



**Apache Elementary School District 42**  
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Ms. Loy Ann Guzman, Superintendent

May 12, 2026

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 N. 44<sup>th</sup> St., Ste. 410  
Phoenix, AZ 85018-7271

Dear Auditor General Perry,

Apache Elementary School 42 has received and carefully reviewed the Fiscal Year 2024 Performance Audit Report. Upon review of this report, the district agrees with all findings and implementing recommendations provided. While some recommendations already have been implemented, the district will continue to work diligently to complete administration of the remaining items and will work to improve the processes and procedures moving forward.

District Administration and the Governing Board appreciate the thoroughness of the audit process and the opportunity to address the areas identified for improvement within our district's operations. We would like to express our appreciation to the audit team for their professionalism and courtesy throughout this process. Given our School's unique situation and size, they provided us with valuable information and were a pleasure to work with. If you have any questions, please feel free to contact our office at any time.

Sincerely,

Loy Ann Guzman  
Superintendent  
Apache Elementary School 42

*The mission of Apache Elementary School District #42 is to provide quality educational experiences, arranging school structures, policies, and curriculum so that each child can learn at their maximum rate, mindful that the school exists for children to develop skills for productive lives.*

**Finding 1:** District failed to comply with out-of-State student admission and reporting requirements, resulting in substantial overfunding from the State, and should evaluate operational changes for educating the few Arizona students it serves

District Response: The Auditor General's finding is agreed to.

Response explanation: The District has implemented procedures to require acceptable proof of residence for each enrolled student at the time of enrollment and at the beginning of each new school year.

**Recommendation 1:** Work with ADE regarding needed corrections to its ADM reports until all ADM reporting and funding errors are corrected and appropriate going forward.

District Response: The audit recommendation will be implemented.

Response explanation: The District has worked with ADE and corrected ADM reports in FY2425 as directed by ADE regarding the ADM audit findings.

**Recommendation 2:** If the District determines that it will admit out-of-State students, ensure it does so in accordance with applicable State laws by charging these students' tuition to cover the cost of admission.

District Response: The audit recommendation will be implemented.

Response explanation: The District does not plan to accept out-of-State students, but in the event that this is considered, the District will consult with the County Superintendent's Office in order to establish a tuition rate that is compliant with applicable State laws.

**Recommendation 3:** In consultation with the County school superintendent, evaluate alternative operational options and determine whether it would provide benefits, such as more effective and efficient operations, while maintaining a high quality of education that benefits students and teachers. If the Board determines that the District should pursue an alternative operational option, work with the adjoining school districts and the County school superintendent to further evaluate and initiate the process as appropriate. Conversely, if the Board determines not to pursue any of these operational options, document the reasons for its determination.

District Response: The audit recommendation will be implemented.

Response explanation: The District will meet with the County School Superintendent and the Board and evaluate alternative operational options. The reasons for the resulting determination will be documented.

**Finding 2:** District improperly claimed miles and riders for out-of-State students and made other transportation reporting errors, resulting in State overfunding of more than \$27,500 for fiscal year 2025, which District will likely have to repay

District Response: The Auditor General's finding is agreed to.

Response explanation: The District will work with ADE to correct transportation reporting errors.

**Recommendation 4:** Ensure it receives annual Board approval to provide transportation services to any student when determined to be in the District's best interest, including reimbursing parents to transport out-of-State students to and from school.

District Response: The audit recommendation will be implemented.

Response explanation: The District will obtain annual Board approval to provide transportation services, including reimbursing parents, before any reimbursements are made.

**Recommendation 5:** If the District continues to contract with students' parents for transportation services, ensure the mileage reported on contractor applications is accurate prior to paying for transportation services, and only reimburse for actual miles driven.

District Response: The audit recommendation will be implemented.

Response explanation: The District is currently not reimbursing any parents for transportation services. If the District does decide to reimburse parents in the future, the District will ensure the mileage reported is accurate and will only reimburse for actual miles driven.

**Recommendation 6:** Work with its Board and legal counsel, as necessary, to determine what actions it should take to address the excess mileage reimbursements it paid to parents, which may include seeking reimbursement for any overpayments.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work with our Governing Board and legal counsel, as necessary, to determine what actions will be taken to address the excess mileage reimbursements.

**Recommendation 7:** If the District resumes transportation services, accurately calculate and report to ADE for State funding purposes the number of route miles traveled and number of eligible students transported, including no longer reporting miles and riders associated with out-of-State students who do not meet the eligibility requirements outlined in ADE's Transportation Guidelines.

District Response: The audit recommendation will be implemented.

Response explanation: The District is not currently offering any transportation services, but if it does so in the future, the District will accurately report route miles and eligible students to ADE. The District will not report any mileage or riders for out-of-State students.

**Recommendation 8:** Work with ADE immediately regarding any needed corrections to its fiscal year 2024 transportation funding reports until all transportation reporting and funding errors are fully corrected.

