

**ARIZONA  
AUDITOR  
GENERAL**

**Lindsey A. Perry**, Auditor General

June 18, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Williams Unified School District

Eric Evans, Superintendent  
Williams Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Williams Unified 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 CPA firm Walker & Armstrong 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 Evans 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

# Williams Unified School District

District administrators failed to effectively oversee District operations; did not maintain required accounting and operational records; lacked adequate controls over spending, gift card management, and transportation reporting; and did not address student health, safety, and IT security requirements, increasing risks to student safety, public monies, District assets, and sensitive computerized data

**Performance Audit**  
**A Report to the Arizona Legislature**  
**June 2026**  
**Report 26-205**



# Walker & Armstrong

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

June 12, 2026

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 Williams Unified School District for fiscal year 2024, conducted pursuant to Arizona Revised Statutes §41-1279.03.

As outlined in its response, the District agrees with the findings and plans to implement all the recommendations.

We appreciate the opportunity to provide these services and work with your Office. Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Walker & Armstrong, LLP". The signature is written in a cursive, flowing style.

Walker & Armstrong, LLP  
Phoenix, Arizona

## Williams Unified School District

### Performance Audit

District administrators failed to effectively oversee District operations; did not maintain required accounting and operational records; lacked adequate controls over spending, gift card management, and transportation reporting; and did not address student health, safety, and IT security requirements, increasing risks to student safety, public monies, District assets, and sensitive computerized data

### 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.

### Key findings

- District administrators did not maintain required accounting and operational records, failed to adequately monitor delegated responsibilities, and did not ensure key duties were completed accurately, resulting in unsupported spending, inaccurate records, and increased risks to public monies and student safety.
- District lacked adequate controls over travel, purchasing, cash handling, and credit card use, leading to unsupported expenditures, unnecessary fees, noncompliance with purchasing requirements, and incomplete accounting records.
- District did not adequately account for, safeguard, or monitor gift cards purchased with federal grant monies, increasing the risk of loss, theft, misuse, and distribution to individuals who may not have been eligible to receive them.
- District did not ensure Board members and all employees submitted annual conflict-of-interest disclosure forms and did not maintain disclosure documents in accordance with statutory requirements, limiting public transparency and increasing the risk that Board members and employees did not disclose substantial interests that could influence or affect their official conduct.
- District had unsecured cleaning supplies accessible to students and unresolved food safety concerns, increasing the risk to students' health and safety.
- District's inadequate controls over transportation reporting, fleet vehicle use, and information technology (IT) access and security increased the risk of inaccurate reporting, misuse of District resources, overfunding, data loss, and unauthorized access to sensitive information.

## Key recommendations

The District should:

- Evaluate operational responsibilities, staffing, and processes, and implement changes to ensure District functions are properly supervised and comply with District policy and State and federal requirements.
- Develop and implement formal written business procedures and management review controls for travel, purchasing, cash handling, credit cards, and accounting to improve compliance, accountability, and management of District monies.
- Determine and address the District's failure to publicly accept gift card donations and any noncompliance or questioned costs related to federal program requirements, and establish and enforce written controls for gift card management to ensure all gift cards are properly accounted for and distributed only to qualified recipients.
- Develop and implement procedures to ensure all District employees and Board members complete required conflict-of-interest disclosure forms in accordance with District policy, and maintain a file of such documentation for public inspection, as required by statute.
- Implement procedures to promptly address student health and safety risks by securing hazardous materials and ensuring compliance with food safety requirements.
- Improve controls over District assets and information by correcting erroneous transportation reporting to ADE; establishing review procedures for transportation reporting and fleet vehicle use; and implementing comprehensive IT controls, including strong password requirements, restricted user access, and cybersecurity awareness training for staff.

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Poor accounting and record keeping practices affected multiple areas we reviewed

District superintendent delegated substantial oversight responsibility to a single employee and failed to separate conflicting duties

Management reported being unaware of issues, including some that had previously been reported to them

Superintendent did not ensure work was completed and accurate

**Recommendations**

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**District's failure to comply with requirements for its business operations resulted in unsupported and wasteful expenditures, incomplete and inaccurate accounting records, and an increased risk of fraud**

Deficiency 1: District lacked support for nearly \$17,000 in travel expenses and overspent or wasted monies on other District trips

Deficiency 2: District wasted monies on credit card fees and failed to ensure credit card purchases were approved, valid, and supported in accordance with its policy and the USFR

Deficiency 3: District did not approve some purchases in advance and did not verify all goods and services were received before making payments

Deficiency 4: District's cash-handling and purchasing procedures did not comply with USFR requirements, increasing the risk that District monies could be lost, stolen, or misused without detection

Deficiency 5: District failed to record purchases and cash receipts in accordance with the USFR Chart of Accounts

District's lack of supervisory oversight and written procedures resulted in noncompliance with State and District requirements and increased the risk of errors and improper or fraudulent transactions

**Recommendations**

### Finding 3

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#### **District failed to manage gift cards purchased with federal grant monies in accordance with federal, State, and District requirements, increasing the risk of loss, theft, and misuse of public monies**

District participated in a federal grant program to provide support, including direct financial benefits through gift cards, to students experiencing homelessness and their families

District failed to manage program gift cards in accordance with federal and State requirements established to help reduce the risk of loss, theft, or misuse

Deficiency 1: Contrary to federal and State requirements, District did not take steps to properly account for and safeguard some program gift cards, which created a substantial risk that program gift cards could be lost or stolen

Deficiency 2: District did not ensure that only qualified families received the gift cards and that gift cards were not lost, stolen, or misappropriated

#### Recommendations

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#### **District incorrectly reported transportation data, resulting in overfunding, and did not maintain records for fleet vehicle use, increasing the risk of misuse of District resources**

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Deficiency 2: Contrary to the USFR, District did not monitor the use of its fleet vehicles to ensure they were used only for authorized purposes

#### Recommendations

### Finding 5

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#### **Board members and employees did not comply with conflict-of-interest disclosure requirements, increasing the risk that undisclosed substantial interests could influence their official conduct**

Statute addresses conflicts of interest for school district employees and Board members

None of the Board members and few of the employees we reviewed completed required conflict-of-interest disclosure forms

#### Recommendations

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#### **Unsecured cleaning supplies and food safety issues potentially put students' health and safety at risk**

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Issue 2: District did not fully address health department concerns about its food service program to ensure food it served to students was safe for consumption

Recommendations

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**Numerous IT deficiencies, including excessive access to computerized data and limited security controls, increased cybersecurity risks to District IT systems**

District has not complied with some important IT security requirements and credible industry standards

Deficiency 1: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access, errors, fraud, and data loss

Deficiency 2: District lacked some essential IT safeguards, which increased the risk of unauthorized access to sensitive information and data loss

Deficiency 3: District did not ensure all staff completed required annual security awareness training, increasing employees’ vulnerability to cyberattacks

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# Williams Unified School District—Performance Audit

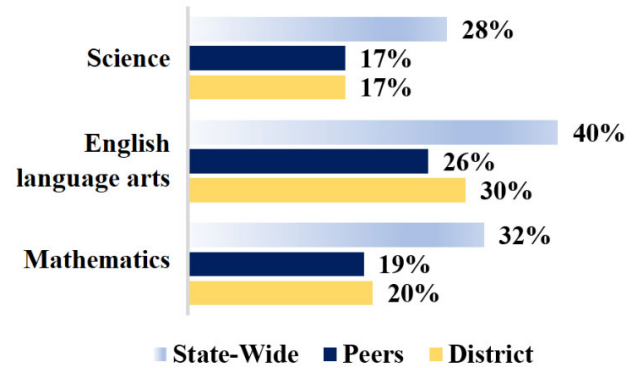
## Fiscal Year 2024<sup>1</sup>

### June 2026



**Rural district in Coconino County**  
**Grades: Kindergarten through 12th**  
**FY 2024**  
**Students attending: 609**  
**Number of schools: 2**  
**School letter grade<sup>2</sup>: 1 C, 1 B**

#### Students who passed State assessments<sup>3</sup>



<sup>2</sup> Source: Arizona State Board of Education 2023-2024.

<sup>3</sup> Source: Arizona Auditor General’s *Arizona school district spending analysis—Fiscal year 2024 and data file*.

FY 2024 total operational spending – \$9.05 million (\$14,868 per student)

Instructional – 52%  
(\$7,795 per student)

Noninstructional – 48%  
(\$7,073 per student)

#### Operational overview—FY 2024

	Measure	Williams USD	Peer average
<b>Administration—higher per student spending and improvements needed</b> The District spent more per student on administration than its peer districts averaged. When compared to its peers, the District employs more administrative staff, such as a grants coordinator and additional information technology (IT) staff, which increased overall salary and benefit costs. Additionally, the District lacked important internal controls over business and financial operations and did not comply with some State conflict-of-interest laws and important IT standards, increasing the risk for errors, misuse, fraud, and data loss. See Findings 1 through 3 (pages 3 through 18), Finding 5 (pages 21 and 22), and Finding 7 (pages 26 through 29).	Spending per student	\$2,578	\$1,817
	Spending per square foot	\$10.12	\$7.29
<b>Plant operations—higher spending, but no reported findings</b> The District spent more than its peer districts averaged, likely due to substantial facilities repairs it performed in fiscal year 2024. We did not report any findings in this area.	Spending per student	\$2,431	\$1,987

<sup>1</sup> This audit primarily focused on fiscal year 2024 operations. However, certain areas of our review were extended to other years to ensure that the reported information included context necessary to understand the magnitude of the identified deficiencies.

