




# Morristown Elementary School District

## 24-Month Followup of Performance Audit Report 23-208

The December 2023 Morristown Elementary School District performance audit found that the District used informal, deficient processes in some areas after it stopped outsourcing certain responsibilities and did not follow some important requirements and recommended practices, increasing risk to District assets, student safety, and sensitive computerized data. We made **27** recommendations to the District.

### District’s status in implementing 27 recommendations

Implementation status	Number of recommendations
 Implemented	16 recommendations
 In process	10 recommendations
 <b>Not implemented</b>	<b>1 recommendation</b>

We will conduct a 36-month followup with the District on the status of those recommendations that have not yet been fully implemented.

# Recommendations to the District

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## Finding 1: District used informal, deficient processes in some areas after it stopped outsourcing various District responsibilities, increasing risk to District assets and student safety

1. The District should perform its payroll and cash-handling responsibilities in conformance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) and its school bus preventive maintenance in conformance with Arizona Department of Public Safety's (DPS) *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards).<sup>1</sup>

▶ Status: **Implementation in process.**

As reported in the prior initial followup, the District's Governing Board (Board) approved new policies and procedures for payroll, cash-handling, and school bus preventative maintenance in July 2024, but additional improvements are needed to fully implement this recommendation. For instance, we reviewed fiscal year 2026 payroll records through February 2026 and found the District made payments to 3 of 8 employees we reviewed without the required prior approval.

Additionally, we continued to find deficiencies in the District's cash-handling process like those we identified during the audit and prior followup.

Specifically, we judgmentally selected and reviewed 21 cash transactions across 4 deposits totaling \$2,271 from December 2025 and identified the following issues:

- The District did not separate cash-handling responsibilities as required by the USFR and its policy. We found that for 12 of 21 cash transactions we reviewed, 1 employee was responsible for both collecting and recording cash received, without any additional review to ensure that all cash collected was deposited.
- The District did not always deposit cash at least weekly as required by the USFR. We found 1 cash transaction of \$200 that was not deposited until 28 days after the cash was received.
- The District did not always promptly record cash collections. District policy requires staff to promptly complete cash-collection forms, which are used to record and verify cash collections, but we found 1 cash transaction that was not recorded on a cash-collection form until 4 days after the cash was received.
- The District did not always issue sequentially numbered receipts for cash collected at the business office, contrary to the USFR.

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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.

- The District lacked evidence to support it had conducted reconciliations for any of the 4 deposits we reviewed.

Finally, since the prior initial followup, the District updated its school bus preventative maintenance policy and procedure to include maximum mileage and time frame intervals for preventative maintenance services, which the Board approved in March 2026. However, the District has not operated its transportation program since September 2025 because it was unable to hire a qualified school bus driver. District officials indicated they intend to resume providing transportation services once a school bus driver is hired.<sup>2</sup>

We will assess the District's efforts to implement this recommendation at the 36-month followup.

2. The District should utilize external guidance, such as from Maricopa County School Superintendent's Office (MCSSO) staff or resources available on the Arizona Auditor General's website, to develop and implement written policies and procedures that require it to:

- a. Separate responsibilities in its payroll process to ensure that no individual employee is responsible for preparing payroll, authorizing payroll, and distributing warrants in accordance with the USFR;

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

The District received assistance from the MCSSO to develop a new payroll policy that complies with the USFR. The revised policy, which the Board voted to approve at its July 2024 meeting, appropriately separates responsibilities for preparing payroll, authorizing payroll, and distributing warrants.

- b. Separate responsibilities in its cash-handling processes to ensure that no individual employee is responsible for cash-handling and recordkeeping functions in accordance with the USFR;

▶ Status: **Implementation in process.**

District officials indicated that the District has updated its cash-handling processes, but as previously discussed in recommendation 1, we found that the District's cash-handling processes still do not meet USFR requirements. We will assess the District's efforts to implement this recommendation at the 36-month followup.

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<sup>2</sup> Pursuant to A.R.S. §15-342(12), school districts may provide transportation for students at the districts' discretion. In certain specific circumstances, such as when transportation services are required by a student's individualized education program, school districts are required to provide transportation services. See A.R.S. §15-764(A)(4) and Op. Ariz. Att'y Gen. 183-142 (December 28, 1983). District officials indicated that since the District has not been operating its transportation program and has been unable to contract with an outside party to provide transportation services, parents have been transporting students to and from school.

