

## Performance Audit

# Tombstone Unified School District

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District incorrectly calculated some employees' pay and retirement contributions, lacked purchasing controls to reduce the potential for unauthorized fuel card transactions, failed to maintain its school buses to ensure safe student transportation, and had IT deficiencies that increased its risk for errors, fraud, and data loss



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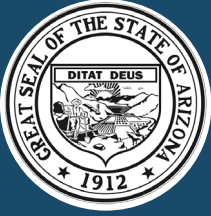
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## ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

June 23, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Tombstone Unified School District

Dr. Sarah Cox, Superintendent  
Tombstone Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Tombstone 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.

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 plans to implement all the recommendations. We also identified 1 additional finding pertaining to the District's school safety practices that we omitted from the public audit report due to its sensitive nature. We directly communicated this finding to the District's Governing Board and management. The District agreed with the confidential finding and agreed to implement all 7 confidential 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 Cox 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

## Tombstone Unified School District

### Performance Audit

District incorrectly calculated some employees' pay and retirement contributions, lacked purchasing controls to reduce the potential for unauthorized fuel card transactions, failed to maintain its school buses to ensure safe student transportation, and had IT deficiencies that increased its risk for errors, fraud, and data loss

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### 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 incorrectly paid some employees, and it also improperly calculated some retirement contributions, potentially impacting affected employees' future retirement benefits.
- ▶ District's purchasing controls were not sufficient to ensure all fuel card transactions were authorized and appropriate, and District made certain food and beverage purchases without required Governing Board approval.
- ▶ District failed to maintain its school buses in accordance with Minimum Standards requirements, resulting in several buses failing safety inspections and being removed from service, and it reported inaccurate transportation data to the Arizona Department of Education (ADE), which may have affected its State funding.
- ▶ District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, data loss, errors, and fraud.

### Key recommendations to the District

- ▶ Identify and address any incorrect payments associated with prorated pay elections and other payroll errors, work with the Arizona State Retirement System to correct any excess or insufficient retirement system contributions, and take steps to ensure employee pay and retirement contributions are accurate.
- ▶ Regularly review fuel card purchases and investigate any irregularities and take steps to prevent misuse and unauthorized transactions by requiring supporting documentation to identify the purchaser and District vehicle and to facilitate District oversight, such as odometer readings and purpose of the purchase.

- ▶ Obtain advance Governing Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements.
- ▶ Perform and document required school bus preventative maintenance, and ensure school buses are properly maintained to safely transport students.
- ▶ Ensure transportation data is accurately reported for funding purposes, review transportation data reported for fiscal year 2025 to determine whether accurate recalculations are possible, and work with ADE to make any identified corrections.
- ▶ Ensure unnecessary IT system user accounts are promptly disabled, limit IT system access to only what employees need to perform their job duties, and maintain and update IT equipment to ensure network connections meet credible industry standards for encryption.
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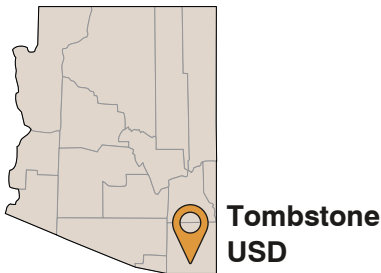
Criteria for selecting peer school districts for comparative purposes  
Fiscal year 2024

## Tombstone Unified School District—FYs 2024 and 2025

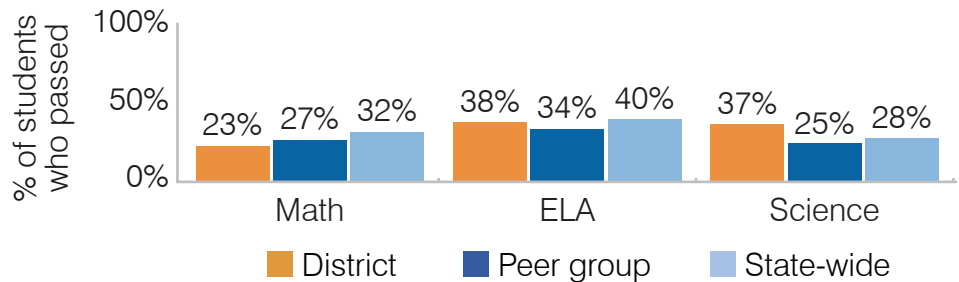
### FY 2024 District information

<b>District type:</b> Rural	<b>Grades:</b> Pre-K through 12	<b>Number of schools:</b> 3
<b>County:</b> Cochise	<b>Students attending:</b> 851	<b>School letter grades:</b> 2 A, 1 C
<b>Filled certified FTE:</b> 64	<b>Filled classified FTE:</b> 68	<b>Filled board positions:</b> 4 of 5

### Location

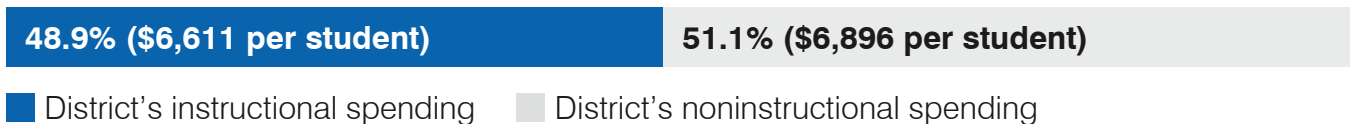


### Student performance on State assessments



### FY 2024 operational overview

#### Total operational spending—\$ 11.5 million (\$13,507 per student)



### Administration

**District spent less on administrative staffing than peer districts but did not comply with some State laws, other requirements, and recommended practices related to payroll, fuel card use, food provided at District events, and IT access**

Tombstone Unified School District's (District) administrative spending was approximately 25% less per student than its peer districts averaged, primarily because of lower salaries and benefit costs. Additionally, it spent less for professional services. However, we identified various deficiencies related to the District's business office functions and IT management and oversight. The District incorrectly compensated employees who elected to have their pay prorated or who made midyear employment changes, and incorrectly calculated required Arizona State Retirement System (ASRS) withholdings, resulting in the District paying more to the ASRS than required (see Finding 1). Additionally, the District lacked important controls over fuel card use, increasing the risk of unauthorized or improper purchases, and provided food at District events

without its Governing Board's (Board) approval (see Finding 2). Further, the District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud (see Finding 4).

<b>Administrative spending</b>	<b>District</b>	<b>Peer average</b>
Spending per student	\$1,368	\$1,817

**Plant operations**

**Mixed spending and no reported findings**

The District spent 13% more per square foot and 11% less per student on plant operations than its peer districts averaged, likely due to maintaining less facility square footage than its peers and having an employee with specialized electrical and plumbing training, limiting the District's need to outsource for these services. We did not report any findings in this area.

<b>Plant spending</b>	<b>District</b>	<b>Peer average</b>
Spending per square foot	\$8.25	\$7.29
Spending per student	\$1,778	\$1,987

**Food service**

**Lower spending and no reported findings**

The District spent 18% less per meal and about the same per student as its peer districts averaged, likely due to advantageous food service contract terms, such as a provision guaranteeing no loss on its food service program's operations. We did not report any findings in this area.