<p><b>Food service—higher spending and improvements needed</b></p> <p>The District spent more on food service than its peer districts averaged, likely due to its higher staffing levels, which increased salary and benefit costs. Additionally, the District did not consistently ensure food served to students was safe for consumption (see Finding 6, pages 23 through 25).</p>	Spending per meal	\$5.61	\$4.89
	Spending per student	\$535	\$519
<p><b>Transportation—mixed spending and improvements needed</b></p> <p>The District spent less per mile and more per rider on its transportation program than its peer districts averaged. Because of the number of students transported and where those students are located, the District is likely unable to consolidate routes, which results in school buses operating at an average of 63% capacity. Each route still requires its own school bus driver, resulting in higher salary and benefit costs. We found that the District reported inaccurate information to ADE for funding purposes, resulting in overfunding in fiscal year 2024 of nearly \$8,700. Further, the District did not monitor the use of its fleet vehicles (see Finding 4, pages 19 and 20).</p>	Spending per mile	\$3.80	\$4.65
	Spending per rider	\$2,330	\$2,133

## District did not maintain required accounting and other records and administrators failed to effectively oversee District operations, resulting in increased risks to public monies and student safety

During our audit of the District, we found that the District did not maintain required documentation in several critical areas, and District management had failed to separate conflicting responsibilities and provide effective oversight of the District's operations. As a result of these deficiencies, the District could not demonstrate compliance with key requirements in several areas and increased its risk for errors and fraud. See the details below.

**Poor accounting and record keeping practices affected multiple areas we reviewed**—We found widespread recordkeeping issues at the District, as summarized below and discussed in detail in Findings 2 through 6, which also report relevant recommendations. Issues we identified involving incomplete and/or inaccurate records included:

- Missing and/or insufficient supporting documentation, such as approved purchase orders, receipts, invoices, and verification of receipt of goods or services, for purchases and travel expenses totaling at least \$73,000.
- Inaccurate accounting records that did not reflect all credit card transactions, including more than \$7,000 in expenditures and \$2,200 in refunds, and misrepresented the District's spending and revenues by incorrectly classifying transactions totaling at least \$670,000.
- Inaccurate and incomplete records for the number of gift cards purchased and/or donated to support qualifying unhoused students and families under a federal grant program, and missing documentation to support that all gift cards were distributed to qualified recipients.
- Missing required fiscal year 2024 conflict-of-interest disclosure forms for all 6 Governing Board (Board) members and 16 of 19 employees we reviewed.
- Failure to maintain records of fleet vehicle use, such as mileage logs, to ensure District vehicles were used only for authorized District purposes.
- Inaccurate transportation funding reports that resulted in overfunding of approximately \$8,700.
- Failure to record food preparation and expiration dates on foods served to students, as required by county health codes, to help ensure any such foods are safe for consumption.

**District superintendent delegated substantial oversight responsibility to a single employee and failed to separate conflicting duties**—Although District policy permits the superintendent to delegate duties, we found that the superintendent had potentially delegated too many supervisory responsibilities to a single employee—the business manager—and had not ensured conflicting duties were separated in accordance with the *Uniform System of Financial Records for Arizona School Districts* (USFR).<sup>1</sup> The District’s business manager was responsible for either performing or overseeing all business office functions, and the extent of the assigned supervisory responsibilities was likely unreasonable and contributed to the substantial and pervasive deficiencies we identified in the District’s financial records.

Additionally, as further described in Findings 2 and 7, the District improperly assigned the business manager conflicting accounting and financial responsibilities, including cash-handling and purchasing duties, and it also allowed the business manager and 2 other staff to have administrator-level access to the District’s accounting system (see pages 6 through 13, and pages 26 through 29). The District’s failure to separate financial responsibilities and limit accounting system access is contrary to the USFR and increased the risk that District monies could be lost, stolen, or used fraudulently for personal purposes without detection. Although we did not identify improper transactions as a result of these conflicting responsibilities, the District lacked the documentation necessary to demonstrate that numerous purchases and credit card transactions were properly approved and for authorized District purposes.

**Management reported being unaware of issues, including some that had previously been reported to them**—Throughout the audit, the superintendent and business manager reported being unaware that operations did not comply with the USFR and were unable to provide explanations for missing records and other deficiencies. However, the business manager completed more than 100 hours of professional training between September 2021 and March 2024, which included topics such as business management, budgeting and finance, the USFR Chart of Accounts, and purchasing. Additionally, many of the business operations issues we identified should have been known to District management because they were also documented and provided to the District by its independent financial auditors in prior years. For instance, the District’s fiscal year 2023 and 2024 USFR Compliance Questionnaires documented deficiencies similar to those we found during this audit, including credit card late fees and missing user agreements, unsupported and excessive travel expenditures, incorrect account coding, and inaccurate transportation funding reports.<sup>2</sup> In addition, we found that the county health department had previously made the District aware of certain food safety issues similar to those we documented during the audit, as further discussed in Finding 6, pages 23 through 25.

**Superintendent did not ensure work was completed and accurate**—The superintendent’s failure to address known issues, separate incompatible staff duties, and ensure proper supervision over District activities permitted the deficiencies we identified to persist. By developing management oversight procedures and accountability measures such as assessing staff knowledge, skills, and experience; strengthening internal controls over accounting and business office

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<sup>1</sup> The Arizona Auditor General in conjunction with ADE 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.

<sup>2</sup> A.R.S. §15-914 requires an independent certified public accountant to complete a USFR Compliance Questionnaire either annually or biennially, based on the size of the district, concurrent with districts financial statement audits.

functions; improving documentation and review processes; and establishing accountability and corrective action measures, the District could better ensure that its employees understand and are capable of fulfilling their responsibilities and that its business operations are conducted in accordance with the USFR and other requirements.

### **Recommendations to the District:**

1. Conduct and document an evaluation of District operational deficiencies and oversight to determine what changes to District supervisory responsibilities, staffing, and/or processes are necessary to ensure that District functions, including business operations, grants management, transportation, and food service, are operating in accordance with District policies and State, federal, and county requirements; implement the changes identified.
2. Separate staff responsibilities for financial transactions and accounting functions, including cash receipts and purchasing, as required by the USFR to ensure that no single employee can initiate and fully complete a financial transaction without the involvement of another employee.

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

## District's failure to comply with requirements for its business operations resulted in unsupported and wasteful expenditures, incomplete and inaccurate accounting records, and an increased risk of fraud

The District's failure to conduct multiple business office functions in accordance with State requirements and District policies resulted in it wasting public monies and substantially increased the risk that theft, fraud, and/or improper expenditures could occur without detection. We reviewed 103 of 4,583 fiscal year 2024 District accounts payable transactions, including travel and credit card related expenditures, and identified numerous instances of wasteful spending, unsupported and/or unapproved expenditures, poor internal controls, and lax recordkeeping. As discussed in Finding 1, pages 3 through 5, District officials' failure to provide appropriate oversight enabled and contributed to the deficiencies we describe below.

### Deficiency 1: District lacked support for nearly \$17,000 in travel expenses and overspent or wasted monies on other District trips

District policy requires that staff comply with the USFR and follow the Arizona Department of Administration's travel policies as set forth in the *State of Arizona Accounting Manual* (SAAM), but the District did not do so for many of the travel expenditures we reviewed. Specifically, we identified 94 travel-related expenditures in fiscal year 2024 totaling \$44,749.<sup>3</sup> From these transactions, we judgmentally selected and reviewed 48 expenditures totaling \$37,910 and identified the following issues:

- **Contrary to the USFR, the District did not retain required supporting documentation for one-third of the travel expenses we reviewed**—We identified 16 travel expenditures totaling \$16,968 for which the District lacked required supporting documentation. For some expenditures, the District had no documentation to support the purchase, such as an approved purchase order, detailed invoice or receipts for the amount it paid, or the purpose of the spending. For example, the District recorded \$1,316 in travel expenditures described as “Hotel for February 13–17 for a conference in Ne,” which the District reported was for an education conference in New Orleans, Louisiana. However, the District was unable to provide supporting documentation, including an approved purchase request, purchase order, invoice, or conference agenda or flyer. The District reported it was unaware of some of the USFR requirements to retain supporting documentation, such as detailed invoices to support compliance with SAAM rates. Additionally, District staff were unable to explain

<sup>3</sup> The total number and amount of the District's travel expenditures is approximate due to our finding that the District did not accurately classify expenditures in accordance with the USFR Chart of Accounts.

the reasons documentation of approved purchase orders and the purpose of its spending was missing for some expenditures.

- **District did not follow its policy to approve travel reimbursement requests before reimbursing travelers**—We found that contrary to its policy, the District paid some travel reimbursement requests that had not been approved by an authorized administrator. Of the 8 travel reimbursements we reviewed, 3 lacked the required administrator signature approving them for payment. These reimbursement claims totaled \$183. District business office staff were unable to provide an explanation for why they had paid these travel reimbursements despite the reimbursement requests lacking any evidence of approval.
- **District did not comply with SAAM requirements to limit travel expenses, resulting in it likely wasting more than \$2,800**—SAAM establishes limits on travel expenses by setting maximums for lodging, meals, and other travel expenses based on location, but the District did not comply with some of these requirements. Specifically, for 15 of 27 fiscal year 2024 hotel expenditures we reviewed, the District paid a total of \$2,854 more than SAAM’s maximum allowable lodging rates. For example, the District sent an IT staff member to training in Anaheim, California, in June 2024. SAAM’s maximum allowable nightly lodging rate for the area during this time was \$182, but the District paid \$340 per night, or \$158 more that allowed by SAAM. The employee stayed for 5 nights, resulting in wasted spending totaling \$790.

According to District officials, some lodging expenditures exceeded State maximum lodging rates because the maximum rates would only allow staff to stay in accommodations that staff considered to be unacceptable. As a result, District officials reported that they attempted to secure reasonable lodging that did not involve conditions or locations that they thought could put travelers’ health and safety at risk. However, the District officials were unable to confirm whether health and safety concerns applied to all the excess lodging expenditures we identified. Additionally, the District lacked any support that staff had considered alternative accommodations within the SAAM limits, and the District did not require exceptions to the SAAM maximum rates to be documented and supported.

