

Valley Union High School District

Initial Followup of Performance Audit Report 25-202

The April 2025 Valley Union High School District performance audit found that the District failed to maintain required records, limiting the scope of the review; erroneously reported transportation data, which led to reduced funding; lacked internal controls in critical areas; failed to manage intergovernmental agreements; and did not comply with requirements for conflicts-of-interest and IT security, putting student safety, public monies, and sensitive computerized data at risk. The consulting firm Walker & Armstrong, who conducted the performance audit under contract with the Arizona Auditor General, made **27** recommendations to the District and **1** recommendation to the Board. In addition to reporting on the status of the District’s efforts to implement these recommendations, we have also provided an update on the District’s noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR).¹

District’s status in implementing 27 recommendations

Implementation status	Number of recommendations
 Implemented	1 recommendation
 In process	12 recommendations
 Not implemented	14 recommendations

¹ The Arizona Auditor General and the Arizona Department of Education jointly 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.

Board's status in implementing 1 recommendation

Implementation status	Number of recommendations
 In process	1 recommendation

District has been in USFR noncompliance since December 2024, and based on its USFR noncompliance and performance audit results, we notified the State Board of Education in June 2025 of pervasive internal control and documentation issues

Valley Union High School District's (District) history of financial deficiencies and late reporting dates back to at least fiscal year 2018. Most recently, the District has been in noncompliance with the USFR since December 2024 based on the significant deficiencies cited in its FY 2023 financial audit reports and USFR Compliance Questionnaire (Questionnaire). The District had 90 days to correct its deficiencies, but it did not do so. In April 2025, we notified the State Board of Education (State Board) that the District was not ready for a status review to determine if it was no longer in noncompliance with the USFR because it had not made enough progress towards correcting its deficiencies. We based this determination on assertions in the District's submitted March 2025 corrective action plan and discussions with District management. In June 2025, the State Board directed the Superintendent of Public Instruction to withhold 3% of the District's State aid in accordance with A.R.S. §15-272(B). In September 2025, we notified the District that it was still in noncompliance with the USFR based on our review of the District's fiscal year 2024 financial audit reports and Questionnaire, and the results from our April 2025 performance audit report.

In June 2025, we also sent a letter to the State Board providing information about the District's widespread and pervasive internal control and documentation deficiencies, which included the District lacking required records in several areas, not performing required reconciliations, lacking important internal controls in multiple areas, and failing to monitor intergovernmental agreements, which resulted in the District not collecting at least \$60,000 owed to it in fiscal year 2023 alone. Given the turnover in key administrative positions and the widespread and pervasive deficiencies our contract auditor found, the performance audit report, which we provided to the State Board along with our letter, included information about the potential for the District to unify or consolidate with nearby school districts, which may help improve the effectiveness and efficiency of its financial operations.

In response to our letter, State Board officials reported holding several meetings with key stakeholders, such as the Arizona Department of Education (ADE), the Cochise County Treasurer, and the Cochise County School Superintendent, to discuss the District's various deficiencies and progress in correcting them, including 1 meeting in July 2025 and 1 meeting in January 2026 that we attended. State Board officials reported that based on the information discussed in the meetings it has held, including information provided by the new District administrators and key stakeholders, as well as information within the District's fiscal year 2025 *Annual Financial Report*, it determined a public meeting to discuss the concerns expressed in our letter was not necessary at this time.

Although the new District administrators have made some progress in addressing the District's substantial internal control deficiencies, the District remains in the USFR noncompliance and has not made progress in implementing half of the recommendations from the April 2025 performance audit report. Accordingly, we continue to have concerns that the District may require intervention from the State Board to help it address these matters, particularly in the event of any additional changes in key administrative positions.

We will review the District's fiscal year 2025 financial audit reports and USFR Compliance Questionnaire, which are due to our Office by March 31, 2026, along with the information in this report, to evaluate the District's USFR noncompliance status. We will also conduct a 24-month followup with the District on the status of the recommendations that have not yet been implemented.

Recommendations to the District

Audit Scope Limitation: District failed to maintain required accounting and transportation records, limiting the scope of our review, and increasing its risk of undetected student safety concerns, fraud, waste, and misuse

1. The District should develop and implement internal controls to ensure that all financial and operational activities are adequately documented, including implementing supervisory review processes, providing comprehensive training to staff on the importance of maintaining proper records and the procedures for documenting transactions and activities, and monitoring compliance with documentation requirements.