<b>Food service spending</b>	<b>District</b>	<b>Peer average</b>
Spending per meal	\$3.99	\$4.89
Spending per student	\$517	\$519

**Transportation**

**Higher spending than peers, and inadequate school bus maintenance and poor recordkeeping potentially impacted student safety and transportation funding accuracy**

In fiscal year 2024, the District spent 14% more per mile and 20% more per rider than its peer districts averaged. As discussed in Finding 3, the District did not maintain its school buses in accordance with State requirements, increasing risks to student safety. Additionally, it was unable to support, and likely misreported, miles and riders on its required fiscal year 2025 State transportation funding reports, potentially affecting the accuracy of its transportation funding.

<b>Transportation spending</b>	<b>District</b>	<b>Peer average</b>
Spending per mile	\$3.19	\$2.79
Spending per rider	\$3,447	\$2,867

## District's payroll errors and failure to comply with some requirements related to employee compensation and pension contributions resulted in inaccurate payments to employees

### District incorrectly paid several employees who elected to have their pay prorated or who made midyear employment changes

#### When prorating hourly employees' pay, the District undercompensated several employees and, contrary to the USFR, paid some employees in advance and allowed employees to change pay elections during the year

As allowed by State law and the *Uniform System of Financial Records for Arizona School Districts* (USFR), some hourly employees who only worked during the school year elected to prorate their pay so that they could receive steady income for a full 12 months, but we found that the District did not always correctly calculate prorated pay or comply with other related requirements.<sup>1,2</sup> We initially reviewed a judgmental sample of fiscal year 2024 payroll documentation for 24 employees and identified issues with prorated pay resulting from long-established District processes. As such, we expanded our work and reviewed the accuracy of prorated payments in fiscal years 2022 through 2025, which affected a total of 12 hourly employees.

Our review of the District's prorated payments and procedures identified the following issues:

#### ▶ Hourly employees whose pay was prorated were not accurately compensated for paid sick and personal leave used during the school year

We found that the District did not accurately calculate pay associated with paid sick and personal leave for 9 employees who had elected to prorate their pay in fiscal years 2022, 2023, and/or 2024. These employees were undercompensated by a total of approximately \$19,500, with individual amounts ranging between \$64 and \$2,640 each. The District used a spreadsheet to track these employees' earnings and calculate their prorated pay amounts. However, the District did not record in its spreadsheet the amount it owed these employees for any sick or personal leave they used during the year. As a result, the District undercompensated each of these employees by the value of any leave they had taken.

After we brought the issue to the District's attention in May 2025, the District corrected its method of tracking and calculating prorated pay for hourly employees to include compensation owed for leave used. We reviewed the District's 1 employee who had elected to prorate their pay in fiscal year 2025 and found that they were appropriately compensated for the leave they used during the fiscal year.

<sup>1</sup> The Arizona Auditor General and 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. §23-351(C)(2) and Op. Ariz. Att'y Gen. I04-007 (August 10, 2004).

▶ **District’s calculations for prorated payments resulted in the District paying some hourly employees for hours they had not yet worked, contrary to the USFR**

Contrary to the USFR, the 5 hourly employees who had their pay prorated in fiscal year 2024 and the 1 employee in fiscal year 2025 were paid in advance during the first pay period of their employment agreements. The USFR prohibits prorated pay from exceeding the cumulative amount employees have earned at any time. Our review found that these employees began work midway through a standard 2-week pay period and worked only 5 or 6 days rather than 10 during their first pay period. The District prorated these employees’ compensation and paid them an equal amount every pay period, as required by statute, but did not make an adjustment in the first pay period for the days not worked. Thus, these employees were overpaid for the first pay period of their employment.

For these employees, each of whom worked their full year, this issue did not ultimately result in their being overpaid in total. However, by paying employees more than they earned during any single pay period, the District increased the risk that it may not receive value for those excess payments if employees terminate employment prior to the end of their agreements. District officials indicated that they were unaware that their methods of calculating prorated pay did not comply with USFR requirements.

▶ **District improperly allowed employees who elected to prorate their compensation to reverse that election after work began**

The USFR prohibits hourly employees who elect to prorate their pay from changing that election once work has begun, but the District did not enforce this prohibition. Allowing employees to change their proration election can require numerous manual recalculations, increasing the risk of errors. We found that the District had allowed employees to change their prorated pay elections in fiscal years 2022, 2023, and 2024, and it had miscalculated employee pay for almost all of these employees. For example, the District allowed 1 employee to stop prorating their pay after working 7 pay periods in fiscal year 2024. The District miscalculated the amount it owed the employee for prorated wages withheld, resulting in an overpayment of \$492.

**When prorating teacher salaries, the District overpaid some teachers who began working at the District after the school year started**

In fiscal year 2024, the District incorrectly prorated pay for 5 of 6 teachers who were not employed for the full school year and overpaid each of them between \$152 and \$346, or by a total of \$1,033. District policy sets yearly teacher pay rates according to a salary schedule and, for teachers who begin their employment after the school year starts, requires their salary amount to be prorated based on the number of working days remaining in the school year. For the 5 incorrectly paid teachers, the District mistakenly calculated their daily pay rate based on 180 school days rather than the standard 185 days that the District expects a teacher to work when under contract for a full school year. Thus, when the District set the prorated salary amount for each of these 5 teachers, it calculated a daily rate that was too high. The District indicated that in fiscal year 2025, payroll staff began using 185 days as the basis for calculating teacher prorated pay to take into account the contracted days before and after school is in session.

## District made other payroll errors that affected 2 employees in fiscal year 2024

Although most of the errors we identified were related to prorated compensation, we also identified other payroll errors that affected 2 employees. Specifically, the District miscalculated the amount it owed 1 employee who left the District midyear, resulting in an underpayment of \$1,855. A second employee, who worked for the District as a long-term substitute teacher but transitioned to teaching full-time, was paid for both positions during a 6-day period at the start of their teaching contract. The District overpaid this teacher by a total of \$1,080.

## District improperly calculated ASRS contributions, potentially impacting some employees' future retirement benefits

We also identified various errors across multiple fiscal years in the District's calculations of some employees' contributions to the ASRS that have the potential to impact their future retirement benefits. ASRS provides retirement and other benefits to employees of participating school districts and other State and local governmental entities and is funded equally by employer and employee contributions. Employers are responsible for calculating and remitting all employer and employee contributions to the ASRS, and statute requires contribution amounts to be based on an employee's salary and/or wages, excluding certain payments for such things as accrued vacation or sick leave.<sup>3,4</sup>

We reviewed ASRS withholding for all District employees during fiscal years 2022 through 2024 and found that District errors in calculating ASRS withholding amounts affected between 5.6% and 15% of the District's employees each year.<sup>5</sup>

Specifically:

- ▶ Including both the employee and employer contributions, the District withheld and paid to the ASRS \$5,060 more than required for 61 employees across the 3 fiscal years we reviewed. When calculating employee and District contributions for these employees, the District improperly included payments such as payouts for accrued leave and wages earned before employees became eligible to participate in the ASRS. Including such payments in its calculations was contrary to statute and resulted in affected employees having too much money withheld from their pay checks and both the employees and District contributing more than they should have to the ASRS.
- ▶ The District withheld and paid to the ASRS less than required for 7 employees and should have remitted an additional \$3,030, which includes both the employee and employer contributions, to the ASRS on these 7 employees' behalf. When calculating contributions for these employees, the District made errors such as not withholding on all appropriate wages within a pay period that resulted in employees having less money withheld from their paychecks and both the employees and District contributing less than they should have to the ASRS.