- c. Perform and track systematic preventive maintenance on its school buses that considers maximum mileage and time frame intervals and the maintenance work that should be completed in accordance with DPS' Minimum Standards.

- ▶ Status: **Implementation in process.**

As discussed in recommendation 1, the District is not currently operating a transportation program. However, District officials reported that the District continues to maintain its 2 school buses and will ensure the buses meet DPS Minimum Standards prior to resuming student transportation services. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 3. The District should identify and provide training to staff responsible for payroll, cash-handling, and school bus preventive maintenance to ensure they follow the developed policies and procedures.

- ▶ Status: **Implementation in process.**

The District has taken steps to implement this recommendation, but additional efforts are needed to ensure all staff receive necessary training. District officials indicated that in July 2025, the District provided cash-handling training, and we found the District's training materials addressed USFR cash-handling requirements. However, the District lacked any documentation to support that all staff with cash-handling responsibilities attended the training. Additionally, the District's business manager attended an external training course for payroll processing, but the District has not yet developed and provided training for other business office staff with payroll responsibilities. Finally, the District also indicated that although it does not currently operate a transportation program, it has identified necessary training for transportation staff that it will initiate when it is able to resume student transportation services. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 4. The District should ensure it continues to develop and implement processes, including creating written policies and procedures, for responsibilities other than payroll, cash-handling, and school bus preventive maintenance that it had previously outsourced in accordance with the USFR, DPS' Minimum Standards, and other applicable requirements and train applicable staff accordingly.

- ▶ Status: **Implementation in process.**

The District has continued to take steps to develop and implement policies and procedures in accordance with the USFR and other applicable requirements for responsibilities it previously outsourced, but some additional work is needed. Although the District does not currently operate a transportation program, it has updated its procedures for bus driver credentialing and testing.

However, we identified continued deficiencies in the District's accounts payable and purchasing processes. Specifically, the District lacks procedures to prevent it from incurring credit card finance charges and to ensure all credit card purchases are

approved in advance. We found that the District incurred credit card finance charges totaling \$151 between August 2025 and March 2026, and 2 of the 5 fiscal year 2026 credit card transactions we judgmentally selected for review lacked an approved purchase order. Additionally, the District did not consistently follow its receiving process for purchases. We found that 3 of 12 purchases we judgmentally selected for review lacked confirmation that the goods or services were received, and 7 of 12 purchases lacked evidence of supervisory approval prior to payment. We will assess the District's efforts to implement this recommendation at the 36-month followup.

## **Finding 2: District did not comply with legal requirements in various areas, resulting in it spending monies for an unauthorized purpose, paying unnecessary penalties and fees, and limiting transparency into District activities**

5. 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 statutory requirements and Arizona Attorney General Opinion No. 182-136.

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

The Board voted in its May 2024 meeting to approve the closure of its community preschool program for fiscal year 2025. District officials reported that the community preschool program will stay closed unless the District obtains appropriate grant funding.

6. The District should review and update its policies and procedures to ensure that employee tax withholdings are remitted in accordance with Internal Revenue Service (IRS) requirements to avoid penalties and interest charges.

▶ Status: **Implemented at 18 months.**

The Board voted in its July 2024 meeting to approve a new written policy requiring the District to remit employee tax withholdings in accordance with IRS requirements and District management to review and verify the accuracy of withholding deposits. Our review of the District's fiscal years 2024 and 2025 employee tax withholding activity found the District properly remitted employee tax withholdings.

7. The District should review and update its policies and procedures to ensure that if employee tax withholdings are remitted late, the late payments are resolved in a timely manner.

▶ Status: **Implemented at 18 months.**

The Board voted in its July 2024 meeting to approve a new written policy requiring District management to promptly resolve any late employee tax withholding remittances. Our review of the District's fiscal years 2024 and 2025 employee tax withholding activity found the District timely remitted employee tax withholdings.

- 8.** The District should ensure it acknowledges the receipt and value of donations and that the Governing Board accepts all donations during meetings open to the public.