## Deficiency 2: District wasted monies on credit card fees and failed to ensure credit card purchases were approved, valid, and supported in accordance with its policy and the USFR

Our review of the District’s accounting records found that the District had 353 credit card expenditures totaling approximately \$139,200 during fiscal year 2024.<sup>4</sup> From these expenditures, we judgmentally selected and reviewed 52 expenditures totaling \$50,286 and found that the District’s poor recordkeeping and credit card oversight practices limited its ability to ensure purchases were authorized and appropriate. We identified issues with the District’s credit card expenditure records as well as its failure to comply with USFR and/or District policy requirements to pay credit card bills on time and ensure credit card users submitted receipts, completed cardholder agreements, and returned cards timely.

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<sup>4</sup> The total number and amount of the District’s credit card expenditures is approximate due to our finding that the District’s records did not accurately reflect its credit card transaction activity.

Specifically:

- **District accounting records did not accurately reflect its credit card transaction activity**—The District failed to properly reconcile, record, and account for its credit card expenditures in accordance with District policy and USFR requirements. The USFR and District policy require documentation such as approved purchase orders, receipts and invoices, to be reconciled to charges listed on credit card statements to ensure all purchases were valid and supported. However, the District did not perform any such reconciliations and did not ensure its accounting records accurately reflected the charges on its credit card statements. As part of our review, we attempted to reconcile the District’s fiscal year 2024 credit card statements to its accounting records but were unable to do so for all transactions because of the District’s inadequate recordkeeping. Specifically, we identified 48 transactions consisting of \$7,038 in expenditures and \$2,240 in refunds that were listed on District credit card statements but were not recorded in the District’s accounting system.
- **District wasted more than \$500 on credit card late fees and finance charges**—The USFR requires districts to pay credit card balances in full each billing cycle and in a timely manner to avoid late fees and finance charges, but the District did not always do so and incurred late fees and interest totaling \$532 in fiscal year 2024. Additionally, according to the District’s USFR Compliance Questionnaire, the District also incurred credit card late fees in fiscal year 2023. The District reported that some payments were delayed because employees did not timely submit receipts or other documentation but, as discussed below, we also found instances where the District paid credit card charges without supporting documentation.
- **District paid credit card charges without confirming that all transactions were approved, valid, and supported**—District policy required credit card users to submit signed receipts or invoices for all purchases that support the amount spent, but card users did not consistently do so. In addition to the unsupported travel expenditures previously discussed, we found that the District also did not obtain supporting receipts or invoices from card users for other types of credit card purchases. Specifically, our review of 32 non-travel-related credit card transactions found that the District lacked supporting documentation for 12 purchases totaling \$12,405. These 12 purchases included 1 purchase for \$4,181 to Krispy Kreme for a school fundraiser, 1 purchase for student entrance fees on a fieldtrip for \$1,718 and 10 fuel purchases totaling approximately \$6,500. According to District staff, the District lacked a consistent process to follow for reviewing credit card purchases and collecting supporting documentation. Additionally, as previously discussed, the District lacked a process for reconciling supporting documentation to charges listed on credit card statements, which could have helped to ensure all required documentation was collected and retained.
- **District did not enforce other credit card safeguards**—Contrary to the USFR, the District did not ensure that all credit card users had signed card user agreements and did not consistently track which employees made specific purchases.

For example, we found:

- **Some credit card users lacked required user agreements**—The District did not ensure that all credit card users had a card user agreement on file, and the District’s user agreements lacked key accountability provisions. The District’s process requires all employees, regardless of whether they anticipate using a credit card, to complete an annual cardholder agreement. However, we found that the District did not have a cardholder agreement on file for all the credit card users we identified as part of our review, and it lacked a process to verify whether staff who used the District’s credit cards had a signed cardholder agreement on file.
- **Credit card user agreement lacked key details**—Additionally, the District’s credit card agreements were not sufficiently detailed to ensure card users were aware of all District expectations and requirements. For example, although the District’s credit card user agreements prohibit personal use of District credit cards, the agreements do not specify other expectations, such as timely submission of supporting documentation, and they do not outline penalties for noncompliance.
- **District did not track which users were responsible for some purchases**—The District did not exercise sufficient oversight over its credit cards to prevent or detect fraudulent activity and hold users accountable for any improper purchases. The District has 2 credit cards—1 issued in the name of the superintendent and 1 in the name of the business manager—that it allows multiple employees to check out and use. For credit cards with multiple users, the USFR requires districts to establish procedures to help prevent or detect fraudulent or abusive transactions. District policy requires users to sign out a credit card through the business office and return it the next day accompanied by an itemized, signed receipt.

However, as previously discussed, the District did not consistently obtain supporting documentation for purchases. It also did not ensure that staff returned cards timely. Our review of fiscal year 2024 credit card logs found that staff did not return credit cards within 1 day, as required, but kept the cards for up to 10 business days. The District’s lax check-out procedures and its failure to require supporting documentation for all purchases limited its ability to determine which individual initiated each credit card transaction and to ensure all purchases were for valid District purposes.

- **District did not ensure that its Governing Board (Board) could effectively oversee the superintendent’s credit card and travel expenditures**—Contrary to the USFR and District policy, we found that the District did not have a process to ensure that the superintendent’s travel and credit card expenditures were approved in advance and reviewed. The District charged more than \$72,000 on the superintendent’s credit card in fiscal year 2024. Although other District employees were allowed to use the credit card issued in the superintendent’s name, the District did not maintain documentation for which card user made specific purchases. This impacted the superintendent’s ability to ensure District employees’ credit card expenditures were proper and the Board’s ability to review and approve the superintendent’s expenditures. We found that District staff who prepared consent agenda items summarizing credit card expenditures for the Board’s approval lacked

the necessary detail to separately report the superintendent's spending. As such, they did not provide the Board with information it needed to exercise proper oversight of the superintendent's purchasing activities.

### **Deficiency 3: District did not approve some purchases in advance and did not verify all goods and services were received before making payments**

Our review of the District's purchasing processes found that the District did not consistently ensure purchases were approved in advance and goods or services were received prior to issuing payments, contrary to the USFR and District policy. Specifically, the District lacked evidence of advance approval for 2 purchases totaling more than \$48,000, including purchases for custom playground shade canopies and airfare for travel to a conference in Atlanta, Georgia. Both purchases appeared appropriate and for a valid District purpose upon discussing them with District officials. Additionally, we identified 7 purchases totaling \$1,519 that the District paid for without evidence that the goods or services had been received. The USFR and District policy requires purchase orders, or other documentation, authorizing purchases to be approved before purchases are made. Additionally, for nearly all goods and services purchased, the USFR requires districts to prepare receiving reports, which should include the date and quantity of goods or services received and the recipient's signature. These procedures are important for ensuring districts only pay for the goods and services they receive.

According to the District, it has written procedures to help ensure purchase orders are approved in advance and to document the receipt of goods and services, but could not explain why the transactions we reviewed either were not approved in advance or were missing receiving documentation.

### **Deficiency 4: District's cash-handling and purchasing procedures did not comply with USFR requirements, increasing the risk that District monies could be lost, stolen, or misused without detection**

The USFR requires financial responsibilities to be separated to ensure proper oversight and reduce the risk of errors, loss, theft, and fraud, but District procedures assigned conflicting cash-handling and purchasing duties to the business manager. We reviewed 31 of 950 fiscal year 2024 cash receipt transactions and found that the business manager's conflicting responsibilities included preparing deposits and safeguarding cash, reconciling cash receipts to deposits, and recording cash receipt transactions in the accounting system. The business manager's conflicting purchasing responsibilities included approving new vendors and invoices and maintaining the general ledger. Although we did not identify any improper transactions resulting from these deficiencies, this concentration of duties, along with excessive accounting system access, as further discussed in Finding 7, pages 26 through 29, gives one employee sole control and the ability to manipulate financial records, misappropriate funds, and conceal errors or improper purchases without detection.

The District's business manager reported that they thought that cash-handling duties were appropriately separated among District staff. However, we found that although the District had

established certain controls, including separation of duties, for cash collected by its schools, the District did not maintain these controls once cash receipts were transferred to the business office, increasing the risk of errors, theft, and misuse of public monies.

## Deficiency 5: District failed to record purchases and cash receipts in accordance with the USFR Chart of Accounts

Districts are required to adhere to the USFR Chart of Accounts when recording expenditures and revenues to ensure accurate financial reporting and comparability among Arizona school districts, but the District did not do so. We reviewed and analyzed accounts payable and revenue transactions from fiscal year 2024 to determine whether transactions were accurately recorded in the District's accounting records and identified several discrepancies.

Specifically:

- **District incorrectly classified expenditures**—Our review of the District's fiscal year 2024 expenditures to identify unusual transactions found expenditures totaling \$635,838 that were not correctly classified. For example, insurance expenses totaling \$608,051 were recorded as miscellaneous expenses rather than employee health insurance.
- **District incorrectly recorded some revenues**—Our review of the District's fiscal year 2024 deposits found 6 transactions totaling \$35,126 that the District recorded using the incorrect USFR Uniform Chart of Accounts classifications. For example, the District erroneously recorded \$26,158 in federal grants as rental income rather than federal grant revenues.

When we brought these errors to District's attention, District officials reported that they were unaware of the proper classification for these transactions and could not explain why the District's secondary review failed to detect and correct the errors. As a result, 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 to know how the District spent its monies.

## District's lack of supervisory oversight and written procedures resulted in noncompliance with State and District requirements and increased the risk of errors and improper or fraudulent transactions

Although the District had policies in place that likely would have eliminated many of the issues we identified, staff did not follow them and were unable to explain most deficiencies we found. As described in Finding 1, pages 3 through 5, if the District had provided appropriate supervisory oversight it may have been able to prevent, identify, and/or address the deficiencies we found, including the lack of supporting documentation for expenditures, staff noncompliance with District procedures, travel expenditures in excess of SAAM allowances, and inaccurate account coding.

