




# Seligman Unified School District

## Initial Followup of Performance Audit Report 25-205

The July 2025 Seligman Unified School District performance audit found that the District did not comply with key requirements for financial and operational controls, including accounts payable, credit cards, cash handling, payroll, procurement, travel reimbursements, and information technology security. These deficiencies increased the risk of errors, fraud, and improper payments and weakened the District’s ability to safeguard public resources. The consulting firm, Sjoberg Evashenk Consulting, who conducted the performance audit under contract with the Arizona Auditor General, made **27** recommendations to the District.

### District’s status in implementing 27 recommendations

| Implementation status                                                                                      | Number of recommendations |
|------------------------------------------------------------------------------------------------------------|---------------------------|
|  Implemented            | 7 recommendations         |
|  In process             | 13 recommendations        |
|  <b>Not implemented</b> | <b>7 recommendations</b>  |

We will conduct an 18-month followup with the District on the status of the recommendations that have not yet been implemented.

# Recommendations to the District

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## Finding 1: The District lacked sufficient internal controls in most business and financial operational areas, increasing the risk of errors, loss, and improper payments

1. The District should review, update, and/or develop and implement written procedures that align with Board-approved policies and State requirements for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight.

▶ Status: **Implementation in process.**

The District developed written procedures for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight that its Governing Board (Board) approved in May 2025. However, the District's written procedures for cash handling and credit cards lack some important details necessary to meet *Uniform System of Financial Records for Arizona School Districts* (USFR) requirements.<sup>1</sup> Specifically, the procedures lacked sufficient details to guide staff responsible for safeguarding cash, making timely deposits, training authorized credit card users, and maintaining credit card user agreements. Without these details, the District continues to increase the risk for errors, loss or theft of cash, and improper credit card purchases. The District reported that it would update its written procedures to address these deficiencies and provide them to the Board for approval by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

2. The District should develop and provide training to staff responsible for cash handling, purchasing, travel expenditures and reimbursement, procurement, and credit card use and oversight procedures; and document the training provided.

▶ Status: **Implementation in process.**

In July 2025, the District conducted staff training related to its updated procedures for credit card use and purchasing but was unable to provide support that it had also provided training on its procedures for cash handling, travel expenditures and reimbursement, and procurement. Further, as discussed in recommendation 1, some of the District's procedures require additional updates to meet USFR requirements, and thus, additional training will likely be needed once the written procedures are updated. The District reported that it would update its training and provide it to its staff by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

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<sup>1</sup> The Arizona Auditor General and the Arizona Department of Education (ADE) 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.

3. The District should develop and implement written supervisory oversight procedures for monitoring and reviewing cash handling, accounts payable processes and purchase order overages, travel expenditures and reimbursements, procurement activities, and credit card custody and use to ensure compliance with USFR requirements and Board policies.

▶ Status: **Implementation in process.**

The District has developed written supervisory oversight procedures for cash, credit cards, purchasing, and travel that align with the USFR and Board policies but had not consistently followed its written procedures relating to travel. For example, the District allowed the superintendent to self-approve travel requests and reimbursements and authorize travel payments without ensuring that supporting documentation was complete. Additionally, the District has yet to develop supervisory oversight procedures for procurement to ensure all required procurement documentation is maintained in the procurement files. The District reported that it would develop its written supervisory oversight procedures for procurement and provide them to the Board for approval by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

4. The District should 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.

▶ Status: **Implementation in process.**

The District's updated cash-handling procedures require staff to prepare and maintain evidence for all cash received, such as prenumbered receipts, inventory sheets for items sold during school fundraisers, and cash-collection forms. However, we judgmentally selected and reviewed 12 cash deposits from October 2025 totaling \$4,738 and found that 2 deposits were missing receipt documentation. Without this documentation, the District was unable to properly reconcile the amount deposited to the amount of cash collected.