  - ▶ Status: **Implemented at 18 months.**

The Board voted in July 2024 to approve revised policies and procedures requiring the District to acknowledge the receipt and value of donations and for the Board to accept donations during public meetings. We reviewed all 14 donations that the District received in fiscal year 2025 and found that each was accepted by the Board in a public meeting in accordance with the District’s updated policies and procedures.
  
- 9.** The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing open meetings. These policies and procedures should specifically require the Governing Board to accept donations in public meetings.

  - ▶ Status: **Implemented at 18 months.**

The Board voted in July 2024 to approve revised policies and procedures requiring it to accept donations during public meetings. As explained in recommendation 8, we found that the District had followed its revised policies for all 14 donations it accepted in fiscal year 2025.
  
- 10.** The District should consult with legal counsel and the Arizona Attorney General’s Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

  - ▶ Status: **Implemented at 24 months.**

District officials reported the District consulted with its legal counsel regarding possible open meeting law violations and based on that discussion, determined no action was necessary related to prior donations it accepted outside of public meetings. Instead, the District focused on developing processes to ensure it consistently acknowledges the receipt and value of donations and that the Governing Board accepts all donations during public meetings.
  
- 11.** The District should include in its employee training information regarding the importance of complying with State laws related to open meetings.

  - ▶ Status: **Implemented at 24 months.**

The District provided training regarding the importance of complying with the State’s open meeting laws to the Board and all relevant staff during the Board’s September 2025 meeting.

### **Finding 3: District did not provide required information about its retirement incentive program to ASRS, potentially resulting in unfunded liabilities and improper increases to future retirement benefits for some District employees**

**12.** The District should work with the Arizona State Retirement System (ASRS) to:

- a.** Determine if its termination incentive program created any unfunded liabilities and, if so, resolve them.

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

The District worked with the ASRS to identify and resolve any unfunded liabilities created by its termination incentive program. ASRS officials reported to us in December 2024 that the District had no unfunded liabilities with the ASRS.

- b.** Identify and correct any excess contributions that should not have been included as compensation for the calculation of ASRS benefits.

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

The District worked with the ASRS to identify and correct excess contributions resulting from withholding calculation errors. In March 2024, the ASRS refunded excess contributions to the District and recalculated the pension benefits for the affected employees.

**13.** The District should develop and implement written policies and procedures specifying the types of payments to employees that should be included as compensation for the calculation of ASRS benefits that comply with State laws and regulations.

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

The Board voted in its July 2024 meeting to approve a new written policy specifying the types of employee payments that should be included as compensation for calculating ASRS benefits in compliance with State laws and ASRS regulations.

### **Finding 4: District increased risks to student safety by transporting a student in a vehicle that did not have important safety features and failing to ensure a school building was structurally sound**

**14.** The District should ensure it transports all students to and from school using vehicles that meet all applicable safety guidelines, including DPS' substantive policy statement regarding the use of 11- to 15-passenger vans.

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

In January 2024, the District sold its 15-passenger van and no longer uses 11- to 15-passenger vans to transport students to and from school.

- 15.** The District should ensure the potentially structurally unsound building on its elementary school campus does not pose a safety risk to students by taking action to remedy it, such as repairing or demolishing the building.

▶ Status: **Not implemented.**

Following the denial of its End of Useful Life Assessment application by the Arizona Department of Administration's School Facilities Oversight Board (SFOB) to demolish the potentially structurally unsound building, District officials reported reaching out to the local fire marshal but were unable to identify any viable alternatives for removing the building.<sup>3</sup> To mitigate the safety risks when students are near the building, the District maintains a fence surrounding the building's perimeter. District officials also indicated District employees stand between students and the building during recess, but we did not observe this monitoring occurring during our site visit March 2026. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 16.** The District should ensure that all school buildings meet the State's minimum school facility adequacy guidelines, including that all buildings are structurally sound.

▶ Status: **Implementation in process.**

The District reported that it took steps to address the facility deficiencies identified in a December 2023 inspection report compiled by Arizona Department of Administration's School Facilities Division (SFD). Specifically, the District reported installing new air conditioning units and lighting to address deficiencies related to excessive carbon dioxide and noise, and insufficient lighting identified in the December 2023 report. SFD completed another inspection of the District's facilities in November 2025 that determined building carbon dioxide and sound levels had improved and met the State's minimum adequacy guidelines for school facilities. However, the inspection noted continued interior lighting deficiencies and identified leaks in the main school building's roof. The District reported that it is continuing to work with its SFD liaison to obtain funding and to address the issues identified in the 2 inspection reports. We will assess the District's efforts to implement this recommendation at the 36-month followup.