▶ Status: **Implementation in process.**

The District has taken some steps to develop and implement internal controls for its financial and operational activities, but additional improvements are needed. For example, since the audit, the Governing Board (Board) held 2 work study sessions to discuss policies, including policies for purchasing and procurement. District officials also indicated that the District has identified how to separate duties for its purchasing process and has established and is refining new processes for internal controls, which include a supervisory review process. The District also provided training for 2 current District office staff related to USFR compliance and purchasing requirements.

However, the District has not adopted nor implemented formal policies for its business office operations and as a result, continues to increase the risk of issues and errors like the ones the contract auditor identified during the District's April 2025 performance audit. District officials stated that they plan to adopt written policies by April 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. The District should develop and implement policies and procedures to ensure that school buses are maintained in accordance with Minimum Standards, including establishing preventative maintenance requirements and maintaining records documenting activities such as required preventative maintenance and pre-trip safety inspections.

▶ Status: **Implementation in process.**

The District has developed a draft school bus preventative maintenance policy that establishes required preventative maintenance services and intervals and related maintenance recordkeeping requirements. District officials reported that the Board will discuss the draft policy at its February 2026 meeting. We will assess the District's efforts to implement this recommendation at the 24-month followup.

3. The District should develop and implement policies and procedures for managing its fleet vehicles in accordance with the USFR, including requiring vehicles to be used only by authorized personnel for authorized purposes and requiring vehicle usage and the purpose of travel be documented and monitored.

▶ Status: **Implementation in process.**

The District has developed a policy that requires fleet vehicles to be used only by authorized District employees for authorized District purposes. The policy further requires employees who use fleet vehicles to document the travel's purpose. District officials indicated the Board would vote on adopting this policy in March 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 1: District's errors on annual transportation reports resulted in it not receiving nearly \$20,000 in State funding it was entitled to receive

4. The District should annually submit accurate and complete required transportation reports to ADE for State funding purposes by developing and implementing procedures to ensure transportation information, including the number of eligible students transported and miles driven, is accurately reported. The procedures should include a secondary review process before submitting transportation reporting to ADE.

▶ Status: **Not implemented.**

The District has not developed procedures to ensure its required transportation reporting is accurate. For funding purposes, the District is required to submit eligible miles and riders data to ADE soon after the 100th day of instruction, which will occur in February 2026. Both District officials involved in submitting and reviewing transportation reporting indicated that neither has experience with ADE's transportation reporting process. They further indicated that they plan to gain reporting experience this year so that they can develop well-informed procedures to use in the future. We will assess the District's efforts to implement this recommendation at the 24-month followup.

5. The District should develop and implement procedures to review transportation funding amounts received and compare the amounts to budgeted amounts.

▶ Status: **Not implemented.**

District officials indicated that they have not yet created procedures to review transportation funding amounts. As also discussed in recommendation 4, officials indicated that they plan to develop review procedures after they have experienced the transportation reporting process firsthand. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 2: District lacked important internal controls in various areas, potentially compromising student safety and increasing the risk for payment errors and unauthorized purchases

6. The District should immediately review all employee files to ensure that all required personnel have valid fingerprint clearance cards on file.

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

District officials indicated that they reviewed all employee files in July 2025 to ensure that all required employees had valid fingerprint clearance cards on file. We judgmentally selected and reviewed 11 of 21 employees employed at the District in November 2025 and found that all 11 employees' files included the required current fingerprint clearance cards.

7. The District should develop and implement a process to ensure that all required personnel have a valid fingerprint clearance card, including monitoring and regularly reviewing and confirming the validity of employees' fingerprint clearance cards.

▶ Status: **Implementation in process.**

The District has developed and implemented a spreadsheet for tracking fingerprint clearance card renewal dates, as well as other important employee documentation, and indicated that the business office would review this spreadsheet twice each year and alert employees of any upcoming requirements. Our review of this spreadsheet found 1 employee who was not listed in the tracker who would be required to have a valid fingerprint clearance card. Although, the District provided a valid fingerprint clearance card for this employee, it does not appear that District employees are using the tracking spreadsheet consistently and as intended. Given this error and the recent adoption of this tracking spreadsheet, we will assess the District's efforts to implement this recommendation at the 24-month followup.