<sup>3</sup> A.R.S. §38-711(7)(a).

<sup>4</sup> A.R.S. §38-736(B).

<sup>5</sup> We reviewed ASRS withholding calculations for 188 employees in fiscal year 2022, 206 employees in fiscal year 2023, and 214 employees in fiscal year 2024.

Employees' monthly retirement benefits are calculated based on ASRS contributions. Consequently, the District's failure to ensure contributions accurately reflected employees' salaries and wages, as outlined in statute, could permanently increase or decrease their lifetime retirement benefits.

## **District lacked procedures to guide payroll staff and did not provide sufficient training and oversight to prevent errors**

According to the District, it has not developed payroll procedures for staff to use when calculating prorated pay and ASRS contributions to ensure calculations are accurate. Additionally, some payroll errors, such as the double payments to 1 employee, were not identified during the District's informal payroll review process, indicating that the District needs to develop a more thorough secondary review of its payroll. Further, the District also did not ensure that payroll staff and supervisors responsible for reviewing the District's payroll were trained to correctly process prorated pay and retirement contributions in accordance with State requirements.

## **Recommendations to the District**

1. Identify and address any underpayments of sick and personal leave used by hourly employees who elected to have their pay prorated in fiscal years 2022 through 2024.
2. Identify and address overpayments due to miscalculated prorated salary contract amounts for teachers who began their contracts after the 2023-2024 school year had started.
3. Identify and address any incorrect payments made in fiscal years 2022, 2023, and 2024 to employees who changed their prorated pay elections during their employment terms, and to the 2 other employees identified through our work who were underpaid upon termination or overpaid when transitioning to a full-time contract position.
4. Work with the ASRS to identify and correct any excess or insufficient contributions for fiscal years 2022 through 2024.
5. Develop and implement written procedures for payroll processing that address prorated salary calculations and include a thorough secondary review process in accordance with USFR requirements to ensure employees are paid accurately and that address the types of compensation that should be included in ASRS withholding calculations and remittances to ensure compliance with State laws and ASRS requirements.
6. Train payroll staff at least annually, as well as whenever new payroll procedures are introduced, to help ensure payments are correctly and consistently processed in accordance with the USFR and District policies and ASRS withholding is correctly and consistently processed in accordance with District policies and ASRS requirements.

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

### **District's controls were insufficient to ensure that all fuel card transactions were authorized and appropriate, and the District made certain food and beverage purchases without required Board approval**

Our review of District expenditures found that the District had not ensured that certain purchases, including those made with fuel cards and those for food and beverages provided at District events, complied with the USFR and/or other State requirements, increasing the risk that District monies could be misused. See the details below.

#### **Deficiency 1: Contrary to the USFR, District did not ensure that all fuel card purchases were properly supported and tracked, increasing its risk for unauthorized or improper purchases**

Compared to peer districts, the District's fuel costs per mile were 22% higher in fiscal year 2024, which led us to further review the District's fuel expenditures. We found that the District did not take steps to ensure all charges on its fuel cards were supported and authorized as required by the USFR. The District has 30 fuel cards, which are a type of credit card that can be used only at approved locations to purchase fuel.

For fuel card purchases, the USFR requires school districts to establish procedures to help prevent or detect fraudulent or abusive transactions, including tracking card use and verifying that transactions are authorized and appropriate.

District's fuel costs were 22% higher per mile than its peers', and its failure to collect key information increased the risk of improper fuel purchases.

We judgmentally selected and reviewed 120 fuel card transactions from 1 month's charges for all 19 fuel cards assigned to school bus drivers and transportation staff and 1 fuel card assigned to a school site. We found that the District's documentation for some purchases was missing key information, increasing the risk that fuel cards could be used improperly.

Specifically:

- ▶ The District lacked formal procedures for collecting and reviewing supporting documentation for fuel purchases. Business office staff reported that they expect drivers to submit receipts that include the District-assigned vehicle number and odometer reading each time fuel is purchased. However, contrary to the USFR and the District's expectations, approximately 10% of the receipts we reviewed lacked some or all of this information. District officials indicated their payment process includes comparing receipts to fuel card statements. The verification, however, checks only for the existence of a receipt and not whether the receipt includes the additional required vehicle information necessary to help ensure the fuel purchase was authorized and for a valid District purpose.

- ▶ Additionally, from our sample, we identified 11 transactions that presented a risk for fraudulent or abusive fuel card use. These transactions occurred on nights or weekends or were unusual, such as the purchase of unleaded fuel using a card assigned to a school bus driver who would have been expected to only purchase diesel fuel. The District provided reasonable explanations for these purchases when we asked about them, but it also indicated that some of the unusual charges may have occurred because staff sometimes share their assigned fuel cards with other users, contrary to prohibitions included in their signed credit card user agreements. The District, however, did not have a process for tracking which users made each purchase, such as requiring unique employee codes to be entered into fuel pumps prior to fueling or requiring purchaser information to be included on receipts. Without purchaser information, which is required by the USFR, the District is limited in its ability to enforce the terms of its credit card user agreements, which include restrictions on who can use the card and provisions for recouping improper charges.

## **Deficiency 2: Contrary to statute, the District did not obtain advance Board approval for food and beverages provided at District events**

We also reviewed 76 District credit card purchases and identified at least 1 food purchase that did not comply with statutory requirements. Statute authorizes that school district governing boards can provide food and beverages at district events, including trainings and other official school functions, subject to certain restrictions, including the Arizona Constitution's gift clause and laws pertaining to travel and subsistence.<sup>1,2</sup> Governing boards are responsible for directly approving such expenditures unless they establish policies that delegate this authority and specify board-approved spending parameters to ensure compliance with the various statutory and constitutional restrictions.

The District has a food and beverage purchasing policy that mirrors statutory language, but the policy does not authorize District staff to approve such purchases, specify the events or activities where food and beverages may be provided, require a determination of whether the purchases are for a public purpose, nor set expenditure limits, such as per person costs.

Although District policy requires Board approval to purchase food and beverages for each event, our review of Board meeting minutes found that the Board had not approved any food and beverage purchases between April 2023 and November 2025. According to District officials, the food purchase we identified was for the annual welcome back event for staff, and they reported making similar purchases for other District events. However, by making food and beverage purchases without specific Board approval and without supporting documentation such as a determination of public purpose and benefit to the District, the District lacked support for the purpose of the expenditures. It also limited public transparency about its spending and potentially wasted District monies that could have been directed to other priorities. Additionally, by failing to ensure the District's purchases were in accordance with the State's gift clause, the District could not demonstrate that its food and beverage purchases served a valid District purpose and the benefits it received were not far exceeded by the costs it paid.

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<sup>1</sup> A.R.S. §15-342(39).

<sup>2</sup> Arizona Constitution, Art. 9, §7, commonly referred to as "Arizona's gift clause," requires that a governmental entity only use public monies for a public purpose and that the value to be received by the public is not to be far exceeded by the consideration being paid by the public.