Additionally, we found that the District lacked written formal procedures for staff to follow when performing some functions. For instance, the District did not have written procedures for tracking

which credit card users made purchases; ensuring all credit card users had agreements on file and timely returned credit cards; and identifying the superintendent's credit card expenditures for Board approval and oversight. By developing and implementing written procedures for its business office functions, the District could better ensure staff comply with District policies and the USFR and reduce the risk that improper or fraudulent financial activities could occur.

### **Recommendations to the District:**

The District should develop and implement formal written procedures to:

3. Obtain, review, and retain supporting documentation for all travel expenditures, such as approved purchase requisitions, purchase orders, detailed invoices and/or receipts, to demonstrate whether the travel is for a District purpose and complies with applicable State travel requirements, including expense limits.
4. Ensure credit card billing statements are paid timely to avoid penalties and finance charges.
5. Timely obtain and review supporting documentation for all credit card purchases; reconcile supporting documentation to applicable credit card billing statements and the accounting information system at least monthly; and retain documentation to facilitate management oversight.
6. Ensure compliance with its policy to obtain signed cardholder agreements for all credit card users, including verifying whether all required card holder agreements have been completed and obtaining any that are missing.
7. Ensure the superintendent's credit card and travel expenditures are approved in advance by the Board and completed purchases are separately identified and submitted to the Board for review and approval.
8. Ensure compliance with the USFR requirements to separate conflicting accounting and financial responsibilities.

The District should also:

9. Restrict credit card use to the named cardholder or develop and implement a formal process in accordance with USFR requirements to track and document the specific individual responsible for each purchase made on District credit cards.
10. Update its credit card user agreement to specify all requirements card users are expected to comply with, including timeframes for returning credit cards and submitting required supporting documentation; set penalties for noncompliance, including for repeat offenses; and establish a process to enforce the agreements.
11. Identify all unsupported credit card expenditures since the beginning of fiscal year 2024 and determine whether they were for authorized District purposes. If any transactions are identified that do not have a valid District purpose, determine what actions to take to address those transactions in consultation with legal counsel, as needed.
12. Ensure District staff document the receipt of goods and services prior to paying invoices.

13. Develop and implement procedures to train employees responsible for classifying expenditures and revenues in the District's accounting system on the USFR's Uniform Chart of Accounts for school districts at least annually.
14. Develop and implement effective management oversight procedures that include periodic reviews of travel expenditures, credit card billing statement reconciliations, purchasing approvals and receiving reports, and accounting classifications for District expenditures and revenues.

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

## District failed to manage gift cards purchased with federal grant monies in accordance with federal, State, and District requirements, increasing the risk of loss, theft, and misuse of public monies

### District participated in a federal grant program to provide support, including direct financial benefits through gift cards, to students experiencing homelessness and their families

In fiscal years 2024 and 2025 the District participated in and received funding from the federal McKinney-Vento program to provide resources and services to children and youth who were experiencing homelessness. Program monies are intended to help remove barriers to school enrollment, attendance, and academic success that these children and youth may face.<sup>5,6</sup> The District reported that in fiscal years 2024 and 2025 it identified and assisted 63 and 35 students experiencing homelessness, respectively, who met the program's criteria. To encourage qualifying students to remain in school and attend regularly, the program authorized and provided funding to the District to provide services and financial support including free breakfast and lunch, additional tutoring, college application fee waivers, dual enrollment fee waivers, and clothing and supplies. Additionally, the District's process allowed it to provide up to \$600 in gift cards per year for each qualified student, which could be used by them or their families for fuel, food, and/or clothing and supplies.<sup>7</sup>

### District failed to manage program gift cards in accordance with federal and State requirements established to help reduce the risk of loss, theft, or misuse

We reviewed the District's fiscal year 2022 through 2025 records for all documented program gift cards, including purchases and disbursement forms and found that the District did not manage the \$25,400 in program gift cards it purchased in total during these fiscal years to ensure compliance

<sup>5</sup> 42 United States Code (U.S.C.) §§11432(d) through (g).

<sup>6</sup> 42 U.S.C. §11434a(2) defines homeless children and youth (students) as those who do not have a fixed, regular, and adequate place to sleep at night. This includes students who are residing with others because they lost housing or cannot afford their own, living in motels, hotels, trailer parks, or campgrounds because they have no other options, or temporarily located in emergency or transitional shelters. It also includes students abandoned in hospitals, students sleeping in places not meant for people such as cars, parks, public spaces, abandoned buildings, substandard housing, or bus and train stations, and migratory children living in the same types of unstable conditions.

<sup>7</sup> While the District collects donations of clothing and supplies, it offers a gift card when appropriate items are not available to meet a homeless student's needs.

with federal requirements that govern participation in federal grant programs. Specifically, the District failed to establish, document, and maintain effective internal controls over federal awards that provide reasonable assurance that it managed the federal award in compliance with federal statutes, regulations, and applicable terms and conditions.<sup>8</sup> Additionally, the District did not comply with USFR requirements applicable to the use of program monies. As described in Finding 1, pages 3 through 5, the lack of oversight by District officials contributed to the issues we identified, which included the District's failure to safeguard and account for program gift cards and to ensure they were distributed to qualifying program participants in compliance with federal and State requirements. See the details below.

## Deficiency 1: Contrary to federal and State requirements, District did not take steps to properly account for and safeguard some program gift cards, which created a substantial risk that program gift cards could be lost or stolen

We found that the District's processes for tracking and safeguarding program gift cards appeared unlikely to prevent or detect loss or theft, and the District did not properly accept and record gift cards that were donated to support the program, increasing the risk that donated gift cards may not reach program participants.

Specifically:

- **District did not establish proper safeguards to reduce the risk that gift cards could be lost or stolen without detection**—Contrary to federal and USFR requirements to establish, document, and maintain effective internal controls, the District had 1 employee responsible for purchasing, safeguarding, and disbursing gift cards. Additionally, the District did not require a different employee to routinely reconcile the numbers of purchased and donated gift cards to those that remained on-hand or had been disbursed to ensure all program gift cards were accounted for. As such, the District increased the risk that any gift card loss or theft could go undetected.

Additionally, the District's process for tracking gift cards was insufficient to prevent loss or theft. For tracking purposes, the District assigned each gift card a sequential number rather than recording individual gift card serial numbers. Because the District-assigned number was not tied to a specific gift card, staff had the ability to misappropriate a gift card and claim it was given to a student or to receive and keep an untracked donated gift card. District staff also had the ability to change the District-assigned sequential numbers on remaining gift cards to avoid detection.

District staff reported that they believed the District's processes were adequate to maintain accountability and ensure gift cards were used only for their intended purposes. However, as described on page 16, the District was unable to demonstrate that all gift cards were accounted for during our review. In addition, although the District's superintendent and business manager reported knowing the risks associated with the District's gift cards' process, they failed to ensure staff processes were adequately designed to protect program assets and did not implement procedures to effectively oversee the program.

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<sup>8</sup> 2 CFR 200.303(a).

- **District received donated gift cards to support the program, but contrary to State law and District policy, did not properly accept and account for them**—According to District staff, a local gas station frequently donated additional gift cards when the District purchased program gift cards for qualifying families to use to buy fuel. However, the District could not verify the number and amount of gift cards donated by the local business to support the program.

Although State law and District policy requires the Board to accept and approve all gifts and donations in a public meeting, the District’s former program liaison did not report these donated gift cards to the District’s business office.<sup>9</sup> As such, the donations were not presented to the Board for approval as required by the State’s open meeting laws. The lack of formal Board approval in a public meeting limited public transparency since the donated gift cards’ purpose, value, donor’s intent, and planned uses were not made publicly known. Additionally, the donated gift cards were not recorded in the District’s accounting records, limiting the District’s ability to account for and safeguard the donated gift cards and ensure they were distributed to qualifying families. The former program liaison indicated that they were unaware they should have reported the donations to the business office. By providing training to District staff for accepting, reporting, and documenting donations, the District could help make staff aware of their responsibilities for handling donations and better ensure compliance with State open meeting laws.

## Deficiency 2: District did not ensure that only qualified families received the gift cards and that gift cards were not lost, stolen, or misappropriated

Staff did not consistently follow the District’s informal process for distributing program gift cards, limiting the District’s ability to ensure that the gift cards were distributed only to qualified participating families in accordance with federal requirements. The District’s process called for guardians of qualifying students to receive and sign for program gift cards or, in the case of extenuating circumstances, give consent for the school to release a gift card to their student. In these cases, the staff member who distributed the card was required to sign the disbursement form and document obtaining the guardian’s consent to provide the gift card directly to the student.

**Table 1: Gift cards were issued without guardian signature or other required documentation**

Disbursal form explanation for no guardian signature	Number of gift cards	Total amount
Student signature only	109	\$ 5,040
Staff signature only	12	575
Left with family	8	400
No signature or explanation	4	200
<b>Total gift cards disbursed without a guardian’s signature</b>	<b>133</b>	<b>\$ 6,215</b>

Source: Walker & Armstrong staff review of District-provided gift card disbursement forms for July 2022 through November 2025.

<sup>9</sup> The Arizona Attorney General concluded in Opinion I80-156 (August 13, 1980) that a school district governing board can accept a gift only through action at an open meeting. A.R.S. §15-321(E) requires school district governing boards’ business be conducted at regular or special meetings, which superseded A.R.S. §15-432(D) referenced in the Attorney General’s opinion.

However, as shown in Table 1, our review of 240 program gift card disbursement forms found that more than half—133—were not signed by a qualified student’s guardian. These forms also did not include documentation of the guardian’s consent and/or the extenuating circumstances that justified distributing a program gift card without a signature, contrary to the District’s stated process for distributing them.

