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Performance Audit

Crane Elementary School District

District improperly spent more than $164,000 on employee fringe benefits and food and beverages for District events without ensuring compliance with various State requirements, and provided catering services without statutory authority. Additionally, the District failed to monitor and address potentially disadvantageous solar energy contracts, which may have cost the District more than $400,000 in excess electricity costs, and it had deficiencies related to purchasing cards, cash handling, supplies and property, transportation, and IT security.

Report 26-208
July 2026

Lindsey A. Perry
Auditor General

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ARIZONA
AUDITOR
GENERAL

Lindsey A. Perry, Auditor General

July 24, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Crane Elementary School District

Dale Ponder, Superintendent
Crane Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Crane Elementary 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 or implement in a different manner 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 8 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 Ponder 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

Crane Elementary School District

Performance Audit

District improperly spent more than $164,000 on employee fringe benefits and food and beverages for District events without ensuring compliance with various State requirements, and provided catering services without statutory authority. Additionally, the District failed to monitor and address potentially disadvantageous solar energy contracts, which may have cost the District more than $400,000 in excess electricity costs, and it had deficiencies related to purchasing cards, cash handling, supplies and property, transportation, and IT security.

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 provided more than $156,000 in unauthorized fringe benefits to employees in the form of retirement or longevity bonuses, cell phone allowances, and personal vehicle use to employees, potentially violating the State Constitution's gift clause and/or incurring tax or other financial liabilities. It also spent nearly $8,500 on food and beverages for District events without ensuring each of the purchases had required Board approval and complied with other statutory requirements.

- District operated catering services for its staff and the public at 64 events in fiscal year 2025 without the statutory authority to do so and without separately tracking its catering costs, increasing the risk that it may have used public monies intended for student meals.

- In 2012, the District entered into 25-year guaranteed energy cost savings contracts with a vendor to install and use solar panels at 8 of 10 District school sites, but the District did not ensure its solar vendor complied with contractual cost savings obligations. Additionally, the District did not act to address disadvantageous contract terms that may have added an estimated $400,000 to its electricity costs since 2018.

- District likely has more purchasing cards and authorized users than necessary for operations, did not always separate purchasing card responsibilities, and did not establish effective controls over purchasing card use, increasing the risk of unauthorized purchases, errors, and fraud. Additionally, the District allows employees to use purchasing cards to exceed State maximum allowable travel costs, increasing the risk of loss, theft, or waste.

- District had internal controls deficiencies that included cash-handling procedures that did not meet USFR requirements, unmonitored fuel supply access and District vehicle use, insufficient building access controls, and poorly documented school bus preventative maintenance.

- District did not safeguard IT systems in accordance with USFR requirements and credible industry standards as it lacked adequate authentication controls and procedures to limit IT system access, remove unnecessary IT accounts, and monitor system activity.

Key recommendations to the District

- Ensure that all salaries and benefits provided to employees are properly approved and documented, and address, as necessary, any resulting Arizona State Retirement System or tax liabilities and/or potential gift clause violations resulting from past payments.

- 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.

- Determine whether the District has statutory authority to offer catering services, and if so, document its statutory authority and the funding source used, separately account for catering expenses, ensure revenues from statutorily authorized catering events cover all related costs, and ensure any purchases are an allowable use of the funding source.

- Obtain historical reports required by contracts and State statute, determine whether the solar vendor owes the District reimbursement for any shortfalls of guaranteed cost savings, and collect any reimbursement monies owed. If the District determines any of its solar contracts are disadvantageous, determine what options may be available to the District to address the disadvantageous contracts.

- Establish and implement contract monitoring and oversight procedures to ensure its solar vendor provides required reports to the District as required by its contracts and statute.

- Minimize the number of purchase cards and authorized users and establish controls to separate responsibilities for purchasing cards, require annual user agreements, and ensure that travel expenses charged to the cards do not exceed maximum allowable reimbursement rates.

- Develop and implement internal controls to address deficiencies related to cash handling, District fuel and vehicle use, building access, and school bus preventative maintenance.

- Improve controls over IT systems and functions by implementing and enforcing strong authentication controls; ensuring network and accounting system access, including by third-party vendors, is necessary and appropriate; and monitoring accounting system activities.

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TABLES

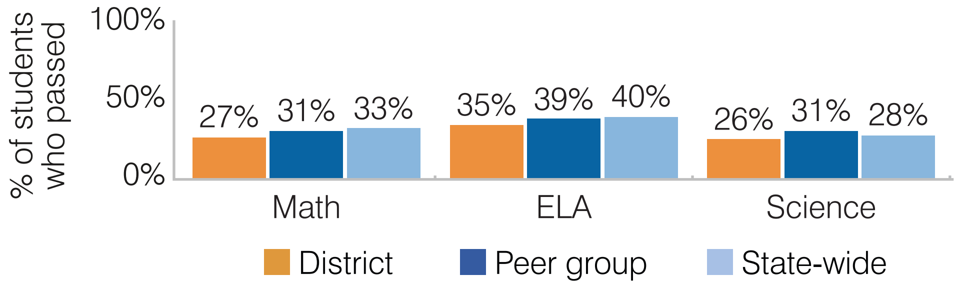
Crane Elementary School District—FYs 2025 and 2026

FY 2025 District information

District locality: City	**Grades:** Pre-K through 8	**Number of schools:** 10
County: Yuma	**Students attending:** 5,360	**School letter grades:** 2 A, 6 B, 2 C
Filled certified FTE: 313	**Filled classified FTE:** 437	**Filled board positions:** 5 of 5

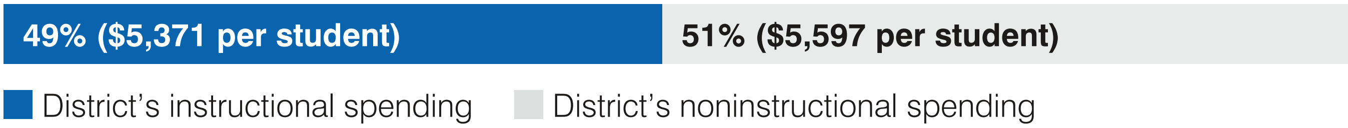
Location

Student performance on State assessments



FY 2025 operational overview

Total operational spending—$58.8 million ($10,968 per student)



In fiscal year 2025, the District spent 49% of its operational spending on instruction, which was the same amount as its peer districts averaged. Although the District's percentage spent on instruction increased by 0.2 percentage points from fiscal year 2024 to fiscal year 2025, the District's percentage spent on instruction has decreased by 4.2 percentage points since fiscal year 2020. The decline in instructional spending since fiscal year 2020 may partially be a result of the District's increased needs in student support services. Specifically, the District's percentage spent on student support increased by 1.8 percentage points from fiscal year 2020 to fiscal year 2025, likely due to the District's special education population increasing from 10% to 13% and English learner population increasing from 15% to 21% from fiscal year 2020 to fiscal year 2025. Additionally, the District's percentage spent on plant operations increased by 1.4 percentage points. The District entered into solar contracts in 2012, which are likely disadvantageous for the District and may have contributed to the increased spending on plant operations (see Finding 3, pages 13 through 16, for more information).