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<sup>3</sup> As reported in the prior initial followup, SFOB denied the District's End of Useful Life Assessment application because the building did not generate student capacity and therefore did not qualify. According to SFOB policy, the building must be in the District's building inventory as a space that generates student capacity to be eligible for an End of Useful Life Assessment.

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

- 17.** The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employee's administrator-level access.

▶ Status: **Implementation in process.**

Since our previous followup, the District removed the business office employee's administrator-level access to the accounting system, but it continues to provide an employee with excessive access to payroll functions. Although the District has sufficient staffing to separate these duties so that 1 employee could not complete the payroll process without another employee's involvement, it has not done so. Additionally, it has not initiated sufficient compensating controls as required by the USFR to reduce the risks of fraudulent or erroneous payroll transactions. We will assess the District's efforts to implement this recommendation at the 36-month followup.

- 18.** The District should review and reduce the number of users with administrator-level access to its network and train employees on District policies regarding periodically reviewing network accounts to ensure access aligns with job duties.

▶ Status: **Implemented at 18 months.**

Our June 2025 review of the District's network accounts found that it reduced the number of administrator accounts to 3 accounts from 10 at the time of our December 2023 performance audit report and that those accounts had been appropriately assigned administrator-level access.

- 19.** The District should develop and implement a process to assign new employees 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: **Implementation in process.**

As reported in the prior initial followup, the District developed processes to address this recommendation, but we found that its process for reviewing users' access to accounting system functions has not ensured that the District identifies and addresses excessive access for some accounting system users (see explanation for recommendation 17). Additionally, although it has developed processes for doing so, the District has not hired any new employees who require system access nor had employees whose duties changed and thus has not had to assign, review, or change their system access levels accordingly. We will assess the District's efforts to implement this recommendation at the 36-month followup.

**20.** The District should work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no one person can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited, the District should implement compensating controls to limit risks of unauthorized access, errors, and fraud.

▶ Status: **Implementation in process.**

MCSSO officials indicated that its current system access levels are necessary to assist the District with its daily operations. As such, the District performs reviews of system access logs to help identify potentially unauthorized access to its accounting system. However, access logs do not include information about users' system activities and therefore additional compensating controls, such as management reviews of system change logs to identify high-risk system changes or activities, are needed to ensure that MCSSO users' system activities are authorized and appropriate. We will assess the District's efforts to implement this recommendation at the 36-month followup.

**21.** The District should implement and enforce strong authentication controls such as multifactor authentication, including compensating controls if necessary, as required by the USFR, to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

▶ Status: **Implemented at 18 months.**

Our July 2025 review found the District had implemented user access controls for all critical systems in accordance with the USFR and credible industry standards.

**22.** The District should develop and implement policy and procedures to review the District's authentication controls against USFR requirements at least annually.

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

The District developed a policy, which the Board approved at its July 2024 meeting, requiring an annual review of the District's authentication controls against USFR requirements, and it has implemented procedures for conducting the review.

**23.** The District should require and track employee participation in security awareness training for employees who have not done so in the past year.

▶ Status: **Implemented at 18 months.**

The District requires cybersecurity awareness training through its online training platform when employees are hired and annually thereafter. District officials reported that they receive weekly emails listing any employees who are due for cybersecurity awareness training and have not completed it and then remind those employees to complete the training. We reviewed a compliance report and found that all District employees completed the security awareness training in fiscal year 2025.

**24.** The District should review its IT contingency plan to ensure that it meets USFR requirements and credible industry standards; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District’s ability to restore electronic data files for critical systems from backups; and document the test results.

▶ Status: **Implementation in process.**

The District has made minor updates to its contingency plan and identified additional changes that were necessary following an internet outage at the District, but its plan continues to not fully meet USFR requirements and credible industry standards. The District also has not conducted any required contingency plan tests. According to District officials, they intend to update their plan to ensure it includes the key components identified by the USFR and credible industry standards by the next followup. We will assess the District’s efforts to implement this recommendation at the 36-month followup.