## Recommendations to the District

Develop and implement written procedures to:

7. Require fuel card users to submit supporting documentation for purchases that is sufficient to identify the purchaser and District vehicle and to facilitate District oversight, such as odometer readings and purpose of the purchase, to reduce the risk of misuse and unauthorized transactions.
8. Regularly review fuel card statements and supporting documentation and investigate and resolve any irregularities identified, including missing documentation or unusual charges, to ensure fuel card purchases are appropriate and card users comply with user agreements.
9. Train applicable staff at least annually, as well as whenever new fuel card procedures are introduced, to help ensure all card usage is appropriate and in accordance with the USFR and District policies.
10. Obtain advance Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements, which includes determining and documenting that funding sources used are appropriate and how each purchase benefits the District and serves a public purpose.

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

### **District failed to maintain its school buses in accordance with Minimum Standards requirements and inaccurately reported information to ADE, increasing risks to student safety and potentially impacting its State funding**

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We identified 2 issues with the District's transportation program, which include a failure to properly maintain its school buses to ensure safe student transportation and inaccurate transportation reporting to the Arizona Department of Education (ADE) for funding purposes.

#### **Issue 1: District's poorly maintained school buses posed a safety risk to students**

Safety concerns over the District's failure to maintain its school buses caused the Department of Public Safety (DPS) to remove 8 of the District's 31 school buses from service in fiscal year 2024 and 6 of its school buses in fiscal year 2025.<sup>1</sup> DPS also found that an additional 5 of the District's school buses in fiscal year 2024 and 6 in fiscal year 2025 had major safety defects, but the school buses were not removed from service because the District was able to repair them at the time of the inspection. To help ensure student safety and extend the useful life of school buses, DPS has adopted *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). Minimum Standards require districts to perform systematic school bus preventative maintenance, such as brake and tire inspections, safety feature inspections, and oil changes, and maintain records of this preventative maintenance. Additionally, DPS officers inspect districts' school buses annually for safety issues and require any major defects to be addressed before the school buses are allowed to resume transporting students.

We identified the District's school bus safety and maintenance issues below:

- ▶ **District failed to adequately maintain its school buses to ensure they were capable of safely transporting students and could not provide all safety inspection records**

Many of the District's school buses failed DPS safety and maintenance inspections in fiscal year 2024 and again in fiscal year 2025 and had to be removed from service to address critical safety and maintenance issues. According to District officials, the District temporarily borrowed school buses from another area school district after these school buses were removed from service to ensure it could continue to provide student transportation. We sought to review all DPS inspection records for the District's school buses to evaluate the safety of the District's school buses. However, the District was only able to provide fiscal year 2024 inspection records for 14 school buses rather than the 27 school buses that the District reported to ADE as operating that year.

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<sup>1</sup> The District's records relating to the number, condition, and operational status of its school buses were incomplete. The District's required transportation reports to ADE listed an inventory of 31 school buses in fiscal years 2024 and 2025, but the reported mileage driven for some school buses in its inventory was zero or missing, potentially indicating that some school buses may not have been operational during those fiscal years or that the District did not accurately report these school buses' mileage if they were in service.

Our review of the District's incomplete records found that in October 2023, DPS inspectors identified major school bus defects on all 13 available inspection reports from that month, some of which could not be readily corrected to keep the affected school buses in operation. During its inspections, DPS may allow a school district the opportunity to correct school bus safety and maintenance deficiencies while officers are still on site. However, the District was unable to correct the deficiencies associated with 8 school buses, and DPS removed them from service pending the completion of maintenance work and reinspection. Five of these school buses were repaired and returned to service between October 2023 and July 2024. The District ultimately retired 4 school buses in June 2025, including 1 that had been sufficiently repaired to return to service and the 3 that had not.

We also reviewed available fiscal year 2025 inspection records and found that the District continued to have school bus safety and maintenance issues. Specifically, DPS inspected the District's school buses in January and March 2025, and 6 of the total 18 school buses inspected did not meet DPS Minimum Standards and were removed from service. These 6 school buses included 3 that had previously been removed from service in fiscal year 2024.

► **District did not effectively address ongoing preventative maintenance and documentation issues**

Despite the District's awareness of its school bus maintenance problems and safety risks, we found it did not take steps to effectively resolve these issues and document that required maintenance had been performed. We conducted 2 reviews of available fiscal year 2024 and 2025 preventative maintenance service records. Each of our reviews included judgmentally selecting service records for 10 of the 31 school buses the District listed on its transportation reports to ADE and comparing maintenance documentation with Minimum Standards requirements and the District's informal mileage intervals for oil changes. We conducted our initial review in September 2024 and found that the District had not completed oil changes in accordance with its informal policy for 9 of 10 school buses we reviewed.

We conducted a second review in May 2025, which was after the District returned its school buses to service following the DPS March 2025 inspection and reported to us that it had revised its procedures. When we attempted to perform this second review, the District provided preventative maintenance documentation for only 1 of 10 buses we selected for review. Further, the information the District provided was insufficient to determine whether the school bus had received preventative maintenance in accordance with Minimum Standards and oil changes within the District's informal mileage interval.

The District lacked formal policies addressing required maintenance activities and schedules, including time and mileage intervals, that were aligned with Minimum Standards and/or school bus manufacturer recommendations. Additionally, the District did not have written procedures to guide staff and ensure all required services were timely performed and documented. District officials acknowledged that preventative maintenance was frequently not documented. We also found that responsibilities for overseeing maintenance activities were not clearly defined. The District's failure to systematically perform and document required preventative school bus maintenance resulted in it potentially transporting students on school buses that were not safe and may have reduced the school buses' useful lives.

## **Issue 2: District was unable to support, and likely misreported, fiscal year 2025 miles and riders to ADE for State funding purposes**

The District failed to maintain accurate records of its school bus mileage and students transported and likely reported incorrect information to ADE when it submitted its fiscal year 2025 transportation reports. Failure to report accurate information can affect a district's transportation funding since ADE bases funding amounts on the reported number of miles driven to transport students to and from school, or route miles, and the number of eligible students transported each year.<sup>2</sup>

In fiscal year 2025, District's school bus drivers were responsible for recording the number of route miles traveled and students transported each day for each operating school bus. The District's practice involved transferring the daily log information to a spreadsheet, which it used to compile the information for all school buses and prepare the District's transportation funding report. We judgmentally selected 5 school buses that were being used to transport students at that time and compared 1 month of driver logs for each of the school buses in our sample to the corresponding information in the District's spreadsheet and found that the spreadsheet frequently conflicted with the data recorded in the logs. For example, we identified instances where the numbers recorded in the spreadsheet were higher and lower than those recorded in the logs but did not identify a consistent pattern of over- or underreporting. In other cases, the spreadsheet recorded information that was not supported by any log or, conversely, did not include information that was recorded in the logs. When we brought these issues to the District's attention, they were unable to explain the discrepancies we identified. However, due to the pervasiveness of these discrepancies, we were unable to verify the accuracy of the District's fiscal year 2025 transportation reporting.

Additionally, we found that the District's transportation funding reports improperly included some nonroute miles, such as athletic or field trips, maintenance trips, or driver training, that are not eligible to be reported for State funding. For example, for 1 month of reported miles for 1 school bus, our review found that the District misclassified nearly all of the miles the school bus was driven, which resulted in the District incorrectly reporting approximately 1,350 nonroute miles as route miles for funding purposes.