Administration

Lower spending, with the District appearing to accurately classify expenditures and follow the State's conflict-of-interest and open meeting laws, but not complying with some other State laws and requirements we reviewed

The District spent 25% less than its peer districts averaged, primarily due to lower administrative salaries and benefits costs. Our review found that the District appeared to accurately classify its expenditures and comply with the State's conflict-of-interest and open meeting law requirements we reviewed. However, we found deficiencies in several other areas resulting in 4 findings.

Specifically, the District:

- Provided more than $156,000 in unauthorized fringe benefits to employees and purchased nearly $8,500 in food and beverages without ensuring the purchases had required Board approval and complied with other statutory requirements (see Finding 1).
- Likely has more purchasing cards and authorized users than necessary for operations and did not establish effective controls over purchasing card use, increasing the risk of errors, fraud, misuse, and unauthorized purchases (see Finding 4).
- Did not always prepare evidence of receipt or separate cash-handling responsibilities, increasing the risk of errors and fraud (see Finding 5).
- Allowed excessive access to its sensitive computerized data and had other IT deficiencies that increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud (see Finding 6).

Administrative spending	District	Peer average
Spending per student	$1,214	$1,624

Plant operations

Spending measures mixed, District's solar contracts may be disadvantageous, and the District did not maintain effective controls over District supplies and property

In fiscal year 2025, the District spent 11% more per square foot and 12% less per student on plant operations than its peer districts averaged, likely due to maintaining less square footage per student. The District appeared to utilize its facilities efficiently and its facilities appeared to be well maintained. Additionally, the District rents some of its facilities to the public, and we found that the District appeared to be following its policies related to community use of District facilities. However, the District did not ensure that its solar vendor complied with contractual cost-savings obligations, and it did not act to address likely disadvantageous contract terms that may have added an estimated $400,000 to its electricity costs since 2018 (see Finding 3). Additionally, the District lacked effective controls over District supplies and property, including its fuel supplies, white fleet vehicles, and physical building keys, increasing the District's risks of unauthorized use and theft (see Finding 5).

Plant operations spending	District	Peer average
Spending per square foot	$9.27	$8.33
Spending per student	$1,291	$1,468

Food service

Spending measures mixed and District operated catering services without statutory authority to do so

The District spent a similar amount per meal and about 8% more per student on food service operations than its peer districts averaged, likely because the District served more meals per student. We found that the District operated catering services without the statutory authority to do so and did not ensure that the events it catered were not improperly subsidized with District monies (see Finding 2).

Food service spending	District	Peer average
Spending per meal	$4.23	$4.36
Spending per student	$1,055	$976

Transportation

Lower spending and District appeared to follow school bus driver certification requirements but did not meet requirements for school bus preventative maintenance

The District spent 26% less per mile and 28% less per rider than its peer districts averaged, likely due to the District having lower outsourced student transportation purchased services and salaries and benefits costs than its peer districts averaged. We found that the District appeared to meet the State requirements related to hiring and maintaining required documentation for its school bus drivers. Although the District's school buses we reviewed passed their annual school bus inspections, the District did not systematically perform and document required school bus preventative maintenance, potentially increasing the risk to student safety and reducing the useful lives of its school buses (see Finding 5).

Transportation spending	District	Peer average
Spending per mile	$6.36	$8.59
Spending per rider	$1,387	$1,916

District provided more than $156,000 in unauthorized fringe benefits to employees and spent nearly $8,500 on food and beverages without ensuring compliance with statute and the State Constitution's gift clause, limiting public transparency

The District did not consistently follow requirements set forth by the *Uniform System of Financial Records for Arizona School Districts* (USFR), State statute, and/or District policy to ensure some fringe benefits provided to District employees were documented in required contracts or employment agreements and approved by the Governing Board (Board).[1] It also did not follow statutory requirements for providing food and beverages at District events. See the details below.

Deficiency 1: District provided more than $156,000 in fringe benefits to employees without Board approval or required contracts/employment agreements, potentially violating the State Constitution's gift clause

In fiscal year 2025 and for many years before that, the District's former superintendent permitted employees to receive various fringe benefits without ensuring that the Board specifically approved such benefits and the benefits were documented in contracts or employment agreements, as required by the USFR.[2] Additionally, District policy indicates that the superintendent may not reduce or increase an employee's salary or wage without the Board's approval. However, in fiscal year 2025, the District's former superintendent permitted District employees to receive fringe benefits totaling at least $156,450, in excess of their regular salaries without Board approval. These fringe benefits, which lacked formal Board approvals and other required documentation, included retirement bonuses, longevity bonuses, cell phone allowances, and personal use of District vehicles. We spoke with 2 Board members who reported being aware that some of these benefits were being provided to employees, but there was no evidence that the Board had taken action to approve any of these benefits the District provided to its employees in fiscal year 2025.

Specifically, we identified:

- **$97,600 in retirement bonuses that lacked Board approval and, in some cases, were issued to ineligible employees**

  Retirement bonuses totaling $97,600 were paid to 9 employees in fiscal year 2025 without Board approval. The District's retirement bonus recognizes employees with at least 15 years of service and requires employees to notify the District of their retirement during the fiscal year preceding their planned retirement. None of the 9 employees' bonuses were

1 The Arizona Auditor General in conjunction with the Arizona Department of Education (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.

2 The District was unable to provide information about how long it had provided the various fringe benefits discussed in this finding. The District provided evidence of the Board discussing the longevity bonus as far back as 1991 and the retirement bonus in 2007 but lacked information about when the District began offering these fringe benefits to employees.

approved by the Board nor included in employee contracts or employment agreements, as required. Additionally, 4 of the 9 employees received the retirement bonus despite not having provided the required advance notice of their retirements, and none of the 4 exceptions were approved by the Board. District officials indicated that the District had monies available to pay the bonuses even though the employees did not provide timely notice about their planned retirements. Officials also reported that retirement and other bonuses had historically been available to employees, in some cases for decades, and they thought that these benefits were authorized based on historic Board approvals. The employees who received the unauthorized retirement bonuses in fiscal year 2025 included teachers, principals, school bus drivers, secretaries, groundskeepers, and food service workers.

In addition to the unauthorized payments, we identified another potential issue related to the District's retirement incentives. Specifically, because the District provides retirement incentive payments to eligible employees conditioned on their termination, the District's retirement program appears to be a termination incentive program as defined by A.R.S. §38-749. Accordingly, the District may be subject to additional requirements for termination incentive programs, including requirements to report certain information about the program and its participants to the Arizona State Retirement System (ASRS).[3,4]

During the audit, District officials indicated they had not determined whether the District's retirement bonus program was a termination incentive program as defined in statute, and after we made them aware of this potential issue, the District contacted the ASRS. The District should continue to work with the ASRS to determine whether the program qualifies as a termination incentive program and to ensure that past program payments did not result in unfunded liabilities. Unfunded liabilities reduce the monies the ASRS has available to pay retiree benefits, and if such liabilities are identified, the District may be required to pay all monies due to the ASRS, potentially resulting in the District redirecting monies that could be spent on other District priorities, such as instruction.