Additionally, we identified several instances of apparent errors in the District’s disbursement records that demonstrated an increased risk of undetected gift card loss or theft. As previously discussed, when the District purchased or received gift cards, it assigned each a sequential number, but it did not also record each gift card’s unique serial number for tracking purposes. Although the District-assigned sequential numbers were the only mechanism for tracking individual gift cards, District staff did not consistently record or use these numbers when disbursing gift cards.

Specifically, the District:

- **Disbursed gift cards without recording their assigned numbers**—The District’s informal gift card disbursement process called for staff to document the assigned sequential number of the card being disbursed on the disbursement form, but staff did not consistently do so. We reviewed all 240 documented gift card disbursements between July 2022 and November 2025 and found that 33 gift card disbursement forms, or about 14%, did not include the gift card’s assigned sequential number. Failure to record the assigned number of each distributed gift card further limited the District’s ability to ensure each card was accounted for and increased the risk that gift card thefts could go undetected.
- **Disbursed gift cards out of sequential order**—We found that gift cards were not consistently disbursed in sequential order. For example, according to District records we reviewed, Safeway gift card number 1736 was disbursed after Safeway card numbers 1739 through 1743. The District’s failure to distribute gift cards in sequential order increased the risk that gift cards could be lost or stolen and then renumbered to disguise the missing cards. Further, even if the District had maintained a list of unique identifiers for each gift card purchased, its practice of distributing gift cards out of sequential order would have made it more difficult to reconcile purchased cards with those disbursed.
- **Documented that it disbursed the same gift card multiple times**—Our review also identified 10 instances in which District staff documented that they disbursed the same gift card to more than 1 program participant based on the District-assigned sequential tracking numbers. Reusing gift card numbers or failing to record them accurately limited the District’s ability to properly track all gift cards and increased the District’s risk that gift cards could be lost or stolen without detection.

The District was unable to explain why staff had not followed its processes for disbursing program gift cards nor why the same cards were documented as being disbursed to multiple students. Our review of the District’s grant reimbursement requests found that the District received reimbursement from the federal government for all the gift cards it purchased. However, the District’s failure to keep accurate records of the gift cards it disbursed resulted in it being unable to ensure that no gift cards were lost or stolen and that cards were distributed to qualifying families for program purposes. The District’s failure to safeguard gift cards was contrary to

federal requirements to ensure that internal controls over federal awards provide reasonable assurance that funds are managed in compliance with federal statutes, regulations, and applicable terms and conditions. It also increased the potential its auditors may identify questioned costs, which the District may be required to repay the federal government.

### **Recommendations to the District:**

15. Train staff on State open meeting laws and District policy requirements for accepting and documenting donations to the District or its schools; document the training provided.
16. Ensure that the District acknowledges the receipt, purpose, and value of donations and that the Governing Board accepts all donations during meetings open to the public.
17. In consultation with legal counsel, as needed, identify and take any actions needed to address the District's failure to publicly accept gift card donations as required by the State's open meeting laws.
18. Conduct a reconciliation from the start of the District's participation in the McKinney-Vento grant program through fiscal year 2025 to determine whether any donated or federally funded gift cards are missing and then make a determination whether additional steps are necessary to address any findings from the reconciliation; document the determination and any actions taken.
19. Determine, in consultation with legal counsel, as needed, whether the District complied with federal requirements for managing federal funds and, if necessary, report any instances of noncompliance and/or questioned costs to all relevant oversight agencies, including the District's financial auditors responsible for reviewing its federal program expenditures.
20. Implement written policies and procedures for handling gift cards to ensure compliance with federal regulations and USFR requirements, including steps to separate gift card purchasing, disbursement, and reconciliation responsibilities; account for all purchased and donated gift cards; and disburse cards only to qualified recipients.

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

## District incorrectly reported transportation data, resulting in overfunding, and did not maintain records for fleet vehicle use, increasing the risk of misuse of District resources

Our review identified deficiencies in the District's transportation program related to erroneous reporting, inadequate recordkeeping, and a lack of management oversight, as further discussed below.

### Deficiency 1: District inaccurately reported its transportation data for funding purposes, resulting in overfunding of nearly \$8,700

Errors in the District's transportation reporting for fiscal year 2024 resulted in the District receiving \$8,668 more fiscal year 2025 transportation funding than it should have received. For State funding purposes, statute requires school districts to report to the Arizona Department of Education (ADE) the miles driven to transport students to and from school and the number of eligible students transported.<sup>10</sup> The State's transportation funding formula primarily relies on the number of route miles a school district reported transporting students during the prior year. Thus, transportation reporting errors in one year can affect the amount of transportation funding a school district receives the following year.

We reviewed the District's transportation funding reports for fiscal year 2024 and identified discrepancies between the District's internal records and the number of miles that it reported to the ADE. Specifically, the information the District reported to the ADE did not match the daily school bus driver logs. Consistent with our other findings, we found that the District lacked a secondary review process to verify the accuracy of its transportation data before submission to the ADE. The District also did not verify that the amount received was accurate and/or consistent with the District's expectations and budget. When we discussed this issue with District officials, they reported being aware of the errors and indicated they were working to revise and resubmit corrected information to ADE.

### Deficiency 2: Contrary to the USFR, District did not monitor the use of its fleet vehicles to ensure they were used only for authorized purposes

The District allowed employees to check out and obtain fleet vehicle keys from its business office, but it did not require drivers to log information such as the purpose of the trip and vehicle mileage.

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<sup>10</sup> A.R.S. §15-922.

Without detailed logs, the District cannot ensure that its vehicles were used only by authorized personnel for District purposes, as required by the USFR. The District could better manage its property and fulfill USFR requirements by developing detailed vehicle usage logs, requiring employees who use District vehicles to log their trips, and periodically reviewing the logs to ensure recorded mileage is reasonable and for District purposes. After we brought this issue to the District's attention, officials reported that they had developed a process to better track the use of District vehicles and were working to implement the changes.

### **Recommendations to the District:**

21. Develop and implement procedures, including a secondary review process, to ensure transportation data submitted to ADE annually is accurate and complete for funding purposes.
22. Develop and implement procedures to review transportation funding amounts received and compare the amounts to its budget.
23. Work with ADE to fully correct fiscal years 2024 and 2025 transportation reporting and funding errors.
24. Develop and implement procedures to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.
25. Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure vehicle use is reasonable and for District-authorized purposes.

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

## Board members and employees did not comply with conflict-of-interest disclosure requirements, increasing the risk that undisclosed substantial interests could influence their official conduct

### Statute addresses conflicts of interest for school district employees and Board members

Statute prohibits school district governing board members from having any direct or indirect financial interest in contracts, purchases, or sales involving the school district.<sup>11</sup> Additionally, State conflict-of-interest laws and District policy require public officers, including school governing board members and employees to avoid conflicts of interest that might influence or affect their official conduct.<sup>12</sup>

If an employee/board member or relative has a substantial interest, statute and District policy require the employee/board member to fully disclose the interest and refrain from voting upon or otherwise participating in any manner in related decisions.<sup>13</sup> The interest must be disclosed in the District's official records, either through a signed document or the board's official meeting minutes. Further, conflict-of-interest recommended practices indicate that employees and board members should attest that they do not have any of these conflicts, if applicable, also known as an "affirmative no" on their disclosure form. In addition, statute requires public agencies and political subdivisions, including school districts, to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and board meeting minutes, and to make this file available for public inspection.<sup>14</sup>

### None of the Board members and few of the employees we reviewed completed required conflict-of-interest disclosure forms

District policy requires all Board members and employees to complete an annual conflict-of-interest disclosure form, but the District did not appear to enforce this requirement and lacked evidence that its Board members and most of the employees we reviewed had completed the required disclosure forms. Specifically, we determined that the District should have collected

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<sup>11</sup> A.R.S. §15-323.

<sup>12</sup> A.R.S. §38-502(8) defines "public officer" as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State constitution, or statute. According to the Arizona Agency Handbook, public officers include directors of State agencies and members of State boards, commissions, and committees—whether paid or unpaid.

<sup>13</sup> A.R.S. §§38-502(11) and 38-503.

<sup>14</sup> A.R.S. §§38-509 and 38-502.

conflict-of-interest disclosure forms from 6 Board members and 120 employees in fiscal year 2024. We selected 25 individuals for review, including all 6 Board members, and found that the District could not provide disclosure forms for any of its 6 Board members or for 16 of the 19 employees we selected for review, which included employees with responsibilities for making purchasing and other decisions for the District.

Although District officials reported that they believed Board members and the employees we selected for review had completed conflict-of-interest disclosure forms in fiscal year 2024, the District was unable to locate any such documentation. According to the District, its annual financial statement auditors had previously requested the same disclosure forms, and District officials reported that the forms may have been misplaced after the auditors reviewed them. Our review of fiscal year 2025 disclosure forms for the same employees found that the District maintained forms for all Board members but could not locate forms for 2 of 19 employees. Consistent with our findings in other areas, the District lacked a process to oversee conflict-of-interest practices. See Finding 1, pages 3 through 5, for more information on the District's ineffective oversight of its operations.

Additionally, contrary to statute, the District did not maintain a special file for public inspection of all documents necessary to memorialize all disclosures of substantial interest. The District reported that disclosures not submitted through its annual conflict-of-interest process were documented within Board meeting minutes where members recused themselves or disclosed conflicts. The District further reported that, in response to a public records request, it would provide disclosure forms from its annual conflict-of-interest file along with relevant Board meeting minutes. However, the District's proposed plan does not fulfill the statutory requirement to maintain a special file of all disclosures of substantial interests that is available for public inspection.<sup>15</sup> The District's failure to comply with conflict-of-interest requirements limited public transparency and increased its risk that Board members and employees did not disclose substantial interests that could influence or affect their official conduct.

### **Recommendation to the District:**

26. Develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or at the beginning of their terms, and annually thereafter in accordance with District policy, and maintain a file of such documents available for public inspection.