When we brought these issues to the District's attention, officials acknowledged that the information used to prepare its transportation funding reports was likely inaccurate but could not explain the discrepancies since staff who had prepared the documentation were no longer with the District. However, we found that the District lacked written procedures to guide staff responsible for tracking, compiling, calculating and reporting to the number miles driven to transport students to and from school and the number of eligible students transported. Additionally, the District did not have effective oversight and/or secondary review processes to check its transportation funding reports for accuracy before they were submitted to ADE.

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<sup>2</sup> A.R.S. §§15-922 and 15-945.

## Recommendations to the District

11. Develop and implement a formal, written school bus preventative maintenance policy that establishes time and mileage intervals for performing required maintenance checks and/or services in accordance with manufacturer recommendations, requires preventative maintenance and inspection activities to be documented, and ensures compliance with DPS Minimum Standards.
12. Develop and implement written procedures for recording, compiling, and reporting the number of miles driven to transport students to and from school and the number of eligible students transported to ADE for State funding purposes; and maintain all supporting documentation related to the District's transportation funding reports.
13. Determine whether it can accurately calculate its fiscal year 2025 school bus route miles and ridership. If it determines it can accurately calculate its fiscal year 2025 school bus route miles and ridership, submit the accurate information to ADE. If it determines it cannot accurately calculate its fiscal year 2025 school bus routes miles, work with ADE to determine an appropriate course of action.
14. Develop and implement a secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

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

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

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#### **District has not complied with important IT security requirements and recommended practices**

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 data loss, errors, and fraud. 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, that increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

#### **Issue 1: District did not promptly disable unnecessary user accounts and provided some users too much access to its network and accounting system, increasing the risk of fraud and unauthorized access to sensitive information**

##### **District did not promptly remove or modify user accounts once access was no longer necessary, increasing the risk of unauthorized system access**

We reviewed all active user accounts on the District's network and accounting and student information systems as of August 2024 and identified 8 network and student information system user accounts that were no longer needed and should have been removed or modified as required by the USFR. Specifically, 4 of the active user accounts we identified belonged to former employees who had terminated employment between 55 days and 8 months prior to our review. The remaining accounts we identified included 3 shared accounts and 1 service account that were no longer necessary and should have been removed.

Additionally, our August 2024 review identified 8 user accounts with unnecessary administrator-level access to the District's IT network. Failure to remove or modify unnecessary accounts increases the risk of unauthorized access to District IT systems and data, and granting network users unnecessary administrator-level access increases the risk of security breaches and data loss because hackers typically target administrator accounts for their greater access privileges.

District officials reported the District has a procedure for notifying IT when accounts are no longer needed and for regularly reviewing accounts' access privileges, but District staff have not consistently followed the procedures. As of April 2026, the District had removed or modified access for the accounts we identified during our review. Additionally, District officials reported that the District was finalizing and will adhere to processes to ensure user accounts that are no longer needed are promptly removed and network accounts have appropriately limited access.

## **Some accounting system users had more access than necessary to perform their job duties, increasing the risk of misuse or fraudulent transactions**

Additionally, in October 2025, we reviewed users' access to functions within the District's accounting system and found that the District allowed 5 of its 29 users more access than was necessary to perform their job responsibilities, contrary to the USFR. For example, we found that the District had granted 2 users unnecessary administrator-level access. System administrator-level users may modify system settings and permissions, including adding, disabling, and changing access for all users. Administrators may also view and modify employee information and pay rates—including their own—as well as initiate and complete payroll and purchasing transactions without independent review or approval. Additionally, the District provided another 3 users with full access to the accounts payable and/or payroll functions. Users with full access can initiate and complete transactions without another employee reviewing or approving them. We did not identify any improper transactions due to these deficiencies, but the District's failure to limit users' accounting system access increases the risk of unauthorized access to sensitive information, data loss, and fraud.

## **Issue 2: District did not properly maintain and update some IT equipment, increasing the risk of security vulnerabilities and unauthorized access**

We identified some District network connections that did not meet credible industry standards for encryption, and the District reported plans to address this issue. In April 2026, the District reported that it had purchased equipment in December 2025 that would improve the District's ability to encrypt its network connections but had not yet installed the equipment because the installation would be disruptive to District operations. District officials reported the District would install the new equipment in June and July 2026 while the District is not providing regular instruction.

## **Issue 3: District's IT vendor contracts did not address key issues related to data ownership and protections, and the District did not monitor vendor performance to reduce the risk of data loss and disruptions to operations**

We reviewed a fiscal year 2025 vendor contract and a service agreement for 2 of the District's critical IT systems and found the service agreement lacked data ownership stipulations, increasing the risk that the District could lose access to its data when the agreement ends. When establishing IT service contracts, credible industry standards recommend organizations ensure contracts include stipulations related to data ownership and the return of data to the organization and removal from the vendor's systems. Additionally, we found the District did not monitor the vendors' performance to ensure they met their obligations to backup critical systems, plan for contingencies, and provide for disaster recovery to protect the District's data and prevent disruptions to its operations. The District reported that it had made some attempts to obtain verbal assurances about data ownership and documented evidence of critical system backups in prior years, but it had not sought to amend its long-standing vendor service agreement, which was most recently updated in April 2024.

## Recommendations to the District

15. Develop and implement a formal process to periodically review user access to the District's network and critical IT systems to ensure that user accounts are promptly removed or modified when account access or administrator-level privileges are no longer needed.
16. Limit employees' access to the accounting system to only those accounting system functions needed to perform their job duties, including removing unnecessary administrator-level access.
17. Ensure network connections meet credible industry standards for encryption.
18. Assign responsibility for monitoring compliance with the District's IT contract and service agreement terms, including verifying and documenting whether services such as system backups are performed as required.
19. Obtain contractual assurance of data ownership stipulations and what occurs to District data upon termination of its service agreement.

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

# SUMMARY OF RECOMMENDATIONS

## The Arizona Auditor General makes 19 recommendations to the District

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Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

### Recommendations to the District

#### FINDING 1

3

1. Identify and address any underpayments of sick and personal leave used by hourly employees who elected to have their pay prorated in fiscal years 2022 through 2024. 6
2. Identify and address overpayments due to miscalculated prorated salary contract amounts for teachers who began their contracts after the 2023-2024 school year had started. 6
3. Identify and address any incorrect payments made in fiscal years 2022, 2023, and 2024 to employees who changed their prorated pay elections during their employment terms, and to the 2 other employees identified through our work who were underpaid upon termination or overpaid when transitioning to a full-time contract position. 6
4. Work with the ASRS to identify and correct any excess or insufficient contributions for fiscal years 2022 through 2024. 6
5. Develop and implement written procedures for payroll processing that address prorated salary calculations and include a thorough secondary review process in accordance with USFR requirements to ensure employees are paid accurately and that address the types of compensation that should be included in ASRS withholding calculations and remittances to ensure compliance with State laws and ASRS requirements. 6
6. Train payroll staff at least annually, as well as whenever new payroll procedures are introduced, to help ensure payments are correctly and consistently processed in accordance with the USFR and District policies and ASRS withholding is correctly and consistently processed in accordance with District policies and ASRS requirements. 6