$50,500 in unapproved longevity bonuses to 79 employees

The former superintendent also permitted 79 District employees to receive longevity bonuses totaling $50,500 in fiscal year 2025 without Board approval. According to District documentation, the District's longevity bonus recognizes certified and classified employees with at least 10 consecutive years of service to support employee retention and to acknowledge their value to the District. In fiscal year 2025, the District paid unauthorized longevity bonuses to various employees, including teachers, custodians, administrative assistants, and instructional aides.

$8,350 in unapproved cell phone allowances to 14 employees

Similarly, the former superintendent allowed 14 employees to receive cell phone allowances totaling $8,350 in fiscal year 2025 without Board approval. The District indicated employees were eligible for this allowance if their job duties required on-

3 A.R.S. §38-749(B).

4 Arizona Administrative Code R2-8-124(E).

call services and communication outside of regular District hours. In fiscal year 2025, employees associated with the District's IT department, food service program, and communications department received this benefit.

Personal use of District vehicles to 2 employees

The District reported that in fiscal year 2025, 2 employees—its maintenance director and locksmith—were permitted to drive a District-owned vehicle to and from home and work. District officials indicated these employees were allowed to do so because their job duties require them to be on call and available to travel to the District, as needed. However, the Board had not approved this fringe benefit for these 2 employees. Further, as discussed in Finding 5, pages 21 through 25, the District lacked policies and procedures to manage and monitor these employees' use of the District-owned vehicles and did not require the 2 employees to track their vehicle use. Accordingly, we were unable to verify that these 2 employees used District vehicles only for valid District purposes. In addition, the District may have created a tax liability because it did not report this vehicle fringe benefit as noncash taxable income for either employee, as required by the Internal Revenue Service (IRS).[5]

These fringe benefits were not approved by the District's Board as required by State statute and District policy nor included in employee contracts or employment agreements contrary to USFR requirements.[6,7] The District reported that it relied on historic Board approvals of the retirement and longevity bonuses to provide these fringe benefits annually, but the Board had not approved these bonuses since May 2007. However, according to State law, elected governing board members serve 4-year terms until the next election.[8] Based on this statutory requirement, the District's Board membership may have changed at least 5 times since 2007. Further, the District reported that the cell phone allowance benefit and personal use of District vehicles had never been reviewed or approved by the Board because the District was unaware Board approval was required. Additionally, the 2 Board members we spoke with during the audit reported that they did not recall these benefits being discussed or voted on during public Board meetings.

Because the former superintendent did not ensure all fringe benefits provided to employees were included in employment agreements and approved by the Board, the District lacked support that its Board had authorized the use of District resources for these purposes. Additionally, the District limited public transparency into its activities and did not document the public purpose or value it received in exchange for the fringe benefits it provided. As a result, the District may have violated the State's gift clause by providing employees fringe benefits that were not part of the employees' contracts or employment agreements or otherwise approved by the Board prior to the time the employee had entered their contract or employment agreement for the succeeding year.[9] After we brought this issue to the District's attention, the Board approved updated compensation

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5 IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits,* indicates that the value of a vehicle provided to an employee for commuting use that is, from home to work or from work to home, must be included in the employee's wages or reimbursed by the employee.

6 A.R.S. §15-341(A)(45).

7 A.R.S. §15-502(A).

8 A.R.S. §15-424(B).

9 Arizona Constitution, Art. 9, §7, commonly referred to as Arizona's "gift clause," and Arizona caselaw interpreting the gift clause requires that payment of public monies is for a public purpose and the value to be received by the public is not far exceeded by the consideration being paid by the public. *Wisturber v. Paradise Valley Unified School Dist.*, 141 Ariz. 346, 678 P.2d 354 (1984), *Turken v. Gordon*, 223 Ariz. 342, 224 P.3d 158 (2010), and *Schires v. Carlat*, 250 Ariz. 371, 480 P.3d 639 (2021).

packages, which include policies and eligibility requirements for all 4 of the fringe benefits we identified. However, the Board-approved compensation packages do not include the expected total cost to the District of providing these benefits, which is necessary to ensure that the value to be received by the public is not to be far exceeded by the consideration being paid by the public, consistent with the State's gift clause.

Deficiency 2: District spent nearly $8,500 on food and beverages for District events without ensuring the purchases met statutory requirements, potentially wasting monies that could have been used for other District priorities

We identified at least 11 fiscal year 2025 food and beverage purchases totaling $8,500 the District made without ensuring all the purchases had required Board approval and complied with other statutory requirements.[10,11] These purchases included $880 for breakfast and lunch for 55 people for new teacher induction, $2,800 for an end-of-year staff celebration, and $376 for donuts and cookies for preschool teacher appreciation. 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.[12] To comply with the State's gift clause, the District must ensure that its food and beverage expenditures serve a valid public purpose and the benefit the District received from providing the benefit was not far exceeded by the costs it paid.

District officials indicated the Board had approved the purchases we identified when it voted to approve certain fiscal year 2025 food and beverage purchases in June 2024, but we found the Board's resolution was not sufficient to meet statutory requirements. Specifically, the Board's June 2024 resolution authorized the District to provide food and beverages at only 5 events, whereas we identified at least 11 where it had done so.[13] Additionally, the resolution did not appear to consider or restrict costs for each event, such as by specifying a per person spending limit and did not document the District benefit and public purpose of the spending. Absent considerations or restrictions related to the public purpose, benefit, and cost of providing food and beverages at each event, the District may be unable to demonstrate that its use of public monies to purchase food and beverages complied with State law and the State Constitution's gift clause. Further, various funding sources have restrictions on how they may be used, and the District did not document whether each funding source it used to pay for food and beverage purchases allowed such expenditures, which is important for ensuring monies are used only for authorized purposes.

The Board-approved resolution described a food and beverage provision within employees'

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10 We reviewed the District's fiscal year 2025 purchasing card records and catering request forms and identified 11 food and beverage purchases that the District provided to staff who were not on travel status.

11 The District paid for 5 food and beverage purchases at restaurants totaling approximately $3,400 with District purchasing cards using multiple funds and provided catering services at 6 District staff events totaling approximately $5,100 using the District's Maintenance and Operations Fund (Fund 001). See Finding 2, pages 10 through 12, for additional details about the District's catering operations.

12 A.R.S. §15-342(39).

13 The Board approved the following fiscal year 2025 food and beverage purchases at the District's June 2024 Board meeting: New Teacher Induction in July 2025; District-Wide Professional Development Days in September 2024 and February 2025; Teacher Appreciation Day in May 2025; and All-Staff Celebration in May 2025.

contracts that specified the District may provide food and beverages to employees at certain events as a *de minimis*, or insignificant, fringe benefit. However, such a provision does not specifically authorize administrators to make such purchases nor set any limits to ensure that food and beverage purchases comply with the various restrictions set forth in statute. Therefore, the provision is inadequate to demonstrate Board approval for specific food and beverage purchases we reviewed.

By spending public monies on food and beverages without obtaining prior Board approval for each purchase and ensuring all statutory requirements were addressed, the District limited public transparency into its spending. It also potentially wasted District monies that could have been directed to other District priorities such as instruction and increased its risk of using public monies for an unauthorized purpose.

Recommendations to the District

1. Ensure that all salaries and benefits it provides to employees, including any fringe benefits, are documented in each employee's approved contract or employment agreement and/or approved by the Board in a public meeting prior to the execution of the employees' contracts or employment agreements for each fiscal year.

