



**ARIZONA  
AUDITOR  
GENERAL**

**Lindsey A. Perry**, Auditor General

**Melanie M. Chesney**, Deputy Auditor General

September 19, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Tonto Basin Elementary School

Bobbie Warren, Superintendent  
Tonto Basin Elementary School

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Tonto Basin Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. The consulting firm Sjoberg Evashenk Consulting, Inc., conducted this performance audit under contract with the Arizona Auditor General.

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

# Arizona Auditor General

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## Performance Audit of Tonto Basin Elementary School District

**September 2025**





September 17, 2025

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Tonto Basin Elementary School District (District) for fiscal years 2023 and 2024. This audit was conducted pursuant to Arizona Revised Statutes §41-1279.03, which requires the Office of the Auditor General to conduct performance audits of school districts. We assessed 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. This report presents our findings, conclusions, and recommendations, and the response of the District.

Respectfully submitted,

A handwritten signature in blue ink that reads "George J. Skiles".

George Skiles, Partner  
Sjoberg Evashenk Consulting, Inc.

## RESULTS

The Arizona Auditor General engaged Sjoberg Evashenk Consulting, Inc. to conduct a performance audit of Tonto Basin Elementary School District, pursuant to Arizona Revised Statutes §41-1279.03(A)(9), and determine 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. We found that the District did not comply with key requirements in financial and operational areas, including accounts payable, credit cards, cash handling, payroll, procurement, transportation, and information technology security. These deficiencies increased the District's risk of errors, fraud, and improper payments and weakened the District's ability to safeguard public resources.

### 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.

### BACKGROUND

Tonto Basin Elementary School District is a rural school district located in Gila County and was responsible for the education of 71 students in fiscal year 2024. The District has 1 school providing education services for students in kindergarten through 8<sup>th</sup> grade.

### KEY FINDINGS

- The District's internal controls were insufficient in various areas, including for purchasing, credit cards, cash handling, and procurement, putting public monies at increased risk of errors, fraud, and improper payments. The District also did not consistently classify expenditures correctly, potentially impacting the accuracy of its financial reports.
- The District made improper and/or erroneous payments to some employees and lacked sufficient oversight over payroll processing to ensure that timecards and overtime pay were properly approved.
- The District inaccurately reported school bus riders and miles driven to the Arizona Department of Education (ADE) for State funding purposes in fiscal year 2024, and lacked a process for ensuring its reports were accurate.
- Excessive user access to sensitive data, a lack of cybersecurity training, and inadequate monitoring increased the risk of unauthorized access, data loss, and cybersecurity threats.

### KEY RECOMMENDATIONS

The District should:

- Implement strong financial controls—Develop and implement written procedures and a supervisory review process for all financial activities and transactions and maintain required documentation to prevent errors and fraud.
- Enhance payroll safeguards—Establish payroll processing and oversight procedures, verify timecard approvals, and ensure contract terms are followed to prevent inaccurate or unallowable payments.
- Ensure accurate transportation reporting—Develop written procedures for preparing and reviewing transportation funding reports to ensure information submitted for funding purposes is accurate.
- Bolster IT security measures—Promptly disable unnecessary user accounts, regularly review user access permissions, and provide annual cybersecurity awareness training to employees to help protect sensitive District data.

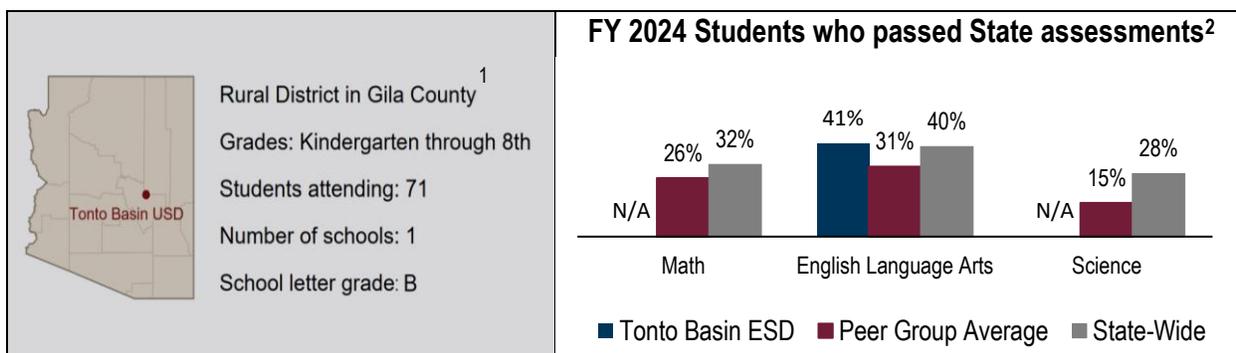
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## District overview

# Tonto Basin Elementary School District Performance Audit—Fiscal Years 2023 and 2024 May 2025



<sup>1</sup> Source: Arizona State Board of Education—Fiscal year 2024.

<sup>2</sup> Source: Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024*.