8. The District should develop and implement written policies and procedures for payroll that include a thorough review to verify that employee pay is processed in accordance with statute.

▶ Status: **Implementation in process.**

The District has created a draft policy for the District's payroll process that outlines the separation of payroll duties among multiple employees and provides guidance for secondary review prior to issuing payments. However, this policy had not yet been formally adopted by the Governing Board as of November 2025. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: District did not ensure its intergovernmental agreements (IGAs) were in its best interest and did not monitor agreements and contracts, increasing its risk of waste, fraud, and abuse

9. The District should develop and implement a process for verifying the number of meals served to Elfrida Elementary School District (ESD) students to ensure the District is correctly paid for all meals served under its contract.

▶ Status: **Not implemented.**

Although the District has revised its IGA with Elfrida ESD, District officials indicated that an Elfrida ESD employee counts the meals served to Elfrida ESD students and submits this number to the District without additional verification by a District employee to ensure the number is accurate. As a result, the District continues to be at increased risk that Elfrida ESD reports are not verified and the District pays for more meals than were actually served to students. We will assess the District's efforts to implement this recommendation at the 24-month followup.

10. The District should work with Elfrida ESD to revise its IGAs to specify each district's responsibilities, including outlining staff job duties for each district, determining how shared district staff members should allocate and track their time under the agreement, establishing a process for requesting and receiving payment for IGA services, and ensuring that the districts are fairly compensated for the resources required to be provided.

▶ Status: **Implementation in process.**

The District has revised its IGA with Elfrida ESD to specify each district's responsibilities, including outlining staff duties, determining how shared employees should allocate their time, fairly allocating costs for services/resources provided under the agreement, and establishing a process for billing and payments. However, the updated IGA continues to lack some critical components, such as expectations for how shared employees should track their time to ensure each district is complying with the terms of the IGA. District officials indicated that the District is planning to make further revisions to the IGA. We will assess the District's efforts to implement this recommendation at the 24-month followup.

11. The District should seek payment of the \$60,000 from Elfrida ESD required by the administrative services, transportation, and facilities IGA for fiscal year 2023.

▶ Status: **Implementation in process.**

Since the audit, District officials have requested payment from Elfrida ESD as required by the administrative services, transportation, and facilities IGA for fiscal year 2023. However, as of October 2025, Elfrida ESD had not paid \$60,000 to the District because Elfrida ESD administrators indicated their belief that Elfrida ESD had already paid these costs. Due to the District's pervasive lack of records the contract auditor identified, District officials indicated they did not have evidence of such a payment but continued to discuss the matter further with Elfrida ESD.

As of January 2026, the District indicated that Elfrida ESD had reviewed its own records and acknowledged that it owes \$60,000 to the District, but it has not yet paid this amount. We will assess the District's efforts to implement this recommendation at the 24-month followup.

12. The District should review payments in prior years and for fiscal year 2024 to ensure Elfrida ESD paid for services provided under IGAs and if not, seek payment.

▶ Status: **Implementation in process.**

The District indicated it reviewed payments for fiscal year 2024 and submitted an invoice to Elfrida ESD for the services the District provided under the terms of the IGA but had not received payment as of January 2026. However, District officials indicated that they have not reviewed payments from years prior to the April 2025 performance audit to ensure Elfrida ESD paid the District for the services it provided. We will assess the District's efforts to implement this recommendation at the 24-month followup.

13. The District should, when reviewing its contract for cleaning services, determine the most cost-effective method for obtaining cleaning services and initiate the appropriate process for obtaining these services.

▶ Status: **Not implemented.**

In fiscal year 2026, the District contracted for cleaning services with 2 vendors, neither of which were the same vendor it used during the April 2025 performance audit. In addition to its 2 vendors, the District also hired a part-time employee to provide cleaning services. District officials indicated that they decided to hire the part-time employee to determine if hiring or contracting was the most cost-effective option for the District. However, by hiring an additional employee and continuing to contract for cleaning services, the District is spending approximately \$3,000 per month, on average, for cleaning services, which is almost \$900 more per month than it was spending during the audit. If these trends continue, the District will spend approximately \$10,000 more in fiscal year 2026 than it spent in the audit year for cleaning services, despite the audit finding that the District wasted up to \$17,000 on its prior cleaning services contract. We will assess the District's efforts to implement this recommendation at the 24-month followup.