2. Develop and implement a thorough review process prior to providing fringe benefits to District employees to ensure District employees are eligible for the fringe benefits and are paid appropriately.

3. Continue to work with the ASRS to determine whether its retirement bonus program qualifies as a termination incentive program as defined by A.R.S. §38-749, and document any determination made.

4. If the District determines that its retirement bonus program is a termination incentive program, work with the ASRS to address any unfunded liabilities the District may have incurred related to past program payments, and if the Board approves the program's continuation, ensure the ASRS is properly notified of the program as required by statute.

5. Determine if the value of the vehicle benefit for employees driving District vehicles to and from home and school should be reported as noncash taxable income and if so, report it in accordance with applicable IRS requirements.

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

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

8. 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 operated catering services without statutory authority to do so and did not ensure that events it catered were not improperly subsidized with District monies

District operated catering services for the public without the statutory authority to do so and did not ensure that its catered events were not subsidized with public monies

The District provided catering services for its staff and the public at 64 events in fiscal year 2025 without the statutory authority to do so. Additionally, the District did not ensure or document that its spending on catering was an allowable use of its Food Service Fund.[1]

Specifically:

- **District provided catering services to its staff and the public without the statutory authority to do so**

  In fiscal year 2025 and for many years prior, the District's food service program, which is intended primarily to provide meals to students, improperly offered catering services for its staff and the public. The District's food service program provided labor, food, and beverages such as baked goods, hams for resale, and meals for community organizations as a part of its catering operations. However, school districts have only those powers and duties granted to them by statute. Although statute authorizes school districts to provide some meals and food services for specific purposes, such as providing meals to students, operating student culinary programs, and providing food and beverages at school district events, subject to Board approval, statute does not authorize school districts to provide food and beverages through catering events open to the public.[2] As of June 2026, the District was unable to provide us with any authority authorizing it to provide these services.

- **District improperly used its Food Service Fund for its catering operations and did not separately track its costs for providing catering services, increasing the risk that it may have improperly subsidized catering services with public monies intended for student meals**

  In fiscal year 2025, the District's catering program collected over $10,100 for its services, and the District acknowledged that it inappropriately operated and accounted for these monies in its Food Service Fund. The District also paid costs associated with providing catering services using Food Service Fund monies. The USFR indicates the Food Service Fund should be used to account for the financial operations of school activities for the

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1 See A.R.S. §15-1154(A) and USFR guidance for use of Food Service Fund (Fund 510) monies. Additionally, A.R.S. §15-1151 notes that, "unless the context otherwise requires, 'school meal programs' means programs under which meals are served by a public or private school on a nonprofit basis to children in attendance, including a program under which federal assistance is received."

2 A.R.S. §§15-1151, 15-1231, and 15-342(39).

preparation and serving of regular and incidental meals and snacks in connection with school functions. However, the District provides its catering services primarily to its staff and the public at events that were not associated with its student meal program. Although the District acknowledged its use of the Food Service Fund for this purpose was inappropriate, it has not determined an appropriate alternative fund to use, and the USFR does not authorize any alternative funding sources for public catering events.

Additionally, the District did not track the costs, such as salaries and benefits and food supplies, for any of the 64 events it catered in fiscal year 2025. As a result, the District lacked the information necessary to ensure that it was not subsidizing its catering operations with public monies intended for student meals. Additionally, federal laws require federal food service monies to be used exclusively in student food programs, and the District's unallowable use of its Food Service Fund for catering operations increases the risk for questioned costs or potentially having to repay federal monies the District did not use for this purpose.

District believed former employees had reviewed District's statutory authority to offer catering services and that its informal review of pricing was sufficient

District officials indicated they believed that the District's former food service director, who was no longer employed by the District during the audit, had researched the District's statutory authority to operate catering services to its staff and the public prior to offering it. During the audit, District officials determined that the previous food service director had not done so. The District began researching its statutory authority to provide catering services and determined in April 2026 that it did not have authority to operate some services it currently provides, such as its annual sale of hams.[3] However, as of June 2026, the District had not fully determined what, if any, of its catering activities it was statutorily authorized to provide.

Further, as previously discussed, the District lacked a detailed cost analysis for the events it catered. Although District officials indicated they considered labor and food costs to ensure that event revenues exceeded the District's costs, the District was unable to provide detailed documentation of their calculations for each fiscal year 2025 catering event. The District believed that its cost considerations were sufficient to ensure that catering events were not being improperly subsidized with public monies. However, the District did not maintain documentation to support its calculations and therefore lacked any evidence to support that revenues met or exceeded the District's catering costs at each of the events we reviewed. By offering catering services without the statutory authority to do so and not ensuring its catering revenues fully recouped its costs, the District may have used public monies and resources contrary to their intended purposes.

[3] Specifically, the District asked ADE about its ham sales—an event where the District purchased hams using food service monies and resold them to the public. ADE communicated to the District that this was unallowable, but the District had not provided additional documentation of its determinations about what events/services are allowable as of June 2026.

Recommendations to the District

9. Immediately stop operating catering services until the District reviews and documents the District's statutory authority to offer these services.

If the District determines that it has the statutory authority to operate a catering service, the District should:

10. Document its statutory authority to offer the catering service, document the funding source used, and account for catering expenses separately from other allowable meal service programs.

11. Ensure that revenues for the District's statutorily authorized catering events cover all related costs and ensure any purchases are an allowable use of the funding source.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

District did not ensure its solar vendor complied with contractual cost-savings obligations and did not act to address disadvantageous contract terms that may have added an estimated $400,000 to its electricity costs since 2018

District entered into guaranteed cost savings contracts, which are intended to ensure energy project costs are recouped through energy cost savings

In 2012, the District entered into 25-year guaranteed energy cost savings contracts with a vendor to install and use solar panels at 8 of 10 District school sites. Statute authorizes school districts to enter into guaranteed energy cost savings contracts, subject to certain restrictions.[1] Guaranteed energy cost savings contracts provide a means for school districts to implement energy savings projects if they determine that the project will pay for itself. For instance, districts can enter into renewable energy service agreements to reduce their energy costs resulting in savings that can be used to cover the agreements' costs. The District acquired its solar systems at no cost and, according to the terms of its contracts, is guaranteed to achieve total electricity cost savings of approximately $1.3 million over the contracts' 25-year duration by paying its solar vendor for the solar power generated rather than purchasing electricity from the area's electric utility provider.

Photo 1

Solar panels at 1 District school site

Source: Photo taken by Auditor General staff at H.L. Suverkrup Elementary School, April 2026.

1 A.R.S. §15-213.01.

District did not ensure its solar vendor met guaranteed cost savings obligations, and it failed to address disadvantageous contract terms it became aware of in 2018 that potentially resulted in it paying as much as $400,000 more for electricity than it otherwise would have paid

The District has not monitored the performance of its solar vendor, and it has not acted to address potentially disadvantageous contract terms. As a result of its inaction, the District lacks assurance that it has achieved guaranteed cost savings and that it has not paid more for the electricity purchased from its solar vendor under its contracts than it would have if it purchased electricity from the area's electric utility provider.[2]

Specifically:

- **District did not ensure its solar vendor met contractual and statutory obligations, increasing the risk that the District has not realized its guaranteed cost savings**

  The District has not ensured that its solar vendor fulfilled contractual and statutory obligations to demonstrate annual guaranteed cost savings or reimburse the District for any shortfalls. Specifically, both statute and the District's contracts with its solar vendor require the vendor to annually provide reconciled cost savings reports, validation of the savings guarantee, and reimbursements for any shortfalls of guaranteed savings.[3] However, apart from the first year of operation, the District reported that it had not received nor sought any of these required items from its solar vendor, including any potentially required reimbursements.

