, similar to the errors identified during the audit, which will require the District to recalculate and resubmit this information to ADE to correct these errors. District officials indicated that the District will develop processes to regularly review ADE's transportation guidance and for conducting a secondary review of miles and rider data prior to reporting this data to ADE for fiscal year 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 14.** The District should recalculate and resubmit accurate fiscal years 2023 and 2024 miles driven and riders transported to ADE to ensure the transportation funding received for those years is correct.

▶ Status: **Not implemented.**

Our contract auditor identified that the District under-reported fiscal year 2024 mileage by 31,740 miles and lacked documentation for 1,339 miles claimed on its fiscal year 2024 reports. Further, they identified that the District was unable to fully support ridership numbers it reported to ADE in fiscal years 2023 and 2024. The District provided evidence that it began working with ADE in January 2026 to correct its fiscal years 2023 and 2025 reporting errors, but has not yet contacted ADE regarding its fiscal year 2024 reporting errors. If the District does not correct its errors and resubmit accurate miles and riders data to ADE, it risks being unable to do so. Specifically, A.R.S. §15-915 specifies that ADE can modify data that impacts State aid funding for only the 3 previous years. Accordingly, if the District does not correct its erroneous fiscal year 2023 reporting by the end of fiscal year 2026, ADE may no longer be able to correct the District's State aid funding. As a result, the District may not receive additional State aid funding it may have been eligible to receive had it worked with ADE to correct the errors identified during the audit. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

- 15.** To comply with USFR requirements and credible industry standards for IT security, the District should review and revise, as needed, the District's processes for ensuring access to the District's IT network is terminated when employees and contractors no longer work for the District.

▶ Status: **Implementation in process.**

The District has taken some steps to ensure it promptly removes employees' and contractors' network access when they no longer work for the District, but additional improvements are needed. Since the audit, the District began using software that automatically removes access to many of the District's critical systems, applications, and platforms after termination and reported it utilizes an internal spreadsheet of District employment changes to monitor employee departures to help ensure access is timely removed.

However, our October 2025 review of user access to the District's network identified 2 active user accounts associated with terminated employees whose employment with the District ended between 4 months and more than 1 year prior to our review, and 8 active user accounts the District determined no longer required network access. After bringing these issues to the District's attention, the District reported it disabled all 10 unnecessary network accounts we identified. Additionally, we identified another 16 active user accounts for contracted employees for whom we could not verify their access was appropriate and necessary due to the District's lack of documentation supporting their employment, such as vendor contracts. District officials stated that all 16 active user accounts were needed, despite being unable to provide support that the contracted employees were currently working for the District. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 16.** To comply with USFR requirements and credible industry standards for IT security, the District should develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate, disabling software is operating as expected, and ensuring access is promptly disabled when it is no longer needed.

▶ Status: **Not implemented.**

As reported in recommendation 15, although the District implemented a process to remove employees' and contractors' network access when it is no longer needed, we identified 10 active user accounts associated with former District employees or contractors whose access should have been terminated. After bringing these accounts to the District's attention, the District reported it completed a review of its network users' access in October 2025 and disabled the 10 active user accounts we identified that were no longer needed. District officials reported the District will annually review network access going forward.

Additionally, although the District reported it annually reviews accounting system user access at the beginning of the fiscal year, the District does not document its review and continued to allow excessive access for some accounting system users. Specifically, our review of the District accounting system user access levels found 1 user with unnecessary administrator-level access and 10 users with more access to its purchasing, payroll, and/or warehouse processes than necessary to perform their job responsibilities. By doing so, the District continued to increase its risk of unauthorized transactions, unauthorized access to sensitive information, and fraud. Upon bringing these users to the District's attention during the followup, District officials reported restricting the 10 users' accounting system access to only those functions necessary for the employees to perform their job duties. District officials also reported the District will begin documenting its accounting system user access reviews.

We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 17.** To comply with USFR requirements and credible industry standards for IT security, the District should collaborate with the software vendor or IT personnel to correct the logic error in the District's software that is used to identify and disable inactive accounts.

▶ Status: **Implementation in process in a different manner.**

The District reported that the logic error in the software used to identify and disable inactive accounts cannot be fixed to address the deficiencies identified during the performance audit. Instead, the District implemented a process to help ensure inactive accounts are timely disabled. This process involves working with the District office to track employee departures, identifying IT systems where inactive accounts were not automatically disabled and manually removing them, and regularly monitoring IT system reports of active accounts. However, as reported in recommendation 15, our review of the District's network identified active accounts associated with terminated employees and contractors who no longer worked for the District. By not timely disabling these accounts when they were no longer needed, the District increases the risk of unauthorized access to District systems and sensitive data and data loss. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 18.** To comply with USFR requirements and credible industry standards for IT security, the District should enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

▶ Status: **Implemented at 10 months.**

Our December 2025 review found that the District enforced strong password requirements that align with credible industry standards.

**19.** To comply with USFR requirements and credible industry standards for IT security, the District should continue the rollout of MFA for all critical systems, including updating IT security policies and providing training and support to staff to facilitate the transition to MFA for all systems.

▶ Status: **Not implemented.**

As of September 2025, the District continued to lack comprehensive authentication controls for the critical IT system that lacked these controls during the audit. District officials reported it will require comprehensive authentication controls for all critical systems by January 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

**20.** To comply with USFR requirements and credible industry standards for IT security, the District should establish, implement, and enforce comprehensive policies and procedures that clearly define responsibilities for overseeing and monitoring IT operations and the District's network to promptly detect potential malicious or fraudulent activity as well as ensure effective security and access controls over information technology are in place and in compliance with USFR.

▶ Status: **Implementation in process.**

District officials reported that the District is in the process of ensuring its IT policies and procedures clearly define responsibilities for overseeing and monitoring IT operations and the District's network to ensure IT controls are in place and in accordance with USFR requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.

**21.** To comply with USFR requirements and credible industry standards for IT security, the District should provide and document regular training to District IT staff on USFR and credible industry standards information technology requirements, at least annually.

▶ Status: **Implementation in process.**

The District provided training to all its IT staff on some relevant IT security requirements such as cybersecurity and email and messaging safety in May 2025. However, our review of the District's training materials found that the training content was limited to specific IT security topics and did not address some key USFR requirements and credible industry standards, such as prevention and detection of technology-related threats, system security risks, and security-related duties and responsibilities. The District reported it plans to provide IT staff with training covering USFR and credible industry standards IT requirements, at least annually by August 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

**22.** To comply with USFR requirements and credible industry standards for IT security, the District should consult with legal counsel regarding its unexecuted intergovernmental agreement with Maricopa County School Superintendent’s Office and take appropriate steps to ensure the District’s interests are protected.

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

In March 2025, the District and its legal counsel finalized its intergovernmental agreement with the Maricopa County School Superintendent’s Office for services related to hosting and maintaining its accounting system for 5 years.