### FY 2024 total operational spending—\$1.5 million (\$20,830 per student)

Instructional—38.9% (\$8,110 per student)

Noninstructional—61.1% (\$12,720 per student)

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

Operational overview—FY 2024	Measure	Tonto Basin ESD	Peer average
<p><b>Administration—higher spending and lacked important internal controls over credit cards, purchasing, and payroll</b></p> <p>The District spent more per student on administration than its peer districts averaged, primarily due to higher spending on salaries and benefits. In fiscal year 2023, the Arizona Auditor General identified the District as having a high financial risk of not being able to operate within its available cash resources and budget constraints. The District’s overall financial position had improved in fiscal year 2024, but we found that the District lacked important controls over its payroll, credit card, cash handling, and purchasing procedures, increasing the risk of waste, errors, and fraud (see Findings 1 and</p>	Spending per student	\$6,574	\$4,306

Operational overview—FY 2024	Measure	Tonto Basin ESD	Peer average
2, pages 4 through 11). Finally, the District had several information technology (IT) deficiencies that increased the risk of errors, fraud, unauthorized access to sensitive District information, and data loss (see Finding 4, pages 13 through 16).			
<p><b>Plant operations—lower spending, and no reported findings</b></p> <p>The District spent 5 percent less per square foot and 32 percent less per student than its peer districts averaged. The District maintains less square footage than most of its peers, which may lead to lower costs for utilities and other expenses. We did not report any findings in this area.</p>	Spending per square foot	\$9.19	\$9.68
	Spending per student	\$2,178	\$3,197
<p><b>Food service—higher per meal spending, and no reported findings</b></p> <p>The District spent 67 percent more per meal than its peer districts averaged. Between fiscal year 2023 and 2024, the District’s per meal spending increased by more than 30 percent, which is likely the result of it hiring an additional food service worker and reduced student enrollment. Additionally, the District reported that although there is a State contract for bulk food deliveries, a minimum order of 20 cases of food per delivery is required and the District lacks the storage capacity and student population to support orders of that size. As a result, the District purchased its food from other retail vendors whose prices are likely higher.</p>	Spending per meal	\$12.99	\$7.77
<p><b>Transportation—inaccurate reporting for State funding purposes</b></p> <p>The District did not accurately report miles driven and riders transported to ADE, and it lacks a procedure to guide staff who complete and oversee transportation funding reports. The errors in the District’s reports hindered our ability to accurately compare both measures to its peers (see Finding 3, page 12).</p>	Spending per mile	NR <sup>A</sup>	\$3.19
	Spending per rider	NR <sup>A</sup>	\$2,058

Source: Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024*.

Note: <sup>A</sup> NR means the data needed to calculate the performance measure was not reliable. See Finding 3, page 12, for more information on the District’s transportation data reliability.

## Findings and recommendations

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### **Finding 1. The District lacked sufficient internal controls over several business and operational areas, increasing the risk of errors, fraud, and improper payments**

As part of our fiscal years 2023 and 2024 review, we identified numerous deficiencies in the District's internal controls and failure to follow requirements set forth by the *Uniform System of Financial Records for Arizona School Districts* (USFR). Deficiencies relating to purchasing, procurement, credit card use, cash handling and banking, and accounting records are discussed below, and concerns with the District's payroll process are discussed in Finding 2, pages 10 to 11. Many of the deficiencies identified in this audit were also identified and reported by the District's independent auditor in the District's fiscal year 2022 USFR Compliance Questionnaire; however, the District had failed to remediate those deficiencies by the time of this audit.

#### *Deficiency 1. The District lacked important internal controls over purchasing, increasing the risk for improper purchases or payments*

The District did not comply with Governing Board (Board) policies and USFR requirements for all District expenditures to be approved in advance and supported by appropriate documentation, such as purchase orders, invoices, receiving reports, and receipts. The District also did not ensure that it received goods and services and invoices were accurate before paying them, as required by the USFR. Specifically:

- **District did not always ensure that purchases were authorized and allowable**—We selected and reviewed 30 of 1,516 accounts payable transactions and all 20 credit card purchases from fiscal years 2023 and 2024 and found that the District did not consistently ensure that purchases were approved in advance and had supporting documentation. Specifically, for 2 of the accounts payable transactions and 2 of the credit card purchases we reviewed, the District lacked evidence such as purchase orders to demonstrate that purchases were approved in advance, as required. For instance, for 1 of the purchases, which totaled \$1,722, the District generated a purchase order 27 days after the purchase was made. We also found that some purchases also lacked documentation needed to support payments, such as invoices, receiving reports, and receipts. Based on our review, 2 of the accounts payable transactions we reviewed lacked sufficient supporting documentation to demonstrate the payments were proper, accurate, and/or for a District purpose.
- **District did not always verify it received goods or services prior to paying for them**—For 22 of 30 accounts payable transactions we reviewed, the District did not maintain adequate support necessary to verify that the District had received the goods or services and verified that invoices were accurate before paying them. For nearly all goods and services purchased, the USFR requires school districts to prepare receiving reports, which should include the date and quantity of goods or services received and recipient's signature. According to the District, staff were unaware of the USFR requirement. However, the District's lack of a receiving process increases its risk of paying for goods or services that were either not received or were of lesser quality than required. It also increases the District's risk of paying inaccurate or fraudulent invoices.

*Deficiency 2. The District has 1 credit card, but the District did not consistently track who used the card and ensure that users were authorized and trained, and it inappropriately made duplicate payments to the credit card issuer*

Contrary to its policy, the District did not monitor who possessed the District credit card and did not ensure credit card users received training and signed user agreements acknowledging their understanding of the District's credit card policies and procedures. The District also failed to properly manage its credit card payments and made duplicate payments to its credit card issuer. Specifically:

- **The District did not track the possession of its credit card and did not ensure users were trained and had completed credit card user agreements**—Although the District maintains its 1 credit card in a locked location with access limited to a credit card custodian, we found that the District did not consistently require credit card users to check the card out so that it could track who had possession of it, as required by the USFR and Board policy. We reviewed documentation for all 20 credit card purchases made between fiscal years 2023 and 2024 and found that for 7 of these purchases, the District could not determine who had possession of the card and therefore did not have a record of who made the purchase. In addition, the District did not require any of its credit card users to complete user agreements, and staff reported being unaware that this is required by the USFR and Board policy. The District also did not provide staff training on appropriate credit card use in fiscal year 2024, and although the District reported that it provided training in fiscal year 2023, it did not have any documentation of the training it reportedly provided.
- **The District made duplicate payments for credit card purchases**—Contrary to the USFR, the District made duplicate payments totaling \$1,808 to its credit card issuer. The USFR requires districts to establish internal controls to prevent duplicate payments and ensure expenditures are authorized, supported, and accurately recorded. During our review, we identified 3 instances where the District made duplicate payments for credit card purchases, resulting in overpayments of \$62, \$1,565, and \$181. As a result, the District carried a credit balance on the account, which was later applied against future purchases. However, such prepayments are not appropriate under USFR guidance.