  The District reported it did not oversee its solar vendor and ensure compliance with contract terms because its legal counsel, who helped negotiate the contracts on the District's behalf, is no longer with the District, and no one else at the District is familiar with the contracts and their requirements. Additionally, the District indicated that its original solar vendor is no longer in business, and its solar contracts are currently held by a different company. After we brought concerns about the solar vendor not meeting contractual and statutory obligations to their attention, District officials reported they have attempted to contact the current solar vendor but have not been successful in doing so. By failing to ensure the solar vendor met contractual and statutory obligations, the District increases the risk that it has not received guaranteed cost savings pursuant to its contract terms.

- **District became aware that its solar contracts were likely disadvantageous in 2018 but did not act to address the concerns identified, potentially resulting in it paying an estimated $400,000 more than necessary for electricity since 2018**

  In 2018, the District contracted with a consultant to conduct an economic performance audit of 1 of its 8 solar contracts to evaluate its cost effectiveness. The audit determined the contract terms, which are similar across all 8 contracts, resulted in the District paying more for electricity than it would have if it had purchased all its electricity from the area's electric utility provider. Specifically, the audit found that the contract resulted in an 18%

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2 Although the District entered into its contracts in 2012, the solar panels were not fully installed and commissioned for use until fiscal year 2014.

3 A.R.S. §15-213.01(J).

increase in electrical expenditures at the school site reviewed and reported that the District's contracts at the remaining 7 school sites likely resulted in similarly higher costs. Based on the price differential the 2018 audit identified, the District may have spent as much as $400,000 more for electricity across its 8 school sites with solar contracts since that time. However, this estimate of the total additional electricity costs the District may have paid does not account for changes in electric rates and rate plans, usage patterns, and other factors that likely impacted the District's electricity costs since 2018. The District's inaction in addressing the 2018 audit findings and its failure to monitor its solar contracts resulted in our being unable to accurately determine the additional amount, if any, the District may have paid for electricity under these contracts as compared to purchasing all its electricity from the area's electric utility provider.[4]

As potential causes for the higher-than-expected costs under the solar contract, the audit cited improper cost-saving valuation methodology and disadvantageous contract terms. For instance, the contracts include an annual per kilowatt hour cost escalator that requires the District to pay increasing amounts to the solar vendor for electricity produced over the contracts' terms.

District officials indicated the results of the 2018 economic performance audit were not provided to the Board for review and that the District had not taken steps to address the concerns identified such as seeking to renegotiate its contracts with its solar vendor. District officials further acknowledged that the District is most likely still paying more for electricity through its contracts with the solar vendor. According to officials, other priorities, including the COVID-19 pandemic and declining student enrollment, required their attention, and they had not taken time to revisit the solar contract audit findings.

Recommendations to the District

12. In consultation with its legal counsel, as necessary, work with its solar vendor to obtain historical reports required by its contracts and State statute, including reconciled cost savings reports and guaranteed savings validation reports, and for each contract year, determine whether the solar vendor owes the District reimbursement for any shortfalls of guaranteed cost savings and the amount, if applicable, and collect any reimbursement monies owed.

13. As the District addresses recommendation 12, if the District determines any of its solar contracts are disadvantageous to the District, consult with its legal counsel, as necessary, to determine what options may be available to the District to address the disadvantageous contracts, such as renegotiating or terminating the contracts.

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[4] The estimated 18% more that the District paid for electricity is based on the findings from the 2018 performance audit report, which assessed 1 school site for part of 1 year. Our estimate of the total additional electricity costs the District may have paid as a result of its contracts—up to $400,000—assumes the 18% increase applied to each of the 8 school sites with solar contracts since the District received the results of the 2018 performance audit, approximately 6 fiscal years. Annual estimated electrical costs for the school sites were calculated based on the District's fiscal year 2025 electrical expenditures.

14. Establish and implement contract monitoring and oversight procedures to ensure its solar vendor provides required reports to the District as required by its contracts and statute, including reconciled cost savings reports and guaranteed savings validation reports, and reimburses any guaranteed cost saving shortfalls.

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

District likely has more purchasing cards and authorized users than necessary for operations and did not establish effective controls over purchasing card use, increasing risk of errors, fraud, misuse, and unauthorized purchases

The District did not consistently follow requirements set forth by the USFR and/or District policy related to purchasing card use designed to help protect against errors, fraud, misuse, and unauthorized purchases. Additionally, the District's practice related to card use for District travel expenses is contrary to District policy and statutory requirements. Specifically, we identified 4 areas of concern related to the District's use of purchasing cards. See the details below.

Key term

Purchasing Cards: Also referred to as P-Cards, purchasing cards are very similar to credit cards but allow school districts and other entities more control over their use. However, districts determine authorized users and can set spending limits for the cards and restrict their use to specific vendors and merchant categories.

Source: Auditor General staff review of the USFR. Retrieved 5/13/26 from www.azauditor.gov/resources/school-districts/manuals-memorandums.

Issue 1: District likely has more purchasing cards and authorized users than necessary for operations, increasing the risk of card misuse and unauthorized purchases

Despite the USFR requiring districts to limit the number of purchasing card users to the minimum necessary for effective purchasing, the District has a large number of purchasing cards and more authorized users than are likely necessary for its operations. Our review of the District's list of authorized purchasing card users and card statements for fiscal year 2025 found that the District had 69 purchasing cards and 161 authorized users, which appears excessive. The number of authorized users equates to approximately 17% of all District employees. Additionally, approximately 71% of the District's fiscal year 2025 purchasing card spending was associated with only 20 of the District's cards, suggesting that the number of purchasing cards could be reduced while still facilitating effective and efficient purchasing, consistent with USFR requirements.

The District reported that it maintains extra cards to allow schools and departments to continue making purchases if District staff take purchasing cards for authorized travel outside the District, such as for trainings or conferences. However, as discussed in issue 4, the District's practice related to purchasing card use for District travel is contrary to requirements and increases the District's risk, and the District may be able to reduce the number of cards and authorized users by eliminating this practice. Further, the District reported that its schools and departments are solely responsible for determining the number of cards and authorized users, and the District lacks a process for reviewing these determinations to ensure they are reasonable and prudent. In fact, officials from 2 school sites and 1 department reported they had more cards than necessary to meet their purchasing needs but had not taken action to reduce the number of cards the

District had assigned them. These practices likely contributed to the District's unnecessarily large number of cards and authorized users. By reviewing these practices to ensure it maintains only the cards necessary for its operations and that purchasing card access is limited to staff who need the cards to fulfill their job responsibilities, the District could reduce the risk of unauthorized purchases and that cards could be lost or misused while still facilitating effective purchasing.

