



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.

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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.