According to District officials, these duplicate payments occurred because the accounts payable clerk inadvertently paid the same credit card statements more than once, likely during a staff turnover period when responsibilities were shifting and the District inconsistently maintained documentation. However, the District lacked a process to help prevent staff from making duplicate payments, such as procedures to indicate that invoices or statements have been approved for payment and to subsequently mark them as “paid.” The District also lacked a formal review or oversight process that may have helped supervisors to identify the erroneous payments.

*Deficiency 3. The District did not ensure it maintained accurate records of cash receipts, increasing the risk that monies could be lost or stolen*

Our review of the District's procedures, on-site observations, and supporting documentation for 12 deposits totaling \$8,095 from September 2023 to June 2024 found that the District staff did not follow USFR requirements and Board policy for 11 of the deposits we reviewed. We found that:

- District did not always prepare receipts or maintain supporting documentation for cash collected**—Board policy and the USFR stress the importance of maintaining underlying documentation to support amounts of cash collected, such as prenumbered tickets or receipts, but the District did not maintain this documentation for 7 of the 12 deposits we reviewed, totaling \$6,251. For example, the District conducted a fundraiser that involved selling meat sticks but did not retain any documentation of the number of items sold to support whether the \$4,050 in sales it deposited was accurate and represented all monies collected. Without such documentation, there is an increased risk that inventory or monies could be lost or stolen. In addition, the District’s lack of detailed records also hinders its ability to reconcile actual cash collected with expected revenue, reducing transparency and accountability in financial reporting. The District did not provide a reason why it did not maintain underlying documentation for these deposits.
- District did not deposit cash timely and could not demonstrate that 1 cash receipt was deposited**—Our review found that the District deposited 6 of 12 deposits we reviewed totaling \$2,085 between 8 days and 2 months after it received the cash. We were unable to determine the timeliness of 3 other deposits in our sample because the District did not maintain underlying support, such as receipts, documenting when it received the cash. Moreover, the District could not locate documentation to demonstrate that it had deposited a \$200 cash donation intended to purchase teacher supplies. Delays in depositing cash increase the risk that monies could be lost or stolen. Additionally, untimely deposits could impair cash flow management and limit the District’s ability to reconcile records accurately. The District did not provide a reason why these deposits were not timely and why supporting documentation was not maintained.
- The District used a personal Venmo account, which is a peer-to-peer payment platform, for receiving and disbursing food service monies**—The District’s food service program used a personal Venmo account to collect monies paid for lunches, but this type of account is not structured for school district use and lacks essential controls required by the USFR ensure monies are properly accounted for and safeguarded. Specifically, the account was configured such that a single employee could receive funds, make payments or transfers, and change linked banking information without oversight. The employee also received all transaction notifications. This setup bypassed the USFR’s basic separation of duties requirements and increased the risk that monies could be misused, stolen, or otherwise unaccounted for because the District had not implemented oversight processes. Additionally, the District could lose access to the account if the employee who controls it leaves the District. Based on our review, it appeared that all monies sent to the account had been transferred to the District’s bank account, but the District could not provide receipts, point-of-sale reports, or other documentation to support that the amounts reflected in the Venmo account transaction history were the amounts that were or should have been collected. The District’s use of this type of private account for District business does not allow it to meet its responsibility to properly safeguard cash and increases the risk that monies will be stolen or become otherwise inaccessible.

*Deficiency 4. The District did not reconcile its bank accounts monthly to ensure the accuracy of its account balances*

The USFR requires school districts to perform monthly bank account reconciliations, but the District did not perform any reconciliations for its 3 bank accounts during fiscal year 2024, increasing the risk that any improper account activity would not be detected. Specifically, District officials reported that because of staff turnover, business office staff lacked access to bank statements for 1 account for which a former employee was responsible. Although the District resolved the issue during this audit and our review did not identify any improper transactions, the lack of records and account reconciliations increased the risk that any unauthorized account activity would not have been detected. Further, although the District had access to bank statements for its other 2 bank accounts, it had not performed reconciliations for either of those accounts.

Failure to reconcile its bank accounts appears to be a persistent issue for the District. We found that the District's independent financial auditors identified a similar issue in the District's 2022 USFR Compliance Questionnaire, noting that the District did not reconcile its bank accounts during the fiscal year. Because the District has not required staff to perform regular and timely bank account reconciliations in accordance with the USFR and its policies, and it lacks training and formal procedures to guide this process, it cannot ensure that all monies are accounted for, account balances are accurate, and banking activities were appropriate.

*Deficiency 5. The District did not maintain complete procurement files or follow some other required procurement practices, increasing the risk of noncompliance and budgetary overages*

Our review of the District's procurement files for 12 of 96 vendors from fiscal years 2023 and 2024 found that 6 procurement files were incomplete and did not comply with the USFR and the *Arizona Administrative Code* (A.A.C.). To comply with State requirements, school districts are required to retain a complete procurement file with relevant documents, including purchase orders, contracts, written determinations, quotes, and due diligence forms where required. The A.A.C. states that, even for cooperative contracts, districts still have a responsibility to conduct a due diligence review.<sup>1</sup> However, for 1 procurement file we reviewed, the District did not have documentation demonstrating it or the cooperative agency through which the contract was executed had conducted the necessary due diligence and did not have the written determination justifying that the contract was in the District's best interest. For the other 5 files, which involved purchases of more than \$10,000, the District lacked documentation demonstrating it had obtained the required 3 written quotes, prepared a sole source justification, and prepared a written determination justifying that the contracts were in the District's best interest, as required by the USFR and District policy. The District did not provide a reason for why necessary documentation to support purchases was not maintained.

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<sup>1</sup> A.A.C. R7-2-1191. Whether administering or purchasing from the [cooperative] agreement, this Section does not abrogate the responsibility of each school district to perform due diligence to ensure compliance with Articles 10 and 11, notwithstanding the fact that the cooperative purchase is administered by another eligible procurement unit.

*Deficiency 6. The District did not classify some expenditures correctly, likely impacting the accuracy of its accounting data*

Our review of 30 of 1,516 fiscal years 2023 and 2024 accounts payable transactions totaling \$42,922 identified 3 transactions totaling \$7,685 that were not classified in accordance with the USFR Chart of Accounts. A similar issue was identified in the District's 2022 USFR Compliance Questionnaire where independent auditors identified 7 of 25 sampled accounts payable purchases were not coded to the correct object code. Districts are required to adhere to the USFR Chart of Accounts when recording expenditures to ensure accurate financial reporting and comparability among Arizona school districts and nationally. As a result of the classification errors, the District's *Annual Financial Report* and supporting accounting data did not accurately present the District's spending to the public and decision makers who may rely on the report and data to know how the District spent its public monies in these areas.

When we brought the misclassifications to District officials' attention, they communicated that business office employees were not fully aware of, or trained on, expenditure classification guidance included in the USFR Chart of Accounts. Consequently, they had classified expenditures the same way they had in prior years without reviewing the coding for accuracy.

**Although the District had previously been notified of many of these deficiencies, it has not developed written procedures and training to guide staff and has not established effective management oversight processes**

As previously discussed, many of the deficiencies we identified were also reported to the District in March 2023 on its fiscal year 2022 USFR Compliance Questionnaire prepared by the District's independent financial auditors, but the District had allowed the issues to remain unresolved. Persistent deficiencies include failure to reconcile bank accounts, prevent duplicate payments, and properly classify expenditures. Although the Compliance Questionnaire results could have served as a guide to help the District improve its operations, District officials reported being unaware of many of the issues it identified.

According to the District, there was substantial turnover in business office and administrative staffing in fiscal year 2023, and new staff did not have written guidance or more experienced staff available to train them on their responsibilities. Additionally, the District reported that limited staffing resources, which include 2 business office staff, and time constraints have made it difficult to develop formal procedures to guide staff. However, without written procedures, staff lack the guidance to consistently and appropriately perform tasks and conduct operations, which can lead to inconsistent practices, particularly when staff turnover occurs. Additionally, the District has not provided training to business office staff to ensure awareness of and compliance with the USFR requirements relating to processes such as purchasing, procurement, and cash handling. We also found that District management had not established oversight processes to ensure that staff followed Board policies, such as those relating to purchasing and credit cards, and to identify and promptly address any discrepancies.

## Recommendations

The District should:

1. 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 purchases made with credit cards.
2. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements, and document the training provided.
3. Establish procedures for tracking possession of the District's credit card and ensuring that all card users have a signed user agreement on file with the District and have been trained on the District's credit card policies and procedures prior to using any District credit card.
4. Develop and implement procedures, including supervisory oversight processes, to ensure compliance with USFR requirements and District policies related to cash-handling and bank reconciliations, and train District employees and others with cash-handling responsibilities on these procedures.
5. Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.
6. Ensure cash is deposited at least weekly, and daily when amounts are significant.
7. Determine whether the District will continue to process electronic payments and, if so, identify an appropriate payment platform and develop robust procedures that ensure payments, processes, and documentation comply with all USFR cash-handling requirements.
8. Establish procedures to collect and retain 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.
9. Ensure employees responsible for classifying expenditures review the USFR's 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.

### District response:

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

## **Finding 2. The District made improper or erroneous payments to some employees and did not ensure all payments were reviewed and approved, putting public monies at an increased risk of waste, fraud, and misuse**

The District made improper or erroneous payments to some employees for accumulated leave and did not ensure that timecards and overtime were properly reviewed and approved to ensure payments made to other employees were allowable and accurate. Specifically, we reviewed fiscal year 2024 payroll records for 7 of the District's 26 employees, including 3 salaried and 4 hourly workers, and identified the following issues:

- **The District improperly paid the business manager for sick leave that was not allowed by her contract and incorrectly calculated other accumulated leave payouts to its superintendent and business manager**—The District made an improper payout of \$5,651 to the business manager for accumulated sick leave that was not in accordance with her contract. Specifically, the business manager's employment contract allows a payout for any sick leave accrued in excess of 50 days, but the business manager had accumulated only about 24 days prior to requesting that the District's contracted accounting firm issue a payout to her for all accrued sick leave. According to the District, the business manager believed that the request was consistent with District policy, which states the District may make payouts for accrued sick leave. However, the District lacks any policy or procedures specifying the process for requesting and receiving approval for these types of payments to help ensure they are allowable and proper. Moreover, the policy allowing for payouts does not negate employment contract terms specifying the requirements for making such a payout.

Additionally, the business manager and superintendent both received other accumulated leave payouts in fiscal year 2024 that were allowed in their employment contracts, but the District did not correctly calculate the payout amounts, resulting in underpayments. According to the business manager, the District does not have written procedures to follow for verifying the accuracy of payout rates against employee contracts. When calculating the payouts, staff used prepopulated pay rates from the District's accounting system that were not updated to align with contract rates. As a result, the payouts to the superintendent and business manager were approximately \$5,018 and \$784 less, respectively, than if the District had calculated the payouts in accordance with their employment contracts.

- **District did not ensure timecards, overtime, and pay adjustments were appropriately approved and documented**—We reviewed timecards for 4 of 19 hourly employees across 5 fiscal year 2024 pay periods, for a total of 20 timecards, and found that nearly all lacked required approvals. The USFR calls for districts to maintain support for payroll, such as timecards, that are approved by both employees and their supervisors, and it also requires advanced supervisory approval for overtime work. However, 19 of the timecards we reviewed were not signed by the employee and/or a supervisor. Additionally, 3 timecards included overtime hours that were paid without any documentation of supervisory approval, despite a note on 1 of the timecards stating that "Overtime will not be paid without your supervisor's prior approval" and USFR guidance for supervisors to approve overtime in advance. Finally, we found that 1 of the timecards we reviewed was not signed by the employee nor a supervisor and did not match the amount the District paid. Specifically, the employee's timecard reflected 95 hours worked,

which would have resulted in \$2,563 for the pay period; however, the employee was paid \$3,031 for 107.5 hours—\$469 more than the timecard supported.

The District did not provide an explanation for the lack of approvals and could not demonstrate whether the excess payment we identified resulted from an undocumented timecard adjustment or was made in error. Because the District's payroll process does not ensure that supporting documentation is appropriately approved in advance and retained, the District increases its risk of making erroneous or improper payments.

**The District lacks effective procedures for overseeing its payroll process and has not provided sufficient staff training to ensure payments are accurate, allowable, and properly approved**

Although the District had previously been made aware of some of the issues we identified, it had not developed procedures to ensure its payroll processes complied with USFR requirements and District policies. For instance, the District's independent financial auditors reported on the District's 2022 USFR Compliance Questionnaire that the District did not maintain approved timecards to support its payroll activities. The lack of clear guidance led to inconsistent practices among staff and a failure to maintain required documentation. Additionally, the District lacks an effective supervisory oversight process for payroll, including steps to ensure all required approvals are obtained and to prevent employees from requesting and receiving payments without any oversight. The District could further improve compliance by training payroll staff and ensuring employees and supervisors are aware of their responsibilities for completing and/or reviewing timecards and approving overtime.

**Recommendations**

The District should:

10. Clarify its policy for accumulated leave payouts and establish procedures that specify the process for requesting and approving for these types of payments, including steps to ensure any requests for accumulated leave payouts are in accordance with employment contract provisions and payments are calculated correctly.
11. Review leave buyouts paid to District employees during fiscal year 2024 to ensure amounts paid align with contract provisions and make corrections where appropriate.
12. Develop and implement procedures for payroll staff and supervisors to follow to ensure payroll and overtime payments are properly approved, documented, and allowable in accordance with the USFR and District policies, and train District employees responsible for processing and approving payroll on these procedures.

**District response:**

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

### **Finding 3. The District inaccurately reported riders and miles to ADE for State funding purposes and lacks a process to ensure reports are correct**

When the District completed and submitted its fiscal year 2024 transportation funding reports to the Arizona Department of Education (ADE) for funding purposes, it erroneously reported that it transported 2,880 students, even though it only had 71 students attending. It also made minor errors when calculating the number of miles its buses were driven to transport students. Statute requires school districts to report to the ADE the miles driven to transport students to and from school and the number of eligible students transported, and ADE uses this information to determine the amount of State aid funding the District will receive for transportation.<sup>2</sup> Upon receiving the District's transportation report, ADE identified the number of students transported as an error and requested a corrected report from the District.

Although the District has worked with ADE to correct the errors on its fiscal year 2024 transportation funding report, it lacks written procedures and a secondary review process to prevent such errors in the future. Without written procedures to follow, staff reported that they lacked an understanding of how to calculate the required information and the steps that should be taken to review the reports for accuracy. For instance, the erroneous rider numbers the District reported were based on the combined total of students transported each day for the reporting period rather than on the average number of students transported each day. Additionally, the District made manual entry errors when summarizing the number of miles reported on its tracking logs and completing the required ADE reports.

#### **Recommendations**

The District should:

13. Annually review ADE's most recent transportation guidance and develop and implement written procedures for preparing and reviewing transportation funding reports to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

#### **District response:**

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

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<sup>2</sup> A.R.S. §15-922.

## **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**

The USFR and credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), set forth important information technology (IT) security practices that help districts safeguard sensitive information and prevent errors, fraud, and data loss. However, our review of the District's IT security practices identified 5 deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, which increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

*Deficiency 1: Despite having previously been made aware of network access concerns, the District did not promptly remove unnecessary user accounts and did not appropriately limit access to its accounting system, increasing the risk of unauthorized access to sensitive information or fraud*

Our March 2025 review of the District's accounting system and network accounts found that, contrary to the USFR, the District did not promptly remove unneeded user accounts and did not regularly review and limit accounting system user access. Specifically:

- **District did not promptly remove accounts that were inactive or no longer needed**—The USFR requires that when user accounts are no longer needed, such as when an employee terminates from district employment, access to information systems should be immediately disabled, but the District did not do so. Our review of all 67 active network accounts identified 5 user accounts associated with terminated employees that should have been disabled. These accounts had remained active for as long as 8.5 years after they were no longer needed. After we brought these accounts to the District's attention, it disabled all 5 network accounts as of April 2025. The District was unable to provide the exact dates of termination for the former employees, but it appears that 3 of 4 former employee accounts may have been accessed after their District-estimated termination dates.
- **The District assigned 4 users too much access to its accounting system, increasing the risk of errors and fraud**—Contrary to the USFR, the District did not limit access to its accounting system to only what is necessary for users to perform their assigned duties. We reviewed fiscal year 2024 accounting system access levels for all 9 accounting system user accounts and identified 4 users who had too much access, including 2 business office staff, the District's external consulting firm, and 1 former employee whose account had not been removed upon termination. By allowing more access to its accounting system than necessary, the District increased its risk of errors and fraud because these users could complete payroll and/or purchasing transactions without a second employee verifying that the transactions were accurate and appropriate. For example, the business manager's system access could allow her to initiate a requisition, create and maintain vendors, create purchase orders, and pay invoices, which is the entirety of the purchasing process.

The District lacked procedures and processes for reviewing and immediately disabling unnecessary user accounts and for determining which accounting system functions are necessary for employees to perform

their job duties and limiting access accordingly. According to District officials, the District had never formally reviewed user access levels within its accounting system and was unaware that the level of access granted to some users exceeded what was necessary for their job responsibilities. Further, we found that the District did not have a process in place to regularly review network users to ensure only current District employees and vendors have access and to identify and disable unnecessary accounts.

Some of these issues had previously been brought to the District's attention, but the District had not taken action to address them. Specifically, the District's independent financial auditors reported on the District's 2022 USFR compliance questionnaire that the District did not immediately revoke system access for terminated employees and that some users had more access to the accounting system than necessary. For instance, at the time the 2022 questionnaire was completed, the District's former business manager had full access to the accounting system despite no longer working at the District—this account was removed prior to the start of our audit. By allowing unnecessary or excessive access to its IT systems, the District continues to be at an increased risk of unauthorized access to sensitive information and potential data loss.

*Deficiency 2: The District did not monitor user activity in a critical IT system, increasing the risk that fraud or critical security events may not be detected*

The USFR requires districts to monitor and periodically audit system activity and electronic transactions for their entire lifecycle—from the beginning of a transaction through its completion—to ensure that users adhere to all security-related policies, procedures, and guidelines. However, our November 2024 review of the District's accounting system found that the District did not have a process in place to monitor user activity. Additionally, the District had not established formal IT policies governing system monitoring responsibilities, and no staff were assigned responsibility for reviewing accounting system logs or related activity. District officials reported being unaware of the need to monitor user activity. Without policies and assigned responsibilities, the District's ability to detect or respond to fraud or inappropriate system access is limited.

*Deficiency 3 The District has not implemented sufficient user authentication methods for access to 1 critical system*

According to USFR guidance, school districts should require comprehensive authentication of users accessing critical IT systems in accordance with leading credible industry standards. The District lacks these authentication controls for 1 critical system, which increases the District's risk of unauthorized access to its sensitive information and potential data loss. The District reported being unaware that it should adopt these controls and so it had not explored options for implementing such protections.

*Deficiency 4: The District did not provide annual security awareness training for staff, increasing employees' vulnerability to cyberattacks*

The District did not provide annual cybersecurity awareness training as required by the USFR and recommended by credible industry standards to help staff prevent and detect technology-related threats. According to the USFR and credible industry standards, basic security awareness is important because cyberattacks commonly use social engineering techniques to trick employees into giving up sensitive

information or downloading dangerous software. Although this issue was also reported on the District's 2022 USFR Compliance Questionnaire, the District officials reported being unaware of the USFR's requirement for training until we brought it to their attention in April 2025. Officials reported then that they would begin requiring employees to take security awareness training. Providing security awareness education and training would help the District ensure that its employees are aware of the need to protect District systems, the risks associated with information security, the importance of complying with District policies, and their individual information security responsibilities.

*Deficiency 5: The District lacked a complete IT contingency plan, increasing the risk of data loss and disruptions to operations*

We found that the District has not developed an IT contingency plan, leaving its systems vulnerable to potential data loss, operational disruptions, and prolonged downtime in the event of a system outage. In accordance with credible industry standards, the USFR requires that districts develop and implement an information technology disaster recovery plan to mitigate risks in cases of disaster or information loss. A comprehensive plan should include, for example, an impact analysis of business operations, a risk assessment of critical systems, a list of disaster scenarios, a recovery strategy and procedure, an inventory of systems and equipment, a crisis management plan, and a list of vital records and functions required for operations. Without such a plan, the District lacks documented strategies to recover critical operations in the event of system failure, cyber incidents, or natural disasters, increasing the likelihood of data breaches, financial losses, and interruptions to essential functions. According to the District, it was unaware of the requirement for an IT disaster recovery plan and had not established formal policies or procedures to address business continuity in the event of IT failures.

## **Recommendations**

To comply with USFR requirements and credible industry standards for IT security, the District should:

14. Establish and implement policies and procedures for promptly disabling user accounts when employees and contractors no longer work for the District, conduct periodic audits of all user accounts to identify and remove inactive or unnecessary accounts, and designate personnel responsible for monitoring user accounts and ensuring compliance with industry best practices and the USFR.
15. Develop and implement a policy to standardize user access levels by job function and a process to regularly perform, at least annually, detailed user account reviews to ensure network and accounting system access is necessary and appropriate.
16. Establish and implement procedures for collecting and monitoring logs of accounting system activities to enable the District to track transactions and to detect potentially malicious or fraudulent activity in a timely manner.
17. Implement comprehensive authentication controls for users accessing critical IT systems.
18. Require and provide cybersecurity awareness training to employees at least annually and document their participation.

19. 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 any deficiencies and document the test results.

**District response:**

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

## Summary of Recommendations

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### Sjoberg Evashenk Consulting makes 19 recommendations to the District

The District should:

1. 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 purchases made with credit cards.
2. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements, and document the training provided.
3. Establish procedures for tracking possession of the District's credit card and ensuring that all card users have a signed user agreement on file with the District and have been trained on the District's credit card policies and procedures prior to using any District credit card.
4. Develop and implement procedures, including supervisory oversight processes, to ensure compliance with USFR requirements and District policies related to cash-handling and bank reconciliations, and train District employees and others with cash-handling responsibilities on these procedures.
5. Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.
6. Ensure cash is deposited at least weekly, and daily when amounts are significant.
7. Determine whether the District will continue to process electronic payments and, if so, identify an appropriate payment platform and develop robust procedures that ensure payments, processes, and documentation comply with all USFR cash-handling requirements.
8. Establish procedures to collect and retain 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.
9. Ensure employees responsible for classifying expenditures review the USFR's 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.
10. Clarify its policy for accumulated leave payouts and establish procedures that specify the process for requesting and approving for these types of payments, including steps to ensure any requests for accumulated leave payouts are in accordance with employment contract provisions and payments are calculated correctly.
11. Review leave buyouts paid to District employees during fiscal year 2024 to ensure amounts paid align with contract provisions and make corrections where appropriate.

12. Develop and implement procedures for payroll staff and supervisors to follow to ensure payroll and overtime payments are properly approved, documented, and allowable in accordance with the USFR and District policies, and train District employees responsible for processing and approving payroll on these procedures.
13. Annually review ADE's most recent transportation guidance and develop and implement written procedures for preparing and reviewing transportation funding reports to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.
14. Establish and implement policies and procedures for promptly disabling user accounts when employees and contractors no longer work for the District, conduct periodic audits of all user accounts to identify and remove inactive or unnecessary accounts, and designate personnel responsible for monitoring user accounts and ensuring compliance with industry best practices and the USFR.
15. Develop and implement a policy to standardize user access levels by job function and a process to regularly perform, at least annually, detailed user account reviews to ensure network and accounting system access is necessary and appropriate.
16. Establish and implement procedures for collecting and monitoring logs of accounting system activities to enable the District to track transactions and to detect potentially malicious or fraudulent activity in a timely manner.
17. Implement comprehensive authentication controls for users accessing critical IT systems.
18. Require and provide cybersecurity awareness training to employees at least annually and document their participation.
19. 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 any deficiencies and document the test results.

## Appendix A. Objectives, scope, and methodology

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Sjoberg Evashenk Consulting conducted a performance audit of Tonto Basin Elementary School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal years 2023 and 2024, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to 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 co-curricular activities such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following operational categories:

### Operational spending

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

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining school buses and transporting students to and from school and school activities.

**Financial accounting data and internal controls**—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2024 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 7 of 26 individuals who received payments through the District's payroll system in fiscal year 2024 and reviewed supporting documentation for 30 of 1,516 fiscal years 2023 and 2024 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various

information used for this audit. We reported our conclusions on applicable internal controls in Findings 1 through Finding 4, pages 4 through 16.

**Peer groups**—We used the peer groups developed by the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024* for comparative purposes. To compare the District’s student achievement, the Arizona Auditor General developed a peer group using district type, location, and poverty rates because these factors are associated with student achievement. We used this peer group to compare the District’s fiscal year 2024 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2024 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, food service, and transportation, we used the Arizona Auditor General’s peer groupings that are based on district size and location. They used these factors because they are associated with districts’ cost measures in these areas.

For very small districts, such as Tonto Basin ESD, increasing or decreasing student enrollment by just a few students or employing 1 additional part-time position can substantially impact the district’s costs per student in any given year. As a result, and as noted in the *Arizona School District Spending Analysis—Fiscal year 2024*, very small districts’ spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of the District’s operations, less weight was given to various cost measures, and more weight was given to our reviews and analysis of the District’s operations.

**TABLE 2. CRITERIA FOR SELECTING PEER SCHOOL DISTRICTS FOR COMPARATIVE PURPOSES, FISCAL YEAR 2024**

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2024)	Poverty rate District type Location	34 percent or higher Elementary school Towns and rural areas	14
Administration, plant operations and maintenance, and food service (fiscal year 2024)	District size Location	Very small Towns and rural areas	58
Transportation (fiscal year 2024)	Miles per rider Location	Not applicable Towns and rural areas	54

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2024*.

**Efficiency and effectiveness**—In addition to the considerations previously discussed, we also considered other information from various sources that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the operational areas we reviewed about their duties. This included District administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.

- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, transportation safety reports provided by the Department of Public Safety, and the District’s 100-day school bus ridership and mileage report submitted to ADE. We also reviewed District-provided accounting system and network user account reports.
- **Documentation reviews**—We reviewed various sets of District documentation including various credit card statements and documentation for fiscal years 2023 and 2024; cash deposit documentation and bank statements for fiscal year 2024; Board meeting minutes; annual drug and random drug and alcohol testing for calendar year 2024; school bus driver files for all 4 of the District’s drivers active at one point during calendar year 2024; and school bus maintenance and safety records for all 3 of the District’s school buses in fiscal year 2024. We also reviewed Arizona Department of Public Safety school bus inspection reports for school buses inspected in calendar years 2024.
- **Observations**—To further evaluate District operations, we observed day-to-day activities in the operational areas we reviewed. This included facility tours and observations of food service operations and transportation services.
- **Analysis**—We reviewed the Arizona Auditor General’s analysis of the District’s fiscal year 2024 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also compared the District’s square footage per student, use of building space, building age, and meals served per student to peer districts. We used the results of these comparisons to inform the topics of focus during our audit.

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

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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 Sjoberg Evashenk Consulting, Inc.



## Tonto Basin Elementary School District #33

Mrs. Barbara Warren, Superintendent

Home of the Wranglers

September 3, 2025

Mr. George Skiles, Partner  
Sjoberg Evashenk Consulting, Inc.  
455 Capitol Mall-Suite 700  
Sacramento, CA 95814  
(916)443-1300

Dear Mr. Skiles,

Tonto Basin Elementary School District #33 has received and reviewed your auditor's FY2024 Performance Audit Report. Upon review of the report, the district agrees with the findings and recommendations.

The district will continue to work on implementing the recommendations provided and hope to be in total compliance moving forward. Given our school's special situation and stature, all informative information and guidance is helpful.

Thank you for your patience and understanding as we transition into all the new changes. If you have any questions, please feel free to reach out to us anytime.

Sincerely,

Barbara Warren,  
Superintendent/Principal

**Finding 1:** The District lacked sufficient internal controls over several business and operational areas, increasing the risk of errors, fraud, and improper payments.

District Response: The finding is agreed to.

Response explanation: New procurement policies implemented.

**Recommendation 1:** 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 purchases made with credit cards.

District Response: The audit recommendation will be implemented.

Response explanation: New procurement policies implemented.

**Recommendation 2:** Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements, and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: Business Office will attend more annual training and seminars.

**Recommendation 3:** Establish procedures for tracking possession of the District's credit card and ensuring that all card users have a signed user agreement on file with the District and have been trained on the District's credit card policies and procedures prior to using any District credit card.

District Response: The audit recommendation will be implemented.

Response explanation: New employee file checklists have been updated.

**Recommendation 4:** Develop and implement procedures, including supervisory oversight processes, to ensure compliance with USFR requirements and District policies related to cash-handling and bank reconciliations, and train District employees and others with cash-handling responsibilities on these procedures.

District Response: The audit recommendation will be implemented.

Response explanation: District will utilize the USFR requirements and procedures.

**Recommendation 5:** Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

District Response: The audit recommendation will be implemented.

Response explanation: Policies and procedures have been reviewed, updated and set in place.

**Recommendation 6:** Ensure cash is deposited at least weekly, and daily when amounts are significant.

District Response: The audit recommendation will be implemented.

Response explanation: Policies and procedures have been reviewed, updated and set in place.

**Recommendation 7:** Determine whether the District will continue to process electronic payments and, if so, identify an appropriate payment platform and develop robust procedures that ensure payments, processes, and documentation comply with all USFR cash-handling requirements.

District Response: The audit recommendation will be implemented.

Response explanation: USFR requirements and procedures have been set in place.

**Recommendation 8:** Establish procedures to collect and retain 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.

District Response: The audit recommendation will be implemented.

Response explanation: New procurement policy has been implemented.

**Recommendation 9:** Ensure employees responsible for classifying expenditures review the USFR's 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.

District Response: The audit recommendation will be implemented.

Response explanation: New Chart of accounts has been reviewed and printed for reference.

**Finding 2:** The District made improper or erroneous payments to some employees and did not ensure all payments were reviewed and approved, putting public monies at an increased risk of waste, fraud, and misuse.

District Response: The finding is agreed to.

Response explanation: Policies and procedures have been reviewed and updated for accuracy.

**Recommendation 10:** Clarify its policy for accumulated leave payouts and establish procedures that specify the process for requesting and approving for these types of payments, including steps to ensure any requests for accumulated leave payouts are in accordance with employment contract provisions and payments are calculated correctly.

District Response: The audit recommendation will be implemented.

Response explanation: District is reviewing contracts for better accuracy on processing calculations.

**Recommendation 11:** Review leave buyouts paid to District employees during fiscal year 2024 to ensure amounts paid align with contract provisions and make corrections where appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: Policies and procedures are being reviewed and will be implemented for accuracy

**Recommendation 12:** Develop and implement procedures for payroll staff and supervisors to follow to ensure payroll and overtime payments are properly approved, documented, and allowable in accordance with the USFR and District policies, and train District employees responsible for processing and approving payroll on these procedures.

District Response: The audit recommendation will be implemented.

**Finding 3:** The District inaccurately reported riders and miles to ADE for State funding purposes and lacks a process to ensure reports are correct.

District Response: The finding is agreed to.

Response explanation: District has reviewed and corrected policies and procedures for better accuracy.

**Recommendation 13:** Annually review ADE's most recent transportation guidance and develop and implement written procedures for preparing and reviewing transportation funding reports to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

District Response: The audit recommendation will be implemented.

Response explanation: District has reviewed and modified policies and procedures for better accuracy.

**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.

District Response: The finding is agreed to.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 14:** Establish and implement policies and procedures for promptly disabling user accounts when employees and contractors no longer work for the District,

conduct periodic audits of all user accounts to identify and remove inactive or unnecessary accounts, and designate personnel responsible for monitoring user accounts and ensuring compliance with industry best practices and the USFR.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 15:** Develop and implement a policy to standardize user access levels by job function and a process to regularly perform, at least annually, detailed user account reviews to ensure network and accounting system access is necessary and appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 16:** Establish and implement procedures for collecting and monitoring logs of accounting system activities to enable the District to track transactions and to detect potentially malicious or fraudulent activity in a timely manner.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 17:** Implement comprehensive authentication controls for users accessing critical IT systems.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 18:** Require and provide cybersecurity awareness training to employees at least annually and document their participation.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.

**Recommendation 19:** 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 any deficiencies and document the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work on new procedures for better security of sensitive information.