## FINDING 2

7

Develop and implement written procedures to:

7. Require fuel card users to submit supporting documentation for purchases that is sufficient to identify the purchaser and District vehicle and to facilitate District oversight, such as odometer readings and purpose of the purchase, to reduce the risk of misuse and unauthorized transactions. 9
8. Regularly review fuel card statements and supporting documentation and investigate and resolve any irregularities identified, including missing documentation or unusual charges, to ensure fuel card purchases are appropriate and card users comply with user agreements. 9
9. Train applicable staff at least annually, as well as whenever new fuel card procedures are introduced, to help ensure all card usage is appropriate and in accordance with the USFR and District policies. 9
10. Obtain advance Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements, which includes determining and documenting that funding sources used are appropriate and how each purchase benefits the District and serves a public purpose. 9

## FINDING 3

10

11. Develop and implement a formal, written school bus preventative maintenance policy that establishes time and mileage intervals for performing required maintenance checks and/or services in accordance with manufacturer recommendations, requires preventative maintenance and inspection activities to be documented, and ensures compliance with DPS Minimum Standards. 13
12. Develop and implement written procedures for recording, compiling, and reporting the number of miles driven to transport students to and from school and the number of eligible students transported to ADE for State funding purposes; and maintain all supporting documentation related to the District's transportation funding reports. 13
13. Determine whether it can accurately calculate its fiscal year 2025 school bus route miles and ridership. If it determines it can accurately calculate its fiscal year 2025 school bus route miles and ridership, submit the accurate information to ADE. If it determines it cannot accurately calculate its fiscal year 2025 school bus routes miles, work with ADE to determine an appropriate course of action. 13

- 14. Develop and implement a secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes. 13

**FINDING 4** 14

- 15. Develop and implement a formal process to periodically review user access to the District’s network and critical IT systems to ensure that user accounts are promptly removed or modified when account access or administrator-level privileges are no longer needed. 16

- 16. Limit employees’ access to the accounting system to only those accounting system functions needed to perform their job duties, including removing unnecessary administrator-level access. 16

- 17. Ensure network connections meet credible industry standards for encryption. 16

- 18. Assign responsibility for monitoring compliance with the District’s IT contract and service agreement terms, including verifying and documenting whether services such as system backups are performed as required. 16

- 19. Obtain contractual assurance of data ownership stipulations and what occurs to District data upon termination of its service agreement. 16

In addition to the 4 findings in this public report, we identified 1 additional finding pertaining to the District’s school safety practices. We omitted this additional finding from the public report because of the sensitive nature of the information within it and the potential for harm that could result from its public release. Accordingly, we communicated this additional confidential finding and associated recommendations directly to the District’s Governing Board and management. The District agreed with the confidential finding and agreed to implement all 7 recommendations. We will follow up on the status of these 7 confidential recommendations when we conduct our followup work.

## Objectives, scope, and methodology

We have conducted a performance audit of Tombstone Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal years 2024 and 2025 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our 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, and 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.

### Key term

**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.

## Efficiency and effectiveness

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing State statutes, rules, District policies and procedures, and other District-provided documentation; interviewing District staff; touring District facilities and observing day-to-day activities; and reviewing information from ADE's website.

We also used the following specific methods to meet the audit objectives:

- ▶ To determine whether the District paid employees in accordance with Board-approved employment contracts, personnel action requests, and USFR requirements, we judgmentally selected and reviewed payments made to 24 of the 214 District employees who received payments in fiscal year 2024 through the District's payroll system, including hourly employees who elected to have their pay prorated, teachers who began work after the school year started, and employees who transitioned from long-term substitute teacher to full-time teacher. We further reviewed all payments made to hourly employees who elected to prorate their pay in fiscal years 2022 through 2025. Finally, we reviewed compensatory time payouts for 1 employee in fiscal years 2023 to 2025.
- ▶ To determine whether the District properly calculated ASRS contributions in accordance with State laws and ASRS requirements, we reviewed all fiscal year 2024 payments for ASRS withholdings. Based on the issues we identified, we expanded our review to include similar payments in fiscal years 2022 and 2023.
- ▶ To determine whether the District met USFR requirements for fuel card purchases and whether the District consistently followed its fuel card procedures, we judgmentally selected and reviewed available documentation for 1 month of fiscal year 2025 fuel card purchases for all 15 fuel cards assigned to transportation staff and 1 fuel card assigned to a school.
- ▶ To determine whether the District purchased food and beverages for District events and whether such purchases were approved by the Governing Board and complied with statutory requirements, we reviewed Governing Board meeting minutes between April 2023 and November 2025 and judgmentally selected and reviewed 76 of 374 fiscal year 2024 District credit card purchases.
- ▶ To determine whether the District complied with the State's Minimum Standards, we reviewed related documentation, when available, such as District policies, school bus preventative maintenance records, DPS inspection reports and school bus driver files for a sample of drivers employed by the District in fiscal years 2024 and/or 2025.
- ▶ To determine whether the District reported miles and riders to ADE in accordance with ADE guidelines and State laws, we reviewed documentation including the District's fiscal year 2025 transportation route report and tracking spreadsheets. We also judgmentally selected and reviewed 1 month's mileage and rider records for 5 school buses. As part of our work, we also reviewed records related to transportation grant money expenditures and non-school bus student transportation.

## Peer groups

We developed 3 peer groups for comparative purposes. To compare the District’s student achievement results, we developed a peer group using district poverty rates as the primary factor because poverty rate has been shown to be associated with student achievement. District type and locality were secondary factors used to refine these groups. 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 grades. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, we developed a peer group using district size, type, and locality. To compare the District’s transportation efficiency, we developed a peer group using a 5-year historical average of miles per rider and locality. We used these factors because they are associated with districts’ cost measures in these areas.

**Table 1**

### 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	19% or higher, but less than 25%	15
	District type	Unified school districts	
	Locality	Towns and rural areas	
Administration, plant operations and maintenance, and food service	District size	Between 500 and 1,199 students	19
	District type	Unified and Union High school districts	
	Locality	Towns and rural areas	
Transportation	Miles per rider	More than 770 miles per rider	16
	Locality	Towns and rural areas	

Source: Auditor General staff analysis of district poverty rates from the U.S. Census Bureau; locality data from the National Center for Education Statistics; and district type, number of students, miles, and riders from the Arizona Department of Education.

## Financial accounting data and internal controls

We evaluated the District’s internal controls related to expenditure processing and reviewed 43 of the 539 payroll and 331 of the 4,817 accounts payable transactions in the District’s fiscal year 2024 detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 15 of the 214 individuals who received payments in fiscal year 2024 through the District’s payroll system and reviewed supporting documentation for 25 of the 4,817 fiscal year 2024 accounts payable transactions. We reviewed fiscal year 2024 spending and prior years’ spending trends across operational categories to assess data validity and identify substantial 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; and reviewing controls over reporting various information used for this audit. We reported our conclusions on applicable internal controls in Findings 1 through 3 (see pages 3 through 13).

Additionally, we reviewed controls over the District's relevant computer systems and reported our conclusions on applicable controls over the District computer systems in Finding 4 (see pages 14 through 16).