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

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<sup>15</sup> A.R.S § 38-509.

## Unsecured cleaning supplies and food safety issues potentially put students' health and safety at risk

In addition to providing education services, school districts are responsible for implementing safeguards to protect students under their supervision from safety risks. However, our observations of the District's operations identified 2 areas that potentially put students' health and safety at risk.

### Issue 1: District did not follow recommended practices to prevent students from accessing potentially dangerous cleaning fluids and chemicals

Our August 2025 facility observations found that the District left a maintenance closet in its high school open and unattended while students were present, potentially allowing them access to dangerous chemicals or equipment. During our visit, we observed that a closet containing equipment, cleaning agents, and other chemicals was left with the door propped open and the lights on. Based on the products frequently used to clean and maintain facilities, the chemicals in the closet may have included corrosive cleaners, solvents, or other harsh chemicals that can irritate the skin, eyes, or respiratory system. On the day we visited, students would have been able to freely enter the closet and access its contents. When we brought this concern to the District's attention, officials reported being understaffed on the day of our visit as a possible explanation for the closet being left open and unattended. However, we revisited the same location 2 days later and found that the maintenance closet was propped open that day as well.

To protect students from dangerous chemicals, the Environmental Protection Agency's (EPA) *Chemical Management Resource Guide for School Administrators* (Guide) recommends that school districts establish a chemical storage and handling policy. According to the Guide, the policy should address how chemicals should be stored, labeled, and secured, as well as who should have access to these chemicals and storage locations. The Guide also specifies that chemicals should be stored in secured areas that are unoccupied or inaccessible to students.

Our review of the District's policies found that the District lacked such a policy. Without formal requirements requiring staff to securely lock equipment and chemical storage areas and/or conduct routine monitoring, the District increases the risk that students could access chemicals or equipment that could jeopardize their health or safety.

## Issue 2: District did not fully address health department concerns about its food service program to ensure food it served to students was safe for consumption

We found that the District had not resolved food safety concerns previously reported by Coconino County Health and Human Services.<sup>16</sup> The agency conducts annual inspections of school district food service programs to determine whether they comply with County health codes, and its May 2025 inspection of the District identified the following 2 food-safety deficiencies.

- The District had creamer that had been expired for 22 days. As a result of this deficiency, the inspector required the District to take corrective action to ensure that all temperature-controlled-for-safety (TCS) foods that would not be used within 24 hours be date marked and used within 7 days of preparation or package opening. Additionally, it required that TCS foods remaining after 7 days be discarded.
- The District stored some foods, such as nuts, in unlabeled containers. The inspector's corrective action requirement for the District was to ensure that all required labels and information are maintained as required under the Food and Drug Administration (FDA) food code.<sup>17</sup>

Although the District was made aware of these deficiencies in May 2025, our August 2025 observation of the District's food service operations found that the District continued to have expired and/or undated foods in its refrigerators and freezers. For example, we found that the District did not date mark prepared TCS foods that were stored for more than 24 hours, as required. It also had not disposed of all expired foods, including black olives with an expiration date that occurred 22 days prior to our observations. Additionally, we found that the District had pork and frozen chicken that were not marked with preparation or expiration dates.

By failing to follow county health codes and resolve previously identified deficiencies, the District increased the risk that students could have been served foods that were expired and/or contained harmful bacteria that could cause foodborne illnesses. The District reported they were aware of the health inspection deficiencies and noted that these were recurring issues. However, District officials could not explain why staff had failed to address the issues and bring its food service program into compliance with health codes. Officials were also unable to provide details regarding the steps taken to ensure food service personnel resolve recurring deficiencies. Deficiencies in supervisory oversight, as further discussed in Finding 1, pages 3 through 5, likely contributed to recurring health inspection deficiencies and the issues we observed.

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<sup>16</sup> According to Arizona Administrative Code R9-8-108(F)(3), an inspection report is treated as a public document and must be provided upon request. A member of the public may file a public records request to obtain a copy of the inspection.

<sup>17</sup> The Food and Drug Administration (FDA) food code outlines that food establishments should retain information that allows them to identify hazardous or recalled foods. These records may include the manufacturer, production dates, production or harvest locations, and other relevant information needed to locate and properly dispose of the product.

## Recommendations to the District:

27. Develop and implement policies and procedures to require all areas where chemicals, cleaning agents, or maintenance equipment are stored to remain locked and inaccessible to students when unattended.
28. Develop and implement procedures to ensure all foods requiring temperature control for safety are properly date-marked in accordance with local health and food safety requirements and discarded at their expiration date.

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

## Numerous IT deficiencies, including excessive access to computerized data and limited security controls, increased cybersecurity risks to District IT systems

### District has not complied with some important IT security requirements and credible industry standards

The USFR and credible industry standards, such as those developed by the *National Institute of Standards and Technology* (NIST), set forth important 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 several deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards. These deficiencies increased the District's risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

### Deficiency 1: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access, errors, fraud, and data loss

Our August 2025 review of accounts on the District's network, student information system (SIS), and accounting information system (AIS) found that the District did not regularly review and limit users' access to critical IT systems in accordance with the USFR and recommended practices (see Table 2, page 27). 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. The USFR further requires districts to limit users' access to information and restrict access to only what is necessary for users to carry out their assigned duties. Additionally, credible industry standards recommend that districts develop policies and procedures to regularly review and limit user access. The issues we identified with the District's user accounts and system access are discussed below.

- **District did not disable unnecessary network user accounts**—We reviewed 150 network user accounts and identified 23 accounts, including 6 accounts with administrator-level access, that were no longer needed and should have been disabled. These unnecessary accounts included shared accounts that were no longer needed, accounts associated with former contractors or terminated employees, and accounts that could not be identified by the District. The District could not confirm when each of these accounts should have been disabled, limiting our ability to determine whether any District systems had been improperly accessed after an account should have been disabled. Based on our review, accounts with available termination date information were last accessed between 2 and 15 years ago.

After we brought these accounts to the District’s attention, the District reported that it disabled the 23 accounts that were no longer needed. However, the District’s failure to promptly remove users network access when it was no longer needed increased the risk of unauthorized access to sensitive information and data loss.

- **Contrary to the USFR, the District allowed some AIS users more access than necessary to perform their job duties**—We reviewed AIS access for 9 of the District’s 22 AIS users and found 6 of 9 users we reviewed had more system access than was necessary to perform their job duties. Further 3 of the 6 users with excessive access, including the business manager and 2 IT staff, had administrator-level access. This level of access provided them with the ability to modify system settings and permissions, view and modify employee information and pay rates—including their own—and initiate and complete payroll and purchasing transactions without independent review or approval.

District officials reported that due to limited staffing, some employees need access to multiple AIS functions to perform their regular duties. However, we found that the District employs more supervisory and/or administrative personnel than peer districts and likely had sufficient staffing to provide for separation of key activities. Moreover, the District had not implemented additional compensating controls, such as regular supervisory reviews of transactions, system logs, and activity reports, that are required by the USFR to reduce the risks of errors and fraud when proper segregation of duties is not feasible.

- **District did not restrict administrator-level access to the SIS after it was no longer necessary**—Our review of 8 of 42 SIS user accounts found that 1 user retained administrator-level access after it was no longer necessary. The user was previously responsible for overseeing the SIS but no longer performed these duties at the time of our review. However, this user had retained administrator-level access which enabled them to manage user access and permissions, configure security settings, monitor and modify system activity, disable security controls, and access, share, or delete sensitive data.

**Table 2: District did not consistently limit user access to its information systems**

Requirement	Network	Student Information System	Accounting Information System	Summary
<b>Limit the number of users with administrator-level access</b>	✗	✗	✗	We found that 6 users of the network, 3 users of the AIS, and 1 user of the SIS had unnecessary administrator-level access.
<b>Restrict user access to only include access necessary to perform assigned duties</b>	✗	✗	✗	We found that 6 users of network, 6 users of the AIS, and 1 user of the SIS had more access than was necessary to perform their assigned duties.
<b>Timely remove terminated vendor and employees’ access</b>	✗	✓	✓	We found that 23 network user accounts were associated with former vendors, terminated employees, or users that the District could not identify.

Source: Walker & Armstrong staff analysis of District information system users’ access levels, employment status, and assigned duties for fiscal year 2024 as of August 2025.

Although we did not identify any improper activities or transactions due to these deficiencies, system access beyond what is needed for an employee's job duties and failure to remove access when it is no longer needed increases the risk of errors, fraud, and data loss. After we informed the District of these issues, it reported taking steps to address them. However, the District lacks formal policies and procedures that address IT system access to prevent the issues we identified from recurring.

## Deficiency 2: District lacked some essential IT safeguards, which increased the risk of unauthorized access to sensitive information and data loss

Our review of the District's controls found that the District had not implemented essential safeguards to prevent unauthorized access to its wireless networks and sensitive District data. The USFR requires, and credible industry standards recommend, that districts develop and implement effective security procedures, including network encryption, software security applications, and comprehensive authentication controls. However, we found the District's practices to secure its IT systems were inconsistent with USFR requirements and credible industry standards. After we brought these concerns to the District's attention, officials indicated that they had been unaware of the District's IT security risks and would take steps to address the security deficiencies.

## Deficiency 3: District did not ensure all staff completed required annual security awareness training, increasing employees' vulnerability to cyberattacks

The USFR requires IT system users to receive basic annual security awareness training that addresses the prevention and detection of technology-related threats, but the District did not ensure all employees completed the training it offered in fiscal year 2024. Cybersecurity awareness training helps equip employees to recognize, avoid, and respond to common cyber risks, such as phishing, malware, and social engineering attacks and is a critical component in safeguarding the District's sensitive data and systems. Although the District reported that it requires staff to complete security awareness training, based on our review of the District's computer-based learning completion logs, approximately 40% of the District's employees did not complete the District's cybersecurity course in fiscal year 2024. When we brought this issue to the District's attention, officials reported that the superintendent had followed up with employees who had not completed the required training. However, the District did not have a process for routinely ensuring all staff complete the training each year.