Issue 2: District did not always separate purchasing card responsibilities, increasing the risk of unauthorized purchases, errors, and fraud

Contrary to USFR requirements, the District's administrative assistants manage purchasing cards for each of the District's 10 school sites and are also authorized card users. Our review of 72 judgmentally selected card purchases made during fiscal year 2025, totaling approximately $56,700, found that 15 purchases totaling $15,926 were made by administrative assistants. However, the USFR requires districts to separate the responsibilities for issuing credit and purchasing cards; requesting, authorizing, and executing purchases; and payment processing. The District reported it believed its processes complied with USFR requirements, but after discussing the specific deficiencies we identified, the District agreed it had not appropriately separated purchasing card responsibilities. Although we did not identify any improper transactions made by administrative assistants, by allowing administrative assistants to manage purchasing cards, including responsibilities such as securing and issuing cards to employees, while also being authorized card users, the District increased its risk of errors, fraud, and unauthorized purchases.

Issue 3: District did not establish effective controls related to purchasing card use increasing the risk of errors, fraud, misuse, and unauthorized purchases

We judgmentally selected and reviewed 72 fiscal year 2025 purchasing card transactions totaling approximately $56,700 and found that most purchases we reviewed did not comply with USFR requirements and District policy and procedures. The USFR and District policy and procedures require the District to establish internal controls for card use that ensure purchases are properly authorized and are for an appropriate District purpose. However, 41 purchases we reviewed, totaling approximately $39,990, lacked documentation authorizing the purchase such as documented prior approval. Additionally, 59 purchases we reviewed lacked supporting documentation or evidence of an independent review showing that the items purchased were for appropriate District purposes. Moreover, 9 of the purchases we reviewed were made by 3 employees for whom the District lacked a signed purchasing card user agreement.

Although the District reported it reviews all purchasing card transactions, we found that the District lacked written purchasing card procedures and sufficient supervisory review processes to ensure purchase authorization and District purpose was documented for all purchases. Instead, several card users indicated they rely on informal or verbal purchase authorization and a self-review to determine whether items purchased are for an appropriate District purpose. The control deficiencies we identified increase the risk of errors, fraud, misuse, and unauthorized purchases.

Issue 4: District permits employees who use purchasing cards to pay for travel expenses to spend in excess of the State's maximum allowable rates, which appears contrary to State law

The District allows employees to use its purchasing cards to pay for District-approved travel expenses, such as lodging, transportation services, and meals, in a manner that appears contrary to State law. According to an Attorney General opinion, purchasing cards can be used for travel purposes, provided that the expenditures do not exceed the maximum rates provided by the *State of Arizona Accounting Manual* (SAAM) in accordance with State law.[1,2]

However, the District's purchasing card practices result in it temporarily paying more than is statutorily allowable for travel.[3] Specifically, the District allows employees using purchasing cards to spend more than SAAM's maximum allowable rates while on travel status, and then to reimburse the District for any overages within 2 weeks of incurring the expense. If employees do not repay the District for overages within 2 weeks, the District deducts the overage amount from the employee's paycheck.

The District reported it had used different travel expenditure processes in the past, such as requiring employees to personally incur expenses and subsequently reimbursing employees for actual expenses within allowable rates. The District reported these processes sometimes made it difficult for District employees to travel for professional development purposes because some employees could not afford to pay travel expenses upfront. However, although we did not identify any instances where employees failed to fully or timely repay any overages they incurred, the District's current process appears contrary to State law since it results in the District spending more than allowed for travel, regardless of whether it receives reimbursement. The practice also increases the District's risk of being unable to recoup amounts it allows employees to charge that exceed SAAM's maximum amounts.

Recommendations to the District

15. Analyze purchasing card spending and use those results to identify any cards that should be eliminated or any authorized users who no longer require purchasing card access to perform their job responsibilities. Take immediate actions to minimize the number of cards and users in accordance with the USFR.

16. Develop and implement written procedures to determine whether an employee should be an authorized purchasing card user and establish a formal process to periodically review purchasing cards and users to ensure the District maintains the minimum number of cards and users in accordance with the USFR.

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1 Op. Ariz. Att'y Gen. I90-077 (September 11, 1990) determined that a governing board may provide for direct payment of travel expenses, such as to a restaurant, as part of its prescribed procedures for reimbursement of subsistence expenses, provided other provisions of A.R.S. §15–342(5) are met and the procedures are consistent with A.R.S. §§38-621 through 627, which pertain to reimbursement for expenses. Because A.R.S. §38-624(b) specifies that a meal and incidental expense reimbursement must not exceed the maximum amounts established by the Arizona Department of Administration in the SAAM, Op. Ariz. Att'y Gen. I90-077 applies that restriction to direct expenditures for meal and incidental expenses.

2 SAAM contains the State's accounting policies and procedures and is developed by the Arizona Department of Administration's General Accounting Office in accordance with statute.

3 A.R.S. §§15-342(5) and 38-624.

17. Separate responsibilities over purchasing cards among more than 1 employee so that no single employee can issue cards and request, authorize, and execute purchases for each school site.

18. Establish and implement written purchasing card procedures and sufficient independent review processes to ensure purchase authorization and District purpose is documented for all purchasing card purchases.

19. Require users to submit annual purchasing card user agreements and receive training on the District's purchasing card policies and procedures prior to using District purchasing cards.

20. In consultation with legal counsel, as needed, determine whether its current practice of allowing employees who use District purchasing cards for approved District travel to spend more than statutorily allowed is permissible under State law; document the legal analysis and determination made.

21. If necessary, based on its legal determination, revise District's practices for using purchasing cards to pay for District-approved travel expenses to comply with State laws and SAAM requirements.

District response: As outlined in its **response**, the District agrees with the finding and will implement or implement in a different manner the recommendations.

District lacked effective internal controls related to cash handling, supplies and property, and school bus preventative maintenance, increasing risks to District monies, resources, and student safety

The District did not consistently follow internal control requirements set forth by the USFR to ensure all cash is accounted for and deposited and District supplies and property are properly safeguarded from unauthorized access and/or misuse.[1] Similarly, the District did not meet some requirements set forth by the Arizona Department of Public Safety's (DPS) *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) to help ensure student safety and extend the useful life of its school buses. See details below.

Deficiency 1: District did not always prepare evidence of receipt or separate cash-handling responsibilities, increasing the risk of errors and fraud

Our review of the District's available cash-collection and deposit documentation found that, contrary to the USFR, the District had not established and maintained effective policies and procedures to safeguard its cash, increasing its risk of errors and fraud. The USFR requires districts to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, and ensure its accurate recording. The USFR further requires districts to prepare evidence of receipt, such as by using sequential, prenumbered receipts, for each cash payment received and to separate duties between employees with cash-handling and recordkeeping responsibilities.

We judgmentally selected and reviewed a sample of cash collected between October 2024 and April 2025 by the District's food service program, school sites, and business office totaling approximately $21,000 and identified the following issues:

- **District had not separated conflicting cash-handling duties**

  The District had not separated duties for cash handling and recordkeeping among different employees, contrary to USFR requirements. Specifically, we found that the District did not always separate duties for collecting, depositing, and reconciling cash. For example, the District's executive secretary collected, deposited, and reconciled 38 of 54 cash transactions we reviewed without another individual at the District office involved in the process.