Specifically:

- ▶ To determine whether the District appropriately limited system access to only those functions needed for employees to perform their job duties, we reviewed all user accounts with administrator-level access to the District's critical IT systems. We also reviewed all active users' accounting information system access and compared their access levels with their job responsibilities.
- ▶ To determine whether the District had appropriately terminated user access to its critical IT systems when access was no longer necessary, we identified active user accounts that potentially belonged to former contractors or terminated employees whose employment ended during fiscal years 2023 or 2024. From the potentially unnecessary accounts we identified, we judgmentally selected 30 of 1,397 network accounts, 30 of 37 student information system accounts, and all 14 accounting information system accounts and reviewed them with District officials to determine whether they were no longer necessary and should have been disabled.
- ▶ To determine whether the District's authentication controls for critical IT systems were consistent with USFR requirements and credible industry standards, we reviewed the District's policies and procedures and current authentication controls for critical IT systems and compared them to USFR requirements and credible industry standards, such as those developed by NIST.
- ▶ To evaluate the District's risk for disruption and/or data loss associated with 2 critical IT systems, we reviewed fiscal year 2025 vendor contract and service agreement provisions and the District's efforts to monitor the vendors' performance.

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 board members, superintendent, and staff for their cooperation and assistance throughout the audit.

## DISTRICT RESPONSE

**The subsequent pages were written by the District to provide a response to each of the findings and to indicate its intention regarding implementation of the recommendations resulting from the audit conducted by the Arizona Auditor General.**

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# Tombstone Unified School District # 1

#growinglegends

June 10, 2026

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

Dear Auditor General Perry:

Tombstone Unified School District #1 has received and carefully reviewed the recent performance audit report. District Administration and the Governing Board are fully committed to addressing the findings and implementing the recommendations outlined within the report. We are pleased to note that several of the recommendations have already been implemented, and we will continue to work diligently to resolve the remaining items in a timely and thorough manner.

The District remains steadfast in its responsibility to serve our community as prudent stewards of public funds, while ensuring the delivery of the highest quality educational programs to our students in a safe and supportive environment. We appreciate the opportunity this audit provides to strengthen our practices, enhance operational effectiveness, and reinforce accountability for the benefit of our students, staff, and community.

V/R

Dr. Sarah Cox  
Superintendent  
Tombstone Unified Schools

**At TUSD we cultivate responsible citizens by maintaining a positive culture where lifelong learning is valued and encouraged.**

<b>District Office</b> <b>Dr. Sarah Cox</b> Superintendent P.O. Box 1000 805 Fremont St. Tombstone, AZ 85638 (520) 457-2217 (520) 457-3270 Fax	<b>Tombstone High School</b> <b>David Thursby</b> , Principal P.O. Box 1000 1211 Yellowjacket Way Tombstone, AZ 85638 (520) 457-2215 (520) 457-3643 Fax	<b>Huachuca City School</b> <b>Michael Powers</b> , Principal P.O. Box 1000 Tombstone, AZ 85638 100 School Drive Huachuca City, AZ 85616 (520) 456-9842 (520) 456-9811 Fax	<b>Walter J. Meyer School</b> <b>Claudette Webb</b> , Principal P.O. Box 1000 411 North 9 <sup>th</sup> Street Tombstone, AZ 85638 (520) 457-3371 (520) 457-3685 Fax
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**Finding 1:** District's payroll errors and failure to comply with some requirements related to employee compensation and pension contributions resulted in inaccurate payments to employees

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

Response explanation: The District acknowledges the audit finding regarding payroll errors and noncompliance with certain requirements related to employee compensation and pension contributions, which resulted in inaccurate payments to some employees.

**Recommendation 1:** Identify and address any underpayments of sick and personal leave used by hourly employees who elected to have their pay prorated in fiscal years 2022 through 2024.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation. Administration will conduct a comprehensive review of hourly employees who elected to have their compensation prorated during fiscal years 2022 through 2024 to determine whether sick leave and personal leave used during those periods were compensated correctly. The review will include an analysis of payroll records, leave usage records, and applicable compensation provisions to identify any underpayments. For any employees determined to have been underpaid, the District will calculate the amounts owed and process appropriate corrective payments.

**Recommendation 2:** Identify and address overpayments due to miscalculated prorated salary contract amounts for teachers who began their contracts after the 2023-2024 school year had started.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation. Administration will perform a review of teachers hired after the start of the 2023–24 school year to identify any instances in which prorated salary contract amounts were calculated incorrectly and resulted in overpayments. The review will include an examination of employment contracts, start dates, salary schedules, and payroll records to determine the extent of any overpayments. Where overpayments are identified, the District will address them in accordance with applicable policies, contractual provisions, and legal requirements.

**Recommendation 3:** Identify and address any incorrect payments made in fiscal years 2022, 2023, and 2024 to employees who changed their prorated pay elections during their employment terms, and to the 2 other employees identified through our work who were underpaid upon termination or overpaid when transitioning to a full-time contract position.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The review will include an analysis of payroll records, leave usage records, and applicable compensation provisions to identify any underpayments. For any employees determined to have been underpaid, the District will calculate the amounts owed and process

appropriate corrective payments. In addition, the District will evaluate and update payroll procedures and system configurations, as necessary, to ensure leave payments for prorated hourly employees are calculated accurately and consistently in accordance with District policies and applicable agreements.

**Recommendation 4:** Work with the ASRS to identify and correct any excess or insufficient contributions for fiscal years 2022 through 2024.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The review will include an analysis of payroll records, leave usage records, and applicable compensation provisions to identify any underpayments. For any employees determined to have been underpaid, the District will calculate the amounts owed and process appropriate corrective payments. The district will work with ASRS to determine the option available to make corrections and move forward with best practices to avoid overpayment.

**Recommendation 5:** Develop and implement written procedures for payroll processing that address prorated salary calculations and include a thorough secondary review process in accordance with USFR requirements to ensure employees are paid accurately and that address the types of compensation that should be included in ASRS withholding calculations and remittances to ensure compliance with State laws and ASRS requirements.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The review will include an analysis of payroll records, leave usage records, and applicable compensation provisions to identify any underpayments. For any employees determined to have been underpaid, the District will calculate the amounts owed and process appropriate corrective payments. In addition, the District will evaluate and update payroll procedures and system configurations, as necessary, to ensure leave payments for prorated hourly employees are calculated accurately and consistently in accordance with District policies and applicable agreements.

**Recommendation 6:** Train payroll staff at least annually, as well as whenever new payroll procedures are introduced, to help ensure payments are correctly and consistently processed in accordance with the USFR and District policies and ASRS withholding is correctly and consistently processed in accordance with District policies and ASRS requirements.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. Training will cover payroll processing requirements, employee compensation calculations, leave payments, payroll reconciliations, and compliance with the Uniform System of Financial Records (USFR), District policies, and Arizona State Retirement System (ASRS) and Arizona State Personnel System (ASPS) requirements, as applicable. The training will emphasize the accurate and consistent processing of employee compensation, withholdings, and retirement contributions to reduce the risk of errors and noncompliance. In addition, the District will maintain documentation of training

completion, update written payroll procedures as changes occur, and provide supervisory oversight to ensure payroll staff consistently apply established procedures.