### Recommendations to the District:

29. Immediately disable or remove all unnecessary network user accounts and develop and implement procedures to terminate vendor and employee access to the District's network when access is no longer required.
30. Limit users' access to its network, accounting, and student information systems to only those functions needed to perform their job duties, including limiting administrator-level access to only those individuals with a District need for this level of access.

31. Develop and implement written policies and procedures to assign and periodically review user access to the District's network, accounting information, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.
32. Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.
33. Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.
34. Develop and implement policies and procedures to require all District employees to complete annual security awareness training and establish and enforce accountability mechanisms to ensure completion.

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

# SUMMARY OF RECOMMENDATIONS

## Walker & Armstrong makes 34 recommendations to the District

### Recommendations to the District:

#### Finding 1

3

1. Conduct and document an evaluation of District operational deficiencies and oversight to determine what changes to District supervisory responsibilities, staffing, and/or processes are necessary to ensure that District functions, including business operations, grants management, transportation, and food service, are operating in accordance with District policies and State, federal, and county requirements; implement the changes identified.
2. Separate staff responsibilities for financial transactions and accounting functions, including cash receipts and purchasing, as required by the USFR to ensure that no single employee can initiate and fully complete a financial transaction without the involvement of another employee.

#### Finding 2

6

The District should develop and implement formal written procedures to:

3. Obtain, review, and retain supporting documentation for all travel expenditures, such as approved purchase requisitions, purchase orders, detailed invoices and/or receipts, to demonstrate whether the travel is for a District purpose and complies with applicable State travel requirements, including expense limits.
4. Ensure credit card billing statements are paid timely to avoid penalties and finance charges.
5. Timely obtain and review supporting documentation for all credit card purchases; reconcile supporting documentation to applicable credit card billing statements and the accounting information system at least monthly; and retain documentation to facilitate management oversight.
6. Ensure compliance with its policy to obtain signed cardholder agreements for all credit card users, including verifying whether all required card holder agreements have been completed and obtaining any that are missing.
7. Ensure the superintendent's credit card and travel expenditures are approved in advance by the Board and completed purchases are separately identified and submitted to the Board for review and approval.
8. Ensure compliance with the USFR requirements to separate conflicting accounting and financial responsibilities.

The District should also:

9. Restrict credit card use to the named cardholder or develop and implement a formal process in accordance with USFR requirements to track and document the specific individual responsible for each purchase made on District credit cards.
10. Update its credit card user agreement to specify all requirements card users are expected to comply with, including timeframes for returning credit cards and submitting required supporting documentation; set penalties for noncompliance, including for repeat offenses; and establish a process to enforce the agreements.
11. Identify all unsupported credit card expenditures since the beginning of fiscal year 2024 and determine whether they were for authorized District purposes. If any transactions are identified that do not have a valid District purpose, determine what actions to take to address those transactions in consultation with legal counsel, as needed.
12. Ensure District staff document the receipt of goods and services prior to paying invoices.
13. Develop and implement procedures to train employees responsible for classifying expenditures and revenues in the District's accounting system on the USFR's Uniform Chart of Accounts for school districts at least annually.
14. Develop and implement effective management oversight procedures that include periodic reviews of travel expenditures, credit card billing statement reconciliations, purchasing approvals and receiving reports, and accounting classifications for District expenditures and revenues.

### **Finding 3**

**14**

15. Train staff on State open meeting laws and District policy requirements for accepting and documenting donations to the District or its schools; document the training provided.
16. Ensure that the District acknowledges the receipt, purpose, and value of donations and that the Governing Board accepts all donations during meetings open to the public.
17. In consultation with legal counsel, as needed, identify and take any actions needed to address the District's failure to publicly accept gift card donations as required by the State's open meeting laws.
18. Conduct a reconciliation from the start of the District's participation in the McKinney-Vento grant program through fiscal year 2025 to determine whether any donated or federally funded gift cards are missing and then make a determination whether additional steps are necessary to address any findings from the reconciliation; document the determination and any actions taken.
19. Determine, in consultation with legal counsel, as needed, whether the District complied with federal requirements for managing federal funds and, if necessary, report any instances of noncompliance and/or questioned costs to all relevant oversight agencies, including the District's financial auditors responsible for reviewing its federal program expenditures.

20. Implement written policies and procedures for handling gift cards to ensure compliance with federal regulations and USFR requirements, including steps to separate gift card purchasing, disbursement, and reconciliation responsibilities; account for all purchased and donated gift cards; and disburse cards only to qualified recipients.

**Finding 4**

**19**

21. Develop and implement procedures, including a secondary review process, to ensure transportation data submitted to ADE annually is accurate and complete for funding purposes.

22. Develop and implement procedures to review transportation funding amounts received and compare the amounts to its budget.

23. Work with ADE to fully correct fiscal years 2024 and 2025 transportation reporting and funding errors.

24. Develop and implement procedures to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.

25. Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure vehicle use is reasonable and for District-authorized purposes.

**Finding 5**

**21**

26. Develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or at the beginning of their terms, and annually thereafter in accordance with District policy, and maintain a file of such documents available for public inspection.

**Finding 6**

**23**

27. Develop and implement policies and procedures to require all areas where chemicals, cleaning agents, or maintenance equipment are stored to remain locked and inaccessible to students when unattended.

28. Develop and implement procedures to ensure all foods requiring temperature control for safety are properly date-marked in accordance with local health and food safety requirements and discarded at their expiration date.

**Finding 7**

**26**

29. Immediately disable or remove all unnecessary network user accounts and develop and implement procedures to terminate vendor and employee access to the District’s network when access is no longer required.

30. Limit users’ access to its network, accounting, and student information systems to only those functions needed to perform their job duties, including limiting administrator-level access to only those individuals with a District need for this level of access.

31. Develop and implement written policies and procedures to assign and periodically review user access to the District's network, accounting information, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.
32. Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.
33. Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.
34. Develop and implement policies and procedures to require all District employees to complete annual security awareness training and establish and enforce accountability mechanisms to ensure completion.

## Objectives, scope, and methodology

We have conducted a performance audit of Williams Unified 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 year 2024, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Arizona 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:

- **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, 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 processing expenditures and reviewed fiscal year 2024 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. We reviewed detailed payroll and personnel records for 30 of 152 individuals who received payments through the District's payroll system in fiscal year 2024, supporting documentation for 107 of 4,583 fiscal year 2024 accounts payable transactions, and card holder user agreements for all business office personnel and card holders for fiscal years 2024 and 2025.

### 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.

In addition, we reviewed fiscal year 2024 spending compared to the previous year and trends for the different operational categories to assess reasonableness and identify significant changes in spending patterns. 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 network and information systems; and reviewing controls over reporting various information used for this audit. We reported our results on applicable internal control procedures in Findings 1 through 7 (see pages 3 through 29).

**Peer groups**—The Arizona Auditor General developed 3 types of peer groups for comparative purposes. To compare the District’s student achievement, the Arizona Auditor General developed a peer group using poverty rates, district type, and location 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 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, type, and location. They used these factors because they are associated with districts’ cost measures in these areas.

**Table 3: 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	Poverty rate District type Location	26% or greater, but less than 35% Unified school districts Towns and rural areas	17
Administration, plant operations and maintenance, and food service	District size District type Location	Medium-small Unified school districts Towns and rural areas	19
Transportation	Location	Towns and rural areas	16

Source: Walker & Armstrong 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 information from various sources that impact spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees about their duties in the operational areas we reviewed. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the operational areas we reviewed. This included facility tours, food services operations, IT operations, and transportation services.

- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, Single Audit reports, reports submitted to ADE for transportation funding, and USFR compliance questionnaire results that its external financial audit firm completed for fiscal years 2023 and 2024. We also reviewed District-provided accounting information system, student information system and network user account reports for fiscal year 2024, and student information system and network user change log reports for fiscal year 2024. Additionally, we reviewed Department of Public Safety school bus inspection reports for the school buses inspected in calendar years 2023 and 2024.
- **Documentation reviews**—We reviewed various documentation provided by the District related to its fiscal year 2024 operations and spending including: District policies and standard operating procedures; cash receipts documentation and bank statements; cash disbursement supporting documentation; credit card statements provided by the bank and supporting documentation for purchases; employment contracts and payroll records; Governing Board meeting minutes; Governing Board member and District employee conflict-of-interest disclosures; annual staff cybersecurity awareness training logs; student bus rider counts and monthly bus mileage usage reports for fiscal years 2023 and 2024; school bus driver files for 10 school bus drivers who transported District students in fiscal year 2024; school bus trip inspection checklists for all buses for 3 judgmentally selected weeks of fiscal year 2024; and fiscal year 2024 school bus maintenance logs for all buses. In addition, we reviewed District provided information related to student participation in the McKinney-Vento program for fiscal years 2024 and 2025; all gift card purchase orders and receipts for purchases made between July 2022 and November 2025; all gift card distribution forms for fiscal year 2023 through our November 2025 review; and the District’s gift cards on hand in November 2025. We also evaluated other documentation that we considered significant to the audit objectives.
- **Analysis**—We reviewed and evaluated 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, and meals served per student to peer districts.

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 Governing Board members, superintendent, and staff for their cooperation and assistance throughout the audit, as well as the Arizona Auditor General’s Office for their support.