  Similarly, the District had not separated cash-handling duties in its food service program. For example, we found that cafeteria managers were solely responsible for collecting and recording cash received for meals and other purchases from the food service program. The District reported it believed its processes complied with USFR requirements, but after discussing the specific deficiencies we identified, the District agreed it had not

[1] The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other physical form of payment, such as money orders.

properly separated conflicting cash-handling duties in the District office and food service department. By not doing so, the District increased the risk that cash could be lost or stolen without detection.

District did not consistently prepare receipts or other supporting documentation for cash received

The District failed to consistently prepare both a prenumbered cash receipt and cash-collection form for all cash received, as required by its cash-handling procedures. Specifically, we identified 26 of 54 cash collections from 2 District school sites and the business office totaling approximately $5,956 for which the District did not issue a receipt, prepare a cash-collection form, or both. Among the 26 cash collections we identified for which the District did not follow its procedures, we identified 7 cash collections totaling $244 for which the District lacked any evidence of receipt, contrary to USFR requirements. By lacking evidence of receipt, the District lacked the information necessary to reconcile cash receipts to deposits to ensure all cash the District received was deposited, as required.

Similarly, the District did not prepare evidence of receipt for items sold by its food service program. We reviewed the District's fiscal year 2025 food service sales, totaling approximately $10,784, and found that District staff did not prepare evidence of receipt, such as a prenumbered receipt and/or cash-collection form, to support the number of items sold and their sale price. District officials reported that the District has historically faced challenges ensuring staff across its school sites consistently prepare evidence of receipt for cash payments because school-site staff believe issuing receipts can be inconvenient and time consuming. However, the District is required to follow USFR requirements, including to prepare and maintain evidence of receipt for all cash collections at the time of collection. By not doing so, the District increases its risk of errors and fraud. The District's lack of cash-collection documentation also resulted in it being unable to demonstrate that all cash it received had been properly recorded and deposited, and had not been misused.

Deficiency 2: District lacked effective controls over District supplies and property increasing risk of unauthorized use and theft

The USFR requires districts to establish effective controls over District supplies and property to safeguard against unauthorized use and theft. Additionally, the USFR indicates that districts should restrict and monitor use of supplies such as fuel, restrict access to buildings and equipment to appropriate personnel, and require detailed mileage and use logs for district vehicles. However, we found that the District lacked effective internal controls over District fuel supplies, vehicles, and buildings, increasing the risk of unauthorized use and theft of District supplies and property.

Specifically:

- **District did not restrict and monitor use of its fuel supplies**

  Although the District's fuel tanks are located inside a fenced transportation yard at the District office, at the time of our review, the tanks were easily accessible to District staff when the gates were open during District business hours. When using the District's fuel tanks, the District indicated that staff were required to record fueling details such as the date, vehicle mileage, and amount of fuel dispensed, on a handwritten log. However, the District lacked a process to regularly review the log to ensure employees consistently completed it and to evaluate fuel use to ensure it appeared reasonable and appropriate. For instance, our review of the District's fuel logs identified cases where an employee recorded an identical amount of fuel dispensed the majority of the times they fueled a District vehicle, which seems unlikely and potentially inaccurate to what may have actually been dispensed.

  District officials reported that it had been unsuccessful in attempts to implement automated controls over its fuel supplies until fiscal year 2026, when the District was able to purchase an automated fueling system that requires authorized drivers to input a personal identification number and vehicle odometer reading prior to fueling. However, even with its automated system, as of March 2026, the District continued to lack a process for regularly reviewing electronic fuel logs for reasonability and to ensure appropriate fuel use. The District's lack of effective controls to restrict and monitor fuel use increases its risk of theft and misuse.

- **District did not ensure its vehicles were used only for District purposes**

  The District did not ensure its 38 white fleet vehicles were used only for authorized purposes, such as traveling between District schools and attending trainings. We found the District lacked processes to track and monitor vehicle use such as by requiring detailed mileage and use logs. District officials reported that each department was responsible for managing vehicle use, but the officials were unaware of how the different departments were doing so to ensure vehicle use was authorized and appropriate. We also identified concerns with some departments' vehicle management. For instance, 1 department reported that it did not track vehicle assignments or usage, and department employees were allowed to keep vehicle keys in their personal possession. The District's failure to establish and maintain effective controls to safeguard its vehicles as required by the USFR resulted in the District being unable to verify that vehicles were only used for valid District purposes and increased the risk that District property could be subject to misuse or theft.

- **District did not systematically restrict building key access, increasing safety and security risks**

  Our review of physical key inventory controls at 2 of the District's 10 school sites found that the District lacked controls over physical keys and key agreements. To restrict access to its facilities, the District uses an electronic key card system and also issues physical keys to staff. However, the District did not maintain records to verify how many physical keys existed, how many had been assigned to staff, and whether any physical keys were unaccounted for, limiting its ability to restrict and control access to District buildings. The District reported that strengthening its building access controls over physical keys became the District's focus in fiscal year 2026 when it began taking steps to address these concerns. For instance, the District reported it began implementing a new physical key inventory control system, including rekeying all locks and conducting a comprehensive physical key inventory to ensure building access is secure. However, by not ensuring facility access was restricted to appropriate personnel, the District increased the risk of unauthorized use, theft, or damage to its property and increased risks to student and staff safety and security.

Deficiency 3: District did not systematically perform and document required school bus preventative maintenance, potentially increasing risk to student safety and reducing the useful life of its school buses

We reviewed all available fiscal year 2025 school bus preventative maintenance records for 6 of the District's 34 school buses and found that the District did not systematically perform all required maintenance in accordance with Minimum Standards and the District's informal policy. Specifically, the District did not perform any preventative maintenance services during fiscal year 2025 for 2 of the school buses we reviewed and exceeded the District's informal preventative maintenance guidelines by more than 1,100 miles, on average, for the other 4 school buses we reviewed.

Other maintenance records we reviewed for the same 6 school buses lacked sufficient detail to support what specific maintenance services had been performed, such as oil changes, filter replacements, and brake inspections. Accordingly, we were unable to determine whether the District had completed some services in accordance with Minimum Standards and its informal policy. We also found that the District's informal preventative maintenance policy was insufficient to ensure all school buses were properly maintained because it did not include time intervals for performing maintenance on school buses that are rarely driven.

District officials indicated that the District lacked a consistent process to monitor and document school bus preventative maintenance to ensure it occurs in accordance with its informal policy. By not ensuring its school buses are maintained in accordance with Minimum Standards requirements and its informal policies, the District increases safety risks to students and may reduce the school buses' useful lives.

Recommendations to the District

22. In accordance with the USFR, separate cash-handling duties from recordkeeping responsibilities, such as by requiring more than 1 employee to collect, deposit, and review cash received at its school sites and the District office.

23. Develop and implement a process to issue receipts or maintain other documented evidence for all cash received at the time of cash collection and reconcile deposits to cash-collection documentation to ensure all cash received is deposited, as required.

24. Develop and implement procedures to regularly review fueling reports for appropriateness and reasonableness, document the review, and investigate any irregularities identified to ensure fuel use is authorized and appropriate.

25. Develop and implement procedures for managing its white fleet vehicles in accordance with the USFR, including ensuring vehicles are used only by authorized personnel for valid District purposes and requiring vehicle usage and the purpose of travel be documented and monitored.