District Response: The audit recommendation will be implemented.

Response explanation: The District will contact the appropriate staff at ADE and work with them to correct any 2024 transportation reports until ADE determines that they are fully corrected.

**Finding 3:** District may have violated the State Constitution's gift clause by providing unauthorized fringe benefits to 2 employees and did not comply with some cash-handling requirements, increasing risk of improper payments, loss, and theft

District Response: The Auditor General's finding is agreed to.

Response explanation: The District, working with legal counsel, has updated the 2 employee contracts to include the fringe benefits and is developing protocols to comply with required cash-handling requirements.

**Recommendation 9:** Ensure that all salaries and benefits it provides to employees, including any fringe benefits, are approved by the Board in a public meeting prior to providing them and documented in each employee's contract or employment agreement.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented this recommendation by consulting with legal counsel and updating the 2 employee contracts to include any fringe benefits. These contracts were approved by the Board at a public meeting.

**Recommendation 10:** In consultation with its legal counsel, as necessary, determine whether the District violated the State's gift clause by providing fringe benefits to its employees without Board approval. If the District determines it violated the State's gift clause, it should determine the amounts it may have improperly gifted and take necessary action to resolve any gift clause violations it identifies.

District Response: The audit recommendation will be implemented.

Response explanation: The District will consult with legal counsel, as necessary, to determine if the State's gift clause was violated.

**Recommendation 11:** Upon determining whether its actions resulted in a gift of public monies in violation of the State's gift clause, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

District Response: The audit recommendation will be implemented.

Response explanation: The District will report its determination and the supporting rationale to the Arizona Attorney General's Office.

**Recommendation 12:** Establish a process to prepare receipts or other documented evidence for all cash received at the time of cash collection.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish and implement a process to prepare receipts for all cash received at the time of cash collection.

**Recommendation 13:** Establish a process to deposit cash at least weekly, or daily when amounts are significant. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the weekly deposit requirement with guidelines and required secondary approvals.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement a process to deposit cash at least weekly.

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

District Response: The Auditor General's finding is agreed to.

Response explanation: The District will work with the County Superintendent's Office to limit access to its sensitive computerized data and other IT deficiencies.

**Recommendation 14:** Limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing inappropriate administrator-level access.

District Response: The audit recommendation will be implemented.

Response explanation: The District accounting system is hosted by the County Superintendent's Office and does not have permissions within the accounting system to assign or change user access, but the District will work with, and direct, the County Superintendent's Office to limit employee access to the accounting system to only functions needed to perform their job duties and will remove inappropriate administrator-level access.

**Recommendation 15:** Develop and implement a formal process to ensure that accounting system accounts are promptly disabled or removed when no longer needed to reduce the risk of unauthorized access.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement a formal process with the County Superintendent's Office to ensure that accounting system accounts are promptly disabled or removed when no longer needed to reduce the risk of unauthorized access.

**Recommendation 16:** Develop and implement a process to assign new employees appropriate accounting system access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement a process with the County Superintendent's Office to assign new employees appropriate accounting system access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties.

**Recommendation 17:** Work with the County to review and limit users' access to the accounting system to only those functions needed to support the District, including ensuring that no single user can initiate and complete a transaction without an independent review and approval and removing all accounts associated with terminated County employees.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work with the County to review and limit users' access to the accounting system to only those functions needed to support the District, including ensuring that no single user can initiate and complete a transaction without an independent review and approval and removing all accounts associated with terminated County employees.

**Recommendation 18:** Implement effective controls to monitor external users' accounting system activities, such as a process to regularly review transactions and activity logs, to ensure these users' system activities are authorized and appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: The District will generate and review Change Log and Access Log in School ERP Pro accounting system on a quarterly basis and place these reports on file.

**Recommendation 19:** Implement comprehensive authentication controls for users accessing critical IT systems.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented MFA controls on its critical IT systems.

**Recommendation 20:** Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards, test the plan at least annually, and remedy deficiencies and document the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement an IT contingency plan that meets USFR requirements and credible industry standards, test the plan at least annually, and remedy deficiencies and document the test results.

**Recommendation 21:** Establish and implement policies and procedures to conduct mandatory security awareness training that meets USFR and credible industry standards for all employees upon hire and at least annually thereafter, and document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish and implement policies and procedures to conduct mandatory security awareness training that meets USFR and credible industry standards for all employees upon hire and at least annually thereafter, and document the training provided.

**Recommendation 22:** Develop and implement a process to review USFR IT requirements and credible industry standards at least annually to ensure the District complies with IT security practices to safeguard sensitive information and prevent errors, fraud, and data loss.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement a process to review USFR IT requirements and credible industry standards at least annually to ensure the District complies with IT security practices to safeguard sensitive information and prevent errors, fraud, and data loss.