# DISTRICT RESPONSE

## WILLIAMS UNIFIED SCHOOL DISTRICT #2

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**SUPERINTENDENT**  
Eric Evans

**636 S. 7<sup>th</sup> STREET P.O. BOX 427**  
**WILLIAMS, ARIZONA 86046**  
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**BOARD OF EDUCATION**  
Steve Auld, President  
Carla Dent, Vice President  
Desiree Crawford  
Jenni Rigo  
Dee Dee Mahan

June 1, 2026

Lisa Parke  
Walker & Armstrong  
1850 N. Central Ave., Suite 400  
Phoenix, AZ 85004

Dear Ms. Parke,

The Williams Unified School District No. 2 has received and carefully reviewed the FY 2024 Performance Audit Report prepared by Walker & Armstrong. The district accepts the findings and recommendations outlined in the report. Several of the recommendations have already been implemented, others have been resolved, and the district is actively working to complete the remaining items.

The district remains committed to providing the highest quality education to our students within a safe and secure learning environment, while also maintaining an efficient, supportive, and accountable workplace for our employees. We continue to prioritize responsible stewardship of public resources and are committed to addressing and implementing the audit recommendations in a timely and effective manner.

We appreciate the thoroughness, professionalism, and support provided by Walker & Armstrong throughout this process.

Sincerely,



Mr. Eric J. Evans, M.Ed  
Superintendent  
Williams Unified School District # 2  
636 S. 7<sup>th</sup> St. Williams, AZ 86046  
928-635-4473

**Finding 1:** District did not maintain required accounting and other records and administrators failed to effectively oversee District operations, resulting in increased risks to public monies and student safety.

District Response: The finding is agreed to.

**Recommendation 1:** Conduct and document an evaluation of District operational deficiencies and oversight to determine what changes to District supervisory responsibilities, staffing, and/or processes are necessary to ensure that District functions, including business operations, grants management, transportation, and food service, are operating in accordance with District policies and State, federal, and county requirements; implement the changes identified.

District Response: The audit recommendation will be implemented.

**Recommendation 2:** Separate staff responsibilities for financial transactions and accounting functions, including cash receipts and purchasing, as required by the USFR to ensure that no single employee can initiate and fully complete a financial transaction without the involvement of another employee.

District Response: The audit recommendation will be implemented.

Response explanation: Separation of duties has been implemented. Checks and balances have also been put in place for all financial duties at all campuses.

**Finding 2:** District's failure to comply with requirements for its business operations resulted in unsupported and wasteful expenditures, incomplete and inaccurate accounting records, and an increased risk of fraud.

District Response: The finding is agreed to.

**Recommendation 3:** Develop and implement formal written procedures to obtain, review, and retain supporting documentation for all travel expenditures, such as approved purchase requisitions, purchase orders, detailed invoices and/or receipts, to demonstrate whether the travel is for a District purpose and complies with applicable State travel requirements, including expense limits.

District Response: The audit recommendation will be implemented.

Response explanation: The recommendation has been implemented.

**Recommendation 4:** Develop and implement formal written procedures to ensure credit card billing statements are paid timely to avoid penalties and finance charges.

District Response: The audit recommendation will be implemented.

**Recommendation 5:** Develop and implement formal written procedures to timely obtain and review supporting documentation for all credit card purchases; reconcile supporting documentation to applicable credit card billing statements and the accounting information system at least monthly; and retain documentation to facilitate management oversight.

District Response: The audit recommendation will be implemented.

Response explanation: Changes have been made. Written procedures still need to be completed.

**Recommendation 6:** Develop and implement formal written procedures to ensure compliance with its policy to obtain signed cardholder agreements for all credit card users, including verifying whether all required card holder agreements have been completed and obtaining any that are missing.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 7:** Develop and implement formal written procedures to ensure the superintendent's credit card and travel expenditures are approved in advance by the Board and completed purchases are separately identified and submitted to the Board for review and approval.

District Response: The audit recommendation will be implemented.

**Recommendation 8:** Develop and implement formal written procedures to ensure compliance with the USFR requirements to separate conflicting accounting and financial responsibilities.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 9:** Restrict credit card use to the named cardholder or develop and implement a formal process in accordance with USFR requirements to track and document the specific individual responsible for each purchase made on District credit cards.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 10:** Update its credit card user agreement to specify all requirements card users are expected to comply with, including timeframes for returning credit cards and submitting required supporting documentation; set penalties for noncompliance, including for repeat offenses; and establish a process to enforce the agreements.

District Response: The audit recommendation will be implemented.

**Recommendation 11:** Identify all unsupported credit card expenditures since the beginning of fiscal year 2024 and determine whether they were for authorized District purposes. If any transactions are identified that do not have a valid District purpose, determine what actions to take to address those transactions in consultation with legal counsel, as needed.

District Response: The audit recommendation will be implemented.

**Recommendation 12:** Ensure District staff document the receipt of goods and services prior to paying invoices.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 13:** Develop and implement procedures to train employees responsible for classifying expenditures and revenues in the District's accounting system on the USFR's Uniform Chart of Accounts for school districts at least annually.

District Response: The audit recommendation will be implemented.

**Recommendation 14:** Develop and implement effective management oversight procedures that include periodic reviews of travel expenditures, credit card billing statement reconciliations, purchasing approvals and receiving reports, and accounting classifications for District expenditures and revenues.

District Response: The audit recommendation will be implemented in a different manner.

Response explanation: The district has already taken measures to implement this recommendation.

**Finding 3:** District failed to manage gift cards purchased with federal grant monies in accordance with federal, State, and District requirements, increasing the risk of loss, theft, and misuse of public monies.

District Response: The finding is agreed to.

**Recommendation 15:** Train staff on State open meeting laws and District policy requirements for accepting and documenting donations to the District or its schools; document the training provided.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 16:** Ensure that the District acknowledges the receipt, purpose, and value of donations and that the Governing Board accepts all donations during meetings open to the public.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 17:** In consultation with legal counsel, as needed, identify and take any actions needed to address the District's failure to publicly accept gift card donations as required by the State's open meeting laws.

District Response: The audit recommendation will be implemented.

**Recommendation 18:** Conduct a reconciliation from the start of the District's participation in the McKinney-Vento grant program through fiscal year 2025 to determine whether any donated or federally funded gift cards are missing and then make a determination whether additional steps are necessary to address any findings from the reconciliation; document the determination and any actions taken.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 19:** Determine, in consultation with legal counsel, as needed, whether the District complied with federal requirements for managing federal funds and, if necessary, report any instances of noncompliance and/or questioned costs to all relevant oversight agencies, including the District's financial auditors responsible for reviewing its federal program expenditures.

District Response: The audit recommendation will be implemented.

**Recommendation 20:** Implement written policies and procedures for handling gift cards to ensure compliance with federal regulations and USFR requirements, including steps to separate gift card purchasing, disbursement, and reconciliation responsibilities; account for all purchased and donated gift cards; and disburse cards only to qualified recipients.

District Response: The audit recommendation will be implemented.

**Finding 4:** District incorrectly reported transportation data, resulting in overfunding, and did not maintain records for fleet vehicle use, increasing the risk of misuse of District resources.

District Response: The finding is agreed to.

**Recommendation 21:** Develop and implement procedures, including a secondary review process, to ensure transportation data submitted to ADE annually is accurate and complete for funding purposes.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 22:** Develop and implement procedures to review transportation funding amounts received and compare the amounts to its budget.

District Response: The audit recommendation will be implemented.

**Recommendation 23:** Work with ADE to fully correct fiscal years 2024 and 2025 transportation reporting and funding errors.

District Response: The audit recommendation will be implemented.

Response explanation: In progress, partially completed. The district has requested corrections for FY 24 and FY 25 for transportation reporting errors. FY 24 has already been resolved. FY 25 has already been submitted to ADE.

**Recommendation 24:** Develop and implement procedures to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.

District Response: The audit recommendation will be implemented.

Response explanation: A district transportation log sheet has been created and implemented. This has been corrected within the district already.

**Recommendation 25:** Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure vehicle use is reasonable and for District-authorized purposes.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Finding 5:** Board members and employees did not comply with conflict-of-interest disclosure requirements, increasing the risk that undisclosed substantial interests could influence their official conduct.

District Response: The finding is agreed to.

**Recommendation 26:** Develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or at the beginning of their terms, and annually thereafter in accordance with District policy, and maintain a file of such documents available for public inspection.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Finding 6:** Unsecured cleaning supplies and food safety issues potentially put students' health and safety at risk.

District Response: The finding is agreed to.

**Recommendation 27:** Develop and implement policies and procedures to require all areas where chemicals, cleaning agents, or maintenance equipment are stored to remain locked and inaccessible to students when unattended.

District Response: The audit recommendation will be implemented.

**Recommendation 28:** Develop and implement procedures to ensure all foods requiring temperature control for safety are properly date-marked in accordance with local health and food safety requirements and discarded at their expiration date.

District Response: The audit recommendation will be implemented.

**Finding 7:** Numerous IT deficiencies, including excessive access to computerized data and limited security controls, increased cybersecurity risks to District IT systems.

District Response: The finding is agreed to.

**Recommendation 29:** Immediately disable or remove all unnecessary network user accounts and develop and implement procedures to terminate vendor and employee access to the District's network when access is no longer required.

District Response: The audit recommendation will be implemented.

Response explanation: We will be creating a workflow form in Adobe Sign for offboarding users.

**Recommendation 30:** Limit users' access to its network, accounting, and student information systems to only those functions needed to perform their job duties, including limiting administrator-level access to only those individuals with a District need for this level of access.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 31:** Develop and implement written policies and procedures to assign and periodically review user access to the District's network, accounting information, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.

District Response: The audit recommendation will be implemented.

Response explanation: The district has already taken measures to implement this recommendation.

**Recommendation 32:** Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.

District Response: The audit recommendation will be implemented.

Response explanation: In progress

**Recommendation 33:** Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.

District Response: The audit recommendation will be implemented.

Response explanation: In progress.

**Recommendation 34:** Develop and implement policies and procedures to require all District employees to complete annual security awareness training and establish and enforce accountability mechanisms to ensure completion.

District Response: The audit recommendation will be implemented.

Response explanation: In progress. Plan being developed.