26. Upon rekeying all locks, conduct and maintain an accurate physical key inventory and develop and implement written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance.

27. Establish and implement a formal school bus preventative maintenance policy that specifies what preventative maintenance work will be completed at what mileage and time frame intervals.

28. Develop and implement a process to document school bus preventative maintenance and repairs in a systematic and timely manner and in sufficient detail to ensure it can demonstrate it has complied with its policy and the State's Minimum Standards.

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 the risk of unauthorized access to sensitive information, data loss, errors, and fraud

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 requirements and recommended standards that help school districts safeguard sensitive information and prevent data loss, errors, and fraud. However, our review of the District's IT security practices identified 3 deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards. See the details below.

Deficiency 1: District's authentication controls did not meet USFR requirements and credible industry standards, increasing the risk of unauthorized access and disruptions to District operations

The USFR requires that school districts implement comprehensive authentication of users accessing critical IT systems in accordance with credible industry standards, but the District lacked these authentication controls for 3 of its critical systems as of March 2026. By not having comprehensive authentication controls that meet USFR requirements and credible industry standards, the District increases the risk of unauthorized access to its critical systems and disruptions to District operations. The District reported it lacked comprehensive authentication controls due to system limitations, and it had not prioritized updating its authentication practices to be in line with credible industry standards in accordance with the USFR to maintain compatibility with legacy systems.

Deficiency 2: District did not limit user access to its accounting system and network, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

The District did not limit user access to its accounting system and network as required by the USFR.

Specifically:

- **Contrary to the USFR, some employees had more access than necessary to perform their assigned job duties**

  The USFR requires that school districts limit users' access to only what is necessary to carry out their assigned duties. However, our March 2026 review of accounting system access levels identified 3 District employees who had excessive accounting system access, which could allow them to initiate and complete payroll transactions without another employee reviewing and approving the transaction.

Similarly, our March 2026 review of user accounts on the District's network identified 10 network user accounts with inappropriate administrator-level access, with the District being unsure of the purpose of 6 of the 10 user accounts. Although we did not identify any improper activity due to these deficiencies, system access beyond what is needed for an employee's job duties increases the risk of unauthorized access to sensitive information, data loss, errors, and fraud. The District also increased its risk of security breaches and data loss because hackers typically target administrator accounts for their greater access privileges. As of May 2026, the District had corrected the deficiencies we identified related to user accounts on the District's network.

The District did not promptly disable or remove unneeded or unused accounts from its IT systems

We also found that the District did not comply with the USFR requirement to immediately disable system access when it is no longer needed. Specifically, we identified 2 accounting system user accounts associated with terminated employees, 1 accounting system account that no longer needed system access, and 21 network accounts that no longer needed network access, including a network account associated with a former Board member. Although the terminated employee accounts we identified were still active between 2 and 6 months after their separation from the District, none of the terminated employee accounts we identified appeared to have been accessed after users were no longer associated with the District. However, the District's failure to limit access to its systems and regularly review and remove unnecessary accounts increases the risk of unauthorized access to sensitive information and data loss. As of May 2026, the District had removed all the terminated and unneeded user accounts we identified from its systems.

Table 1

District did not meet USFR requirements to restrict user access to its network and accounting system

Requirements	Accounting system	Network	Summary
Limit the number of users with administrator-level access	✓	✗	We identified 10 network administrator accounts that did not require this level of access.
Limit users' access to only what is necessary to carry out their assigned duties	✗	✓	We identified 3 accounting system user accounts with excessive system access.
Disable/remove accounts that no longer need access	✗	✗	We identified 21 network accounts and 1 accounting system user account that were no longer needed.
Adequately remove terminated employees' access	✗	✓	We identified 2 accounting system user accounts associated with terminated employees.

Source: Auditor General staff analysis of accounting system and network user accounts and system access levels as of March 2026.

Although District officials indicated that they review accounting system user access, their review process appears insufficient to ensure system access is up to date, necessary, and appropriately limited since their review did not identify and correct the issues we identified. Similarly, the District lacked a process for regularly reviewing network accounts to identify accounts that are no longer needed or associated with terminated employees. By developing and implementing comprehensive periodic account review procedures, the District could limit the potential for unauthorized system access and/or data loss and reduce the fraud risk associated with excessive system access.

Deficiency 3: District lacked a process to monitor external party access to its accounting system, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

Our March 2026 review of accounting system access levels identified 7 active system users with administrator-level access associated with a District vendor's employees. These 7 users' administrator-level access provided them with full control over accounting system settings, such as the ability to add new users, modify users' access levels, and grant themselves full access to view and edit all accounting system data. Additionally, we identified 5 vendor employees and 3 Yuma County School Superintendent's Office (County) employees who had broad accounting system access that allowed these users to initiate and complete payroll and purchasing transactions without another user reviewing and approving the transactions. District officials indicated that these users' external access is necessary due to the vendor and County providing technical and/or financial support services to the District. However, the District has not determined what level of accounting system access is necessary for the third-party users to perform their specific support duties and has not implemented compensating controls, such as a process for monitoring external users' system activities, to mitigate the risks associated with broad system access.[1] As previously described, administrator-level and broad system access increases the District's risk of errors and fraud going undetected as well as the risk of unauthorized access to and loss of sensitive District data.

Recommendations to the District

29. Implement and enforce strong authentication controls for its critical systems that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

30. Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually.

31. Develop and implement written procedures to address IT system access relative to job duties; promptly remove access when no longer needed; and establish a formal process to periodically review accounting system and network access, including making necessary updates if the reviews identify accounts with more access than necessary.

32. Work with the County and its third-party vendor to review and limit users' access to the accounting system to only those functions needed to support the District, including ensuring that no single user can initiate and complete a transaction without an independent review and approval.

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

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

District response: As outlined in its **response**, the District agrees with the finding and will implement the recommendations.

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[1] The USFR requires that school districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. When that is not possible, credible industry standards recommend that entities implement compensating controls to reduce risks associated with broad system access and provide suitable security and privacy protections to facilitate risk management. See National Institute of Standards and Technology (NIST). (2020). *NIST Special Publication 800-53B: Control baselines for information systems and organizations.* Gaithersburg, MD. Retrieved 5/26/26 from https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53B.pdf

The Arizona Auditor General makes 34 recommendations to the District

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

7. Upon determining whether its actions resulted in a gift of public monies in violation of the State's gift clause, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office. **8**

8. 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 2 **10**

9. Immediately stop operating catering services until the District reviews and documents the District's statutory authority to offer these services. **12**

If the District determines that it has the statutory authority to operate a catering service, the District should:

  10. Document its statutory authority to offer the catering service, document the funding source used, and account for catering expenses separately from other allowable meal service programs. **12**

  11. Ensure that revenues for the District's statutorily authorized catering events cover all related costs and ensure any purchases are an allowable use of the funding source. **12**

FINDING 3 **13**

12. In consultation with its legal counsel, as necessary, work with its solar vendor to obtain historical reports required by its contracts and State statute, including reconciled cost savings reports and guaranteed savings validation reports, and for each contract year, determine whether the solar vendor owes the District reimbursement for any shortfalls of guaranteed cost savings and the amount, if applicable, and collect any reimbursement monies owed. **15**

13. As the District addresses recommendