





# Young Elementary School District

## 36-Month Followup of Performance Audit Report 22-204

The December 2022 Young Elementary School District performance audit found that the District had higher administrative costs than peer districts and spent unauthorized monies on its community preschool program, and its lack of compliance with important standards and requirements put public monies and sensitive information at risk. We made **12** recommendations to the District. In addition to reporting on the status of the District’s efforts to implement these recommendations, we have also provided an update on the District’s noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR).<sup>1</sup>

### District’s status in implementing 12 recommendations

Implementation status	Number of recommendations
 Implemented	3 recommendations
 Implemented in a different manner	1 recommendation
 Partially implemented	3 recommendations
 <b>Not implemented</b>	<b>5 recommendations</b>

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on the District’s efforts to implement the recommendations from the December 2022 report. However, we will continue to work with the District to address its USFR noncompliance, and we may perform a status review to determine if the District is no longer in noncompliance with the USFR when it has taken action to address its USFR deficiencies.

<sup>1</sup> 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.

# Recommendations to the District

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## **Finding 1: District spent \$264,000 more on administration than peer districts in fiscal year 2020 and \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021 that it instead could have spent on instruction or other District priorities**

1. The District should monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels.

▶ Status: **Implemented in a different manner at 24 months.**

In July 2024, the District hired a new superintendent who has developed a budget review process with the District's Governing Board (Board) to monitor District spending, including administrative spending. In March 2025, District officials reported that the District's administrative staffing and spending could not be further reduced without impacting the District's ability to meet its administrative responsibilities. Based on our fiscal year 2024 *Arizona School District Spending Analysis*, the District's fiscal year 2024 per student administrative spending of \$5,195 had decreased by approximately 51%, or \$5,473, since the audit year (fiscal year 2020) when the District spent \$10,668 per student on administration. In addition, the District's fiscal year 2024 instructional spending percentage of 59.9% increased by 6.5 percentage points from 53.4% in the audit year. Further, its average teacher salary increased by nearly \$28,000 since the audit year, from approximately \$41,000 to \$69,000 in fiscal year 2024. Although the District lacked documentation to support the specific ways it had reduced its administrative spending, its most recent administrative spending is substantially lower than during the audit and consistent with its peer-district average.

2. The District should determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. 182-136.

▶ Status: **Implemented at 36 months.**

Since the audit, the District has continued to offer its half-day educational community preschool program and since July 2023, has charged regular education preschool students tuition of \$100 per month.<sup>2</sup> In fiscal years 2025 and 2026, the District also participated in the Quality First scholarship program and offered tuition scholarships to regular education preschool students.<sup>3</sup> We reviewed scholarship payments made in fiscal year 2025 through December 2025, and found that the District received Quality

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<sup>2</sup> Within its community preschool program, the District operated an education program for preschool children with disabilities that is required by A.R.S. §15-771.

<sup>3</sup> Quality First is a scholarship funded by First Things First, which is a State-wide organization that funds early education and health programs. Programs enrolled in the Quality First program can offer scholarships to low-income families with children up to age 5 for early care and education, including preschool.

First scholarship monies or tuition payments for all its regular education preschool students during this time period. In total, as of December 2025, the District received more than \$25,000 in preschool revenues from tuition and scholarships during fiscal years 2025 and 2026, which the District used to help cover the costs of providing its community preschool program.

## **Finding 2: District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner, possibly resulting in lost cash and increasing risk of errors and fraud**

- 3.** The District should help ensure its staff members comply with USFR requirements to safeguard cash by:
  - a.** Developing and implementing written cash-handling policies and procedures over cash collection, deposit, and review.
    - ▶ Status: **Not implemented.**

The District developed and implemented written procedures for cash collection and deposit in July 2025 but had not developed written procedures for cash review, such as preparing monthly reconciliations. Further, our review of the District's cash-collection and deposit procedures found that the procedures did not cover all USFR cash-handling requirements, such as separating cash-handling responsibilities and immediately safeguarding cash in all locations where cash is received. Additionally, our February 2026 review of all 64 cash transactions the District deposited in October and November 2025 found cash-handling deficiencies similar to those identified during the performance audit persist (see recommendations 3b through 3f).
- b.** Using and preparing sequential prenumbered receipts for all cash received.
  - ▶ Status: **Not implemented.**

We reviewed all 64 cash transactions the District deposited in October and November 2025, totaling approximately \$7,000, and found that the District did not prepare a cash receipt for 3 of 64 cash transactions we reviewed, contrary to District procedures and USFR requirements. Without using sequential prenumbered receipts for all cash collections, the District continues to increase the risk of lost cash, errors, and fraud.
- c.** Maintaining evidence for all cash deposits.
  - ▶ Status: **Not implemented.**

We reviewed all 64 cash transactions the District deposited in October and November 2025 and found that the District did not maintain evidence for some cash deposits we reviewed, contrary to USFR requirements. For example, although the District implemented cash-handling procedures to require District employees to prepare receipts when collecting cash and County deposit slips to be maintained,

we found that the District did not prepare a cash receipt or cash deposit form for 3 cash transactions reviewed. Further, although the District's cash-handling procedures require a District employee to review County deposit slips to ensure all cash has been deposited, we found that the District did not review County cash deposit slips for 4 cash transactions. Without maintaining evidence for all cash deposits, the District continues to increase the risk of theft, errors, and fraud.

**d.** Reconciling cash receipts to cash deposits.

▶ Status: **Not implemented.**

As of February 2026, the District still does not reconcile cash receipts to cash deposits. Specifically, as explained in recommendations 3b and 3c, the District has not consistently issued receipts when accepting cash nor maintained evidence of cash deposits, which inhibits its ability to appropriately reconcile cash receipts and deposits. By failing to consistently maintain required documentation related to its cash receipts and deposits and not implementing procedures to regularly reconcile cash receipts to deposits, the District increases the risk that cash could be lost or stolen without detection.

**e.** Establishing a process for depositing cash at least weekly. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the requirement with guidelines and required secondary approvals.

▶ Status: **Implemented at 36 months.**

In July 2025, the District implemented procedures that require cash to be deposited at least weekly, or within 2 weeks if its cash receipts total less than \$100. The District reported it established this process due to its remote location and the minimal cash collections it receives weekly. We reviewed all 64 cash transactions the District deposited in October and November 2025 and found that the District generally followed its updated deposit procedures. We identified 1 check for \$2,300 the District deposited 9 days after the date on the check, which falls outside the weekly deposit requirement in its updated procedures. However, the District did not issue a receipt when it accepted the check. Therefore, we could not determine whether the District timely deposited the check, and it is possible the District deposited it up to 2 days late. However, the District followed its updated procedures for nearly all of the other deposits we reviewed and had resolved the concerns identified during the audit related to untimely deposits.

**f.** Providing training on USFR cash-handling requirements and its District cash-handling policies and procedures to all employees involved in cash collection, deposit, and review.

▶ Status: **Partially implemented at 36 months.**

The District provided training to its employees on District cash-handling procedures in July 2025. However, as previously discussed, our review found that the District's cash-handling procedures did not address some key USFR requirements to

safeguard cash, such as separating cash-handling duties among employees. Further, as explained in recommendations 3b through 3e, we continued to identify various cash-handling deficiencies that increase the risk of cash loss or theft, which indicates that the District's training has not been fully effective or may need to be updated.

### **Finding 3: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access, errors, fraud, and data loss**

4. The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

▶ Status: **Partially implemented at 36 months.**

We reviewed users' access for all 8 users in the District's accounting system as of January 2026 and found that the District transferred administrator-level access to individuals outside of the business office, as recommended. However, the District had not limited other users' access to only those functions needed to perform their job duties as recommended. Specifically, our review of the District's December 2025 accounting system user access found that 4 of 8 accounting system users had excessive system access, including 1 District employee and 3 users employed by a vendor that the District uses for some IT services. These 4 users' access allowed them the ability to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. As a result, the District continues to increase the risk of errors and fraud. After we brought these users to the District's attention during the followup, District officials indicated they would work with the District's IT vendor to limit both the District and vendor users' access in the accounting system to only those functions needed to perform their job duties.

5. The District should develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to help ensure employees have only the access necessary to accomplish their job duties.

▶ Status: **Not implemented.**

The District has not developed and implemented processes to assign, change, and periodically review users' access in the accounting system to help ensure employees have only the access necessary to accomplish their job duties. Additionally, as explained in recommendation 4, the District allowed excessive system access for 4 of 8 users we reviewed in December 2025. The District reported it will work with its IT vendor to develop processes to assign, change, and periodically review users' access.

6. The District should immediately remove all network accounts associated with terminated employees and develop and implement a process to ensure that terminated employees have their access promptly removed.

▶ Status: **Implemented at 36 months.**

Our December 2025 review of the District's network accounts found that the District had removed all network accounts associated with terminated employees. Additionally, the District developed and implemented an employee exit checklist to ensure that employees' network access is promptly removed when they leave District employment and reported conducting biannual reviews of active network accounts for appropriateness.

7. 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 any deficiencies and document the test results.

▶ Status: **Partially implemented at 36 months.**

In June 2025, the District performed a test of its IT contingency plan with appropriate District staff and documented the results. However, the District has not updated its IT contingency plan to address the critical components it lacked. Specifically, we reported in the prior 24-month followup that the District's IT contingency plan lacked critical components required by the USFR and/or recommended by credible industry standards, including the order in which critical systems should be restored; contingencies for continued business operations during a system outage; detailed procedures to facilitate the restoration of critical assets; and evidence of an annual review performed by appropriate staff. As a result, the District continues to be at increased risk of being unable to continue operations and restore the District's systems in the event of a system outage.

## District USFR noncompliance

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### **District has been in noncompliance with the USFR since February 2023 and is still in noncompliance based on our review of the District's fiscal year 2024 financial audit reports, USFR Compliance Questionnaire (Questionnaire), and our June 2025 performance audit followup report**

Young Elementary School District has been in noncompliance with the USFR since February 2023. In April 2024, the Arizona State Board of Education (State Board) held a hearing and 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 August 2025, we sent a letter to the State Board notifying it that the District is still in noncompliance with the USFR based on our review of the District's financial audit reports and Questionnaire for the year ended June 30, 2024, and our June 2025

performance audit followup report.<sup>4</sup> We will continue to assist the District as it works to correct its internal control deficiencies. For example, we provided the District an updated corrective action plan template to document corrective actions taken to comply with the USFR and have continued to meet with District management to discuss the District’s planned corrective actions. When the District can show it has corrected its deficiencies, we may perform a status review to determine if the District is no longer in noncompliance with the USFR, and we will notify the State Board of the results.

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<sup>4</sup> See *Young Elementary School District—Notice to the State Board of Education—Still in Noncompliance with the Uniform System of Financial Records for Arizona School Districts (USFR)*, issued August 14, 2025.