14. The District should, if it continues to contract for cleaning services, require its cleaning contractor to provide detailed invoices with explanations of charges for the hours and services provided, and ensure the charges are reasonable and in accordance with the terms of the contract prior to paying the invoices.

▶ Status: **Not implemented.**

The District continues to contract for cleaning services, but it has not yet established requirements to ensure contractor charges for services are reasonable and appropriate. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 4: Board members and employees did not comply with conflict-of-interest requirements, increasing the risk that undisclosed substantial interests could influence Board members' and employees' official conduct

15. The District should develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or at the beginning of their terms and annually thereafter in accordance with District policy, and maintain a file of such documents available for public inspection.

▶ Status: **Implementation in process.**

Although the District has not yet developed a procedure to ensure that employees and Board members complete conflict-of-interest disclosure forms upon hire or at the beginning of Board terms, and then annually thereafter, all 3 District office employees and all 4 Board members had completed conflict-of-interest disclosure forms for fiscal year 2026. However, as discussed in recommendation 16, the District continues to lack a procedure to review completed disclosure forms and as a result, cannot help remediate disclosed conflicts of interest or ensure its special file contains all substantial interest disclosures for public inspection, as required by law. We will assess the District's efforts to implement this recommendation at the 24-month followup.

16. The District should develop and implement a process to timely review completed conflict-of-interest disclosure forms to identify and remediate disclosed conflicts-of-interest to comply with District policies and State conflict-of-interest laws.

▶ Status: **Not implemented.**

District officials indicated that the District does not have a process to review conflict-of-interest disclosure forms nor to identify and remediate disclosed conflicts. We reviewed all 4 Board members' conflict-of-interest disclosure forms and found that 1 Board member failed to disclose a substantial interest and, in fiscal year 2026, improperly voted on a Board agenda item pertaining to that interest.² Without a process to timely review these forms and identify and help remediate disclosed conflicts, the District

² The Board member was the president and director of Elfrida ESD's parent teacher organization, and as explained in the recommendations 9 through 14, the District has IGAs with Elfrida for various services.

cannot ensure that its Board members and staff comply with State conflict-of-interest laws and limits public transparency into its activities. We will assess the District's efforts to implement this recommendation at the 24-month followup.

17. The District should regularly provide training to Board members and employees about conflict-of-interest laws and requirements and the importance of compliance.

▶ Status: **Implementation in process.**

The District provided training to its employees and Board members at the beginning of fiscal year 2026. However, as explained in recommendation 16, we continued to identify deficiencies related to nondisclosure of substantial interests and Board members' improper participation in matters in which they had a substantial interest. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 5: District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to its network and sensitive information, errors, fraud, and data loss

18. The District should protect its sensitive computerized data by limiting users' access to its accounting and student information systems to only those functions needed to perform their job duties, including removing employees' full access and limiting administrator-level access.

▶ Status: **Not implemented.**

As of January 2026, the District had not taken action to limit users' access to its accounting information system (AIS) and student information system (SIS). District officials indicated that the District hired a new contractor in November 2025 to provide IT support services and was in the process of determining what IT responsibilities it would assign to its contractor. In the April 2025 performance audit, our contract auditor identified 32 active users in the AIS, all of whom had full access to all system modules. Of these active users, the District was unable to determine whether 17 unidentified accounts belonged to County staff, terminated employees, and/or vendors. Additionally, 5 of 10 sampled users in the SIS had unnecessary administrator-level access, which would allow these users to control all system settings and access sensitive student information, and 4 of these 10 active SIS accounts were associated with terminated employees. By failing to take action to monitor and limit users' access to its AIS and SIS, the District continues to increase the risk of unauthorized activities, data loss, fraud and/or unauthorized access to sensitive information. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 19.** The District should develop and implement written policies and procedures to assign and periodically review accounting and student information systems access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties.

▶ Status: **Implementation in process.**

The District has developed a draft policy stating that it will assess access levels to its accounting and student information systems biannually to limit and remove access, as needed. District officials reported that the Board will discuss the draft policy at its February 2026 meeting. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 20.** The District should immediately disable or remove all unnecessary user accounts in its accounting and student information systems and implement a review process to ensure access to all systems is removed immediately when an employee is terminated.

▶ Status: **Not implemented.**

As of January 2026, the District had not taken action to disable or remove unnecessary user access in its accounting and student information systems. As explained in recommendation 18, the District indicated it is in the process of identifying the IT responsibilities it would assign to its new IT contractor. However, by failing to monitor and limit users' access to its AIS and SIS, the District continues to increase the risk of unauthorized activities, data loss, fraud and/or unauthorized access to sensitive information. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

▶ Status: **Not implemented.**

The District has not implemented password requirements that align with credible industry standards. Although the District has developed a draft policy with new password requirements, the Board had not adopted this policy as of January 2026. Additionally, as indicated in recommendation 18, the District hired a new vendor to provide IT support, and the District reported planning to use its new IT vendor to manage and enforce its password requirements. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 22.** The District should develop and implement policies and procedures to regularly review the District's password standards against credible industry password standards at least annually.
- ▶ Status: **Not implemented.**
- The District has not developed nor implemented policies and procedures that require annual review of the District's password standards against credible industry password standards. We will assess the District's efforts to implement this recommendation at the 24-month followup.
- 23.** The District should protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.
- ▶ Status: **Not implemented.**
- As of January 2026, the District has not implemented appropriate security measures for its wireless and internal networks. We will assess the District's efforts to implement this recommendation at the 24-month followup.
- 24.** The District should develop and implement written policies and procedures to limit physical access to sensitive IT equipment to only appropriate personnel, including procedures for distributing, tracking, and collecting keys, and requiring employees to sign agreements outlining their responsibilities for securing IT areas.
- ▶ Status: **Not implemented.**
- The District has not implemented policies and procedures to address physical access to, and securing of, IT areas and equipment. District officials reported they are looking into utilizing electronic key access and would limit access to the server room to appropriate personnel. We will assess the District's efforts to implement this recommendation at the 24-month followup.
- 25.** The District should ensure that critical IT hardware and equipment, such as servers, are securely maintained in a climate-controlled environment with fire detection and suppression systems and that hazards such as tangled wires are eliminated.
- ▶ Status: **Not implemented.**
- As discussed in recommendation 18, the District hired a new vendor to provide IT support. District officials reported that the vendor will transition some of the District's critical systems to a cloud-based environment, which will reduce the District's need to maintain some IT hardware and equipment. District officials indicated that they will reassess how the District maintains its remaining IT hardware and equipment after the transition to cloud-based systems occurs. We will assess the District's efforts to implement this recommendation at the 24-month followup.

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

▶ Status: **Not implemented.**

As discussed in recommendation 18, the District hired a new vendor to provide IT support. District officials indicated that the vendor will develop a contingency plan for the District's systems. We will assess the District's efforts to implement this recommendation at the 24-month followup.

27. The District should develop and implement policies and procedures to provide District staff security awareness training at least annually.

▶ Status: **Implementation in process.**

The District has developed a draft policy that states it will provide District staff security awareness training annually. District officials reported that the Board will discuss the draft policy at its February 2026 meeting. District officials further reported that security training occurred at the beginning of the 2025-2026 school year, but they did not provide documentation of this training. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Recommendation to the Board

Finding 3: District did not ensure its intergovernmental agreements (IGAs) were in its best interest and did not monitor agreements and contracts, increasing its risk of waste, fraud, and abuse

1. The Board should evaluate and determine whether unification with Elfrida ESD and/or other adjoining districts would provide benefits, such as more effective and efficient operations, while maintaining a high quality of education that benefits students and teachers. If the Board determines that the District should pursue unification, work with the adjoining elementary school districts and county officials to further evaluate and initiate the process as appropriate. Conversely, if the Board determines not to pursue unification, document the reasons for its determination.

▶ Status: **Implementation in process.**

Although the Board has discussed unification with Elfrida ESD, as of January 2026, it had not made a formal decision on this matter. In May 2025, the Board gathered information to determine if unification with Elfrida ESD would be beneficial for the District, and as a result of the information it gathered, the Board indicated that it would not be financially prudent to unify with Elfrida ESD because the Board believed it would lose future tax revenues. However, the Board did not document the information it gathered to support its analysis and determination nor any discussions regarding additional considerations such as effective and efficient operations, cost savings

resulting from potential administrative consolidation and elimination of IGAs between the districts, or other matters impacting such a decision. We will assess the District's efforts to implement this recommendation at the 24-month followup.