We also found that 7 of 12 cash deposits we reviewed did not clearly document who deposited the cash. Because the deposits lacked the depositor's signature, we could not determine whether the District had appropriately separated cash-handling responsibilities, such that the depositor was not also responsible for reconciliation or other conflicting duties. District officials reported that they plan to make additional updates to the District's cash-handling procedures by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

5. The District should ensure cash is deposited at least weekly, and daily when amounts are significant.

▶ Status: **Not implemented.**

We reviewed 12 cash deposits the District made in October 2025 and found that the District continued to have some deposits that did not conform to USFR requirements for timely deposits. Among the 12 deposits we reviewed, the District made 4 cash deposits totaling \$1,993 between 8 and 15 days after receipt, contrary to USFR requirements to deposit cash at least weekly, or daily when amounts are significant. Cash deposit delays increase the risk that District monies could be lost or stolen. During the followup, District officials reported that they plan to review and improve the District's cash-collection and depositing procedures to align with USFR requirements by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

6. The District should ensure cash is immediately safeguarded in a locked drawer or cash register and that any cash not deposited on the same day as received is secured in a safe or locked cabinet with access limited to only District employees who require access.

▶ Status: **Not implemented.**

The District has not ensured cash is properly safeguarded. As discussed in recommendation 7, the District has not yet taken steps to secure the monies kept in its safe. Additionally, as discussed in recommendation 1, the District's procedures do not provide sufficient guidance for staff responsible for safeguarding cash. For instance, the procedures do not address how those who receive cash, such as monies collected for student activities, should safeguard it prior to transferring it to the District's business office and the time frame for doing so. As a result, we found that 6 of 12 cash deposits we reviewed reflected delays of between 5 and 15 days from when the cash was initially collected from student activity concession and fundraising events and the date cash was remitted to the business office. When we brought this to the District's attention, officials reported that they were not aware of how those who received the cash secured it prior to delivering it to the business office.

District officials indicated that the District plans to continue working to improve its cash-collection and depositing practices to align with USFR requirements and District procedures by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

7. The District should change the safe combination when an employee with access to it leaves the District or no longer requires access because of changes to job responsibilities.

▶ Status: **Not implemented.**

The District has not taken steps to address this recommendation but indicated it would do so by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

8. The District should ensure that purchase orders or requisitions are obtained and approved prior to making purchases, including those made with credit cards; any purchase order overages beyond the initial approved amount receive secondary approval; and the receipt of goods or services is verified before payments are made.

▶ Status: **Implementation in process.**

The District's updated policies and procedures require purchases, including those made with credit cards, to be approved in advance, but based on our review, additional work is needed to fully implement this recommendation. We judgmentally selected and reviewed 10 transactions—6 credit card purchases and 4 accounts payable expenditures—out of the District's 349 total expenditures from July 2025 through January 2026 and identified the following deficiencies:

- 4 purchases lacked evidence of approval prior to purchase.
- 8 purchases lacked evidence to demonstrate that the District followed USFR requirements to separate purchasing duties and that the superintendent did not both request and approve the purchases.
- 9 purchases lacked evidence that the District received and approved goods or services before paying the associated invoices.

District officials reported that the District plans to review and improve its purchasing procedures by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

9. The District should ensure that all credit card users annually sign a user agreement that is kept on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.

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

Our review of the District's credit card training records for current employees in fiscal year 2026 found that the District had provided training to all authorized card users and maintained signed user agreements for each of these users.

10. The District should maintain complete and accurate credit card logs that include enough information to track possession of the cards and the purchase order associated with the card's use.

▶ Status: **Implementation in process.**

Since the audit, the District has taken steps to improve its tracking of District credit cards by consistently maintaining logs when cards are checked out for use. However, at the time of our review, the logs did not include information about purchase orders associated with credit card use as recommended. When we brought this to the District's attention during the followup, District officials reported that the District revised its credit

card logs in April 2026 to include information about the purchase order associated with the card's use. We will assess the District's efforts to implement this recommendation at the 18-month followup.

11. The District should ensure that it maintains evidence to support all credit card transactions, such as properly authorized purchase orders prior to purchases and itemized receipts or invoices to ensure purchases are authorized and allowable.

▶ Status: **Not implemented.**

We found that the District did not ensure that it maintained evidence to support all credit card transactions, and in particular, it had not ensured that credit card purchases made by the superintendent were approved and allowable. As discussed in recommendation 8, we judgmentally selected and reviewed 6 fiscal year 2026 credit card purchases. Of the credit card purchases we reviewed, 1 lacked a receipt supporting the purchase amount, 4 lacked sufficient documentation to demonstrate that the superintendent did not both request and approve the purchase, and 6 lacked evidence that goods or services were received and approved before invoices were paid.

When we brought these issues to the District's attention, District officials reported that the District has changed its purchasing process to require Board approval for the superintendent's purchases. They also reported plans to review and further improve purchasing procedures by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

12. The District should ensure that it maintains evidence to support travel expenditures, such as documentation of prior approvals, completed travel claim forms, and itemized receipts; and that payments for travel expenses and reimbursements are based on current *State of Arizona Accounting Manual (SAAM)* rates.

▶ Status: **Not implemented.**

We found that the District continued to lack support for travel expenditures and had travel expenditures and reimbursements that exceeded SAAM rates. We reviewed 30 of the District's travel expenditures from September 2025 through January 2026 totaling \$9,487 and found the District made 23 of these expenditures without required advance approval of the travel. Additionally, 16 of these expenditures were for the superintendent's travel, and we found that the superintendent had self-approved both the travel and the associated travel reimbursement after the travel occurred for 7 of 16 expenditures. By doing so, the superintendent's travel requests and reimbursements had no secondary review or approvals, increasing the risk that travel may not be a prudent use of District monies or that the superintendent is reimbursed for unallowed expenses.

The District also did not ensure that evidence needed to support travel expenditures, including reimbursements, was complete. Specifically, 1 travel claim used to support mileage reimbursement was missing odometer readings or other documentation to

support the mileage total. Additionally, we identified 5 lodging reimbursements and 4 meal reimbursements that exceeded the allowable SAAM rates. District officials indicated they would review the District's process for approving travel expenditures, including reimbursements to ensure the District maintains all required documentation and pay according to current SAAM rates by July 2026. We will review the District's efforts to implement this recommendation at the 18-month followup.

- 13.** The District should maintain complete procurement files to ensure compliance with the USFR, Arizona Administrative Code and Board-approved policies.

▶ Status: **Not implemented.**

We found that the District had not resolved the deficiencies identified in the audit and continued to lack complete procurement files that complied with State requirements and District policies. We judgmentally selected and reviewed 4 of 30 fiscal year 2026 procurement files and found that none of the 4 files included all the documentation required by the USFR, Arizona Administrative Code, and/or Board-approved policies. Specifically, 2 files lacked a list of which vendors were notified, and 3 files lacked documentation of the bids received. Additionally, 1 file we reviewed was for an emergency procurement, which requires a written statement documenting the nature of the emergency, that the price is fair and reasonable, and the basis of the selection of a particular contractor, which the District did not maintain. We will review the District's efforts to implement this recommendation at the 18-month followup.

- 14.** The District should 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.

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

District officials indicated that they review the USFR Chart of Accounts for school districts on an annual basis. Our review of District expenditures made between July 2025 and January 2026 found that the District had substantially corrected its classification of expenditures compared to the initial performance audit.

- 15.** The District should review mileage reimbursements made between fiscal years 2023 and 2024 to determine whether the correct SAAM rate was used to calculate payments, and recalculate and remit any underpayments to affected District employees.

▶ Status: **Implementation in process.**

The District has begun the process of reviewing its mileage reimbursements made between fiscal years 2023 and 2024, and identified approximately \$18 they underpaid employees, which the District addressed in March 2026. District officials reported they will finish reviewing the remaining fiscal years 2023 and 2024 travel reimbursements by July 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

## **Finding 2: District paid administrators and staff additional amounts that were unsupported by District policy, employment agreements, or other approvals, and did not separate payroll duties, contrary to the USFR**

- 16.** The District should develop and implement written payroll processing and review procedures to ensure staff consistently comply with USFR and District policies, such as requirements for all payments to be supported, approved, and documented; and train District employees responsible for payroll processing, approval, and review on these procedures.

▶ Status: **Implementation in process.**

Although the District has developed and implemented payroll processing and review procedures to help ensure staff consistently comply with USFR requirements, we found that the District did not always follow these procedures to ensure that payments were accurately calculated and received prior approval. We judgmentally selected and reviewed additional payments made to 5 of 12 employees who received such payments in fiscal year 2026 as of January 2026 and found that additional duty and longevity payments to 3 employees lacked documented prior approval. Additionally, District officials indicated that they had provided training to business office staff on payroll processes and procedures but lacked any documentation supporting that the training had occurred. District officials reported they intended to provide cross training for all business office staff during the summer of 2026 and will document the training provided. We will review the District's efforts to implement this recommendation at the 18-month followup.

- 17.** The District should separate payroll processing responsibilities as required by the USFR. If separating duties is not possible due to limited staff size, develop and implement compensating controls, such as additional management reviews.

▶ Status: **Implementation in process.**

The District has separated payroll responsibilities to ensure the business manager is no longer responsible for performing all payroll functions, but contrary to the USFR, it has not yet assigned the responsibility of reconciling payroll disbursements to ensure payments are accurate. District officials reported that they intended to finalize their payroll procedures and provide cross training for all business office staff during the summer of 2026. We will review the District's efforts to implement this recommendation at the 18-month followup.

- 18.** The District should review the health insurance fringe benefits included in the business manager and superintendent contracts, and any other employment contract with similar benefits, and clarify language related to the Board’s intent in providing these benefits and what is required to substantiate the amount the District would pay.

▶ Status: **Implementation in process.**

During the followup, we reviewed the most recent employment contracts associated with the District superintendent and 2 administrators receiving the health insurance fringe benefit stipend. Although the superintendent’s employment contract included detailed language clarifying the intent of these benefits, the employment contracts associated with the 2 administrative employees lacked similarly detailed language explaining the Board’s intent in providing the benefits. The District reported that it would work to clarify contract language to include these details over the summer of 2026. We will review the District’s efforts to implement this recommendation at the 18-month followup.

- 19.** The District should identify payments for fringe benefits, such as health insurance stipends, longevity pay, and accumulated leave payouts made to District employees in fiscal years 2023 and 2024 and determine whether they were appropriate; seek reimbursement for any amounts the District determines were not allowable. Consult with legal counsel as needed when making these determinations.

▶ Status: **Implementation in process.**

The District is in the process of reviewing its fiscal year 2023 and 2024 health insurance stipends and longevity payments and has not yet identified any inappropriate payments. District officials also reported that they plan to complete their review of fiscal years 2023 and 2024 accumulated leave payouts by July 2026 but first want to clarify the Board’s intent for providing those payments. We will review the District’s efforts to implement this recommendation at the 18-month followup.

### **Finding 3: District did not require proof of insurance for employees using personal vehicles for District business, including transporting students, which may increase risks to student safety**

- 20.** The District should work with its Board to establish and implement a policy requiring all drivers who transport students for District-approved school activities or who use their personal vehicles for District business to provide proof of a valid driver’s license and automobile insurance that meets minimum liability limits.

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

Since the audit, the District implemented a transportation handbook that the Board approved in October 2025. The handbook includes procedures requiring District drivers to provide proof of a valid driver’s license. Additionally, the District’s travel claim instructions require employees who use personal vehicles for District business to provide proof of a valid driver’s license and automobile insurance. As part of our review of supporting documentation related to travel for recommendation 12, we determined the District had followed its updated procedures.

## **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, data loss, and fraud**

- 21.** The District should develop and implement IT policies and procedures to specify user access levels by job function and responsibility and to conduct periodic reviews of user accounts to verify that access levels are appropriate, including for accounting system functions, and any unnecessary accounts, such as those for terminated employees or vendors, are disabled.

▶ Status: **Implementation in process.**

Although the District developed written IT procedures that generally align with credible industry standards, the procedures have not been approved by the Board and the procedures do not specify a process for periodically reviewing users' system access levels to verify they are appropriate. Our March 2026 review of the District's 4 accounting system users found that 2 users continued to have more access than necessary to complete their job duties. These users could initiate and complete payroll and/or accounts payable transactions without another employee's involvement. We also identified 2 network accounts that were no longer needed and should have been disabled, and 1 account the District had inappropriately assigned administrator-level access.

By failing to disable unnecessary accounts and limit IT system access to only what employees need to perform their job duties, the District increased the risks of data loss, unauthorized access to sensitive information, and fraud. When we brought these accounts to the District's attention, District officials reported disabling the unnecessary network accounts and removing administrator accounts from the business office. District officials also indicated they would remove accounting system users' excessive system access by the end of April 2026. We will assess the District's efforts to implement this recommendation at the 18-month followup.

- 22.** The District should establish and implement procedures for IT system oversight, including assigning oversight responsibilities for network management and security, and requiring reviews of accounting system and network activity so that potentially malicious or fraudulent activity can be detected in a timely manner.

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

The District has developed and implemented procedures for IT system oversight that require monthly reviews of accounting system activity and changes and quarterly reviews of network activity. We found that the District performed the monthly and quarterly reviews required by its updated procedures. Further, the District assigned oversight responsibilities for network management and security to a team of administrators at the District.

**23.** The District should review and adopt the February 2025 updated District IT contingency plan, ensuring it meets all 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: **Not implemented.**

The District has not yet reviewed and adopted its updated February 2025 IT contingency plan and based on our review, the plan continues to lack critical components required by the USFR and recommended by credible industry standards. Additionally, although District officials reported testing the District’s contingency plan, they did not document the test results. Without a comprehensive and regularly tested IT contingency plan aligned with the USFR and credible industry standards, the District increases the risk of data loss and/or prolonged disruptions to its operations in the event of a system outage. District officials reported that they would work to update the plan to include relevant requirements over the summer of 2026. We will assess the District’s efforts to implement this recommendation at the 18-month followup.

**24.** The District should provide cybersecurity awareness training to employees at least annually and document their participation.

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

The District developed written policies that require all employees to complete cybersecurity awareness training annually. Our March 2026 review of the District’s training documentation found the District had followed its updated policy.

### **Finding 5: Board members and 2 District employees did not comply with conflict-of interest requirements and recommended practices**

**25.** The District should ensure compliance with State laws governing conflicts of interest by requiring Board members and employees to complete conflict-of-interest disclosure forms annually and when new potential conflicts of interest arise.

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

The District developed a written policy requiring District employees and all Board members to complete a conflict-of-interest disclosure form both annually and as any potential conflicts of interest arise throughout the year. Our review of all fiscal year 2026 disclosure forms found that all 38 full-time District employees and all 4 Board members completed a conflict-of-interest disclosure form.

**26.** The District should develop and implement a process to review conflict-of-interest forms to identify disclosed interests and take necessary action to remediate them, such as notifying the Board when conflicts relating to agenda items exist to ensure affected Board members or employees refrain from participating in decisions relating to their interests.

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

The District has developed and implemented a written process to review conflict-of-interest disclosure forms to identify disclosed interests and take necessary action to remediate them. Our review of fiscal year 2026 conflict-of-interest forms found that the District reviewed and notified employees and Board members of matters or Board agenda items they should not participate in related to their disclosed interests. Further, the District compared employees' fiscal year 2026 conflict-of-interest forms to previously completed forms and followed up on reporting discrepancies to better ensure all conflicts of interest were disclosed and addressed.

**27.** The District should develop and provide periodic training to employees and Board members on the requirements for complying with conflict-of-interest laws, including the need to describe their substantial interests on disclosure forms and to refrain from participating in any decision, contract, sale, purchase, or service for which they or a close relative have a substantial interest; and document the training provided.

▶ Status: **Implementation in process.**

The District has developed and provided periodic conflict-of-interest training to employees and Board members but did not ensure all relevant staff attended the training. Our review of the District's training sign-in sheet found that 2 employees in roles pertinent to the District's purchasing process did not attend the training. While the District reported providing followup training, they were unable to provide documentation of such training. District officials reported that they will provide and document additional training in the next school year for employees unable to attend the first training. We will assess the District's efforts to implement this recommendation at the 18-month followup.