**Finding 2:** District's controls were insufficient to ensure that all fuel card transactions were authorized and appropriate, and the District made certain food and beverage purchases without required Board approval

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

Response explanation: The district agrees with the finding. As of July 1, 2025, under new administration the transportation operating procedures related to accurate documentation has been a part of the restructuring of the transportation department. As of January 2026, the district has initiated and received appropriate board approval for food and beverage purchases for staff events and student events. The district will permanently establish yearly approval for these purchases from the governing board.

**Recommendation 7:** Develop and implement written procedures to require fuel card users to submit supporting documentation for purchases that is sufficient to identify the purchaser and District vehicle and to facilitate District oversight, such as odometer readings and purpose of the purchase, to reduce the risk of misuse and unauthorized transactions.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. Employees are being trained to keep detailed documentation related to mileage logs, gas cards, gas receipts, and student counts. Standard operating procedures are being developed to provide efficient and effective best practices.

**Recommendation 8:** Develop and implement written procedures to regularly review fuel card statements and supporting documentation and investigate and resolve any irregularities identified, including missing documentation or unusual charges, to ensure fuel card purchases are appropriate and card users comply with user agreements.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. As of July 1, 2025, under new administration the transportation operating procedures related to accurate documentation has been a part of the restructuring of the department. New transportation administration is creating a manual to provide employees with SOPs and create documentation. Previous years and current year will be reviewed to investigate irregularities and make the needed corrections to support accuracy in the future.

**Recommendation 9:** Train applicable staff at least annually, as well as whenever new fuel card procedures are introduced, to help ensure all card usage is appropriate and in accordance with the USFR and District policies.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with this recommendation. The district will create a more comprehensive onboarding along with regular training to assist employees in developing best practices for documentation and reporting.

**Recommendation 10:** Obtain advance Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements, which includes determining and documenting that funding sources used are appropriate and how each purchase benefits the District and serves a public purpose.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with this recommendation. As of January 2026, the district has initiated and received appropriate board approval for food and beverage purchases for staff events and student events for FY26. The district will permanently establish yearly approval for these purchases from the governing board.

**Finding 3:** District failed to maintain its school buses in accordance with Minimum Standards requirements and inaccurately reported information to ADE, increasing risks to student safety and potentially impacting its State funding

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

Response explanation: As of July 2025, the district has completely restructured the transportation department to include standard operating procedures, transportation administration, and mechanic operations. The establishment of log out/tag out systems, increased inspections at the district level with certified mechanics, and changing how minor and major issues are addressed related to minimum standards. The district has also updated all incidents with Arizona DPS and worked with DPS staff to ensure accurate reporting and documentation that was not previously completed. The district also worked with financial auditors to determine the inaccurate reporting areas in previous fiscal year to resolve the issues for the current fiscal year. Additional standard operating procedures are being developed to reduce or eliminate inaccurate reporting and make sure that the district is providing ADE with the correct reporting numbers.

**Recommendation 11:** Develop and implement a formal, written school bus preventative maintenance policy that establishes time and mileage intervals for performing required maintenance checks and/or services in accordance with manufacturer recommendations, requires preventative maintenance and inspection activities to be documented, and ensures compliance with DPS Minimum Standards.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees to the recommendation. The development of detailed specific standard operating procedures will assist transportation administration and mechanics to create best practices for preventive maintenance to include consistent inspections from DPS and at the district level. As of May 2026, DPS has inspected all buses in operation to update records and establish an inspection schedule to maintain preventive maintenance and DPS inspections.

**Recommendation 12:** Develop and implement written procedures for recording, compiling, and reporting the number of miles driven to transport students to and from school and the number of eligible students transported to ADE for State funding purposes; and maintain all supporting documentation related to the District's transportation funding reports.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees to this recommendation. The district also worked with financial auditors to determine the inaccurate reporting areas in the previous fiscal year to resolve the issues for the current fiscal year. Additional standard operating procedures are being developed to reduce or eliminate inaccurate reporting and make sure that the district is providing ADE with the correct reporting numbers. The district is implementing digital record keeping of data to provide additional support or back-up for all reporting practices.

**Recommendation 13:** Determine whether it can accurately calculate its fiscal year 2025 school bus route miles and ridership. If it determines it can accurately calculate its fiscal year 2025 school bus route miles and ridership, submit the accurate information to ADE. If it determines it cannot accurately calculate its fiscal year 2025 school bus routes miles, work with ADE to determine an appropriate course of action.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees to this recommendation. The district also worked with financial auditors to determine the inaccurate reporting areas in previous fiscal year to resolve the issues for the current fiscal year. Additional standard operating procedures are being developed to reduce or eliminate inaccurate reporting and make sure that the district is providing ADE with the correct reporting numbers. The district is implementing digital record keeping of data to provide additional support or back up for all reporting practices.

**Recommendation 14:** Develop and implement a secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees to this recommendation. The district also worked with financial auditors to determine the inaccurate reporting areas in previous fiscal year to resolve the issues for the current fiscal year. Additional standard operating procedures are being developed to reduce or eliminate inaccurate reporting and make sure that the district is providing ADE with the correct reporting numbers. The district is implementing digital record keeping of data to provide additional support or back up for all reporting practices.

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

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

Response explanation: As of April 2026, the district has addressed the findings related to IT deficiencies and sensitive computerized data. The steps included the purchase of necessary equipment to updated wifi and access points to meet the necessary standards addressed in the finding, the IT department has contacted the related services that assist with data back-ups and established reporting processes that provide the district with all issues and successful back up processes to include daily submissions. The district has also reviewed service contracts and is currently developing standard operating procedures to make sure that contracted services are completing the work that is being paid for. The IT director has implemented best practices to remove and update district software user accounts and SOPs are being developed to increase accuracy and timely completion.

**Recommendation 15:** Develop and implement a formal process to periodically review user access to the District's network and critical IT systems to ensure that user accounts are promptly removed or modified when account access or administrator-level privileges are no longer needed.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The IT director has implemented best practices to remove and update district software user accounts and SOPs are being developed to increase accuracy and timely completion. The district will continue to keep accurate records and provide timely notifications for removal of users or changes to user permissions.

**Recommendation 16:** Limit employees' access to the accounting system to only those accounting system functions needed to perform their job duties, including removing unnecessary administrator-level access.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The IT director has implemented best practices to remove and update district software user accounts and SOPs are being developed to increase accuracy and timely completion. The district will continue to keep accurate records and provide timely notifications for removal of users or changes to user permissions to limit unnecessary access.

**Recommendation 17:** Ensure network connections meet credible industry standards for encryption.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The district is currently in the process of replacing equipment and establishing updated network connections to be completed by June 30, 2026.

**Recommendation 18:** Assign responsibility for monitoring compliance with the District's IT contract and service agreement terms, including verifying and documenting whether services such as system backups are performed as required.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The district is currently restructuring the IT department to implement best practices and SOPs that will include monitoring contracted service commitments to include verifying data backups and successful completions. The district will establish regular reports from service providers to show detailed information related to completed services.

**Recommendation 19:** Obtain contractual assurance of data ownership stipulations and what occurs to District data upon termination of its service agreement.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees with the recommendation. The district will work with service providers to provide the details necessary to establish data ownership. This will be completed by June 30, 2026 to make sure that going forward the district and the service providers will know if services change or termination of agreements that data will belong to the represented company or district and stated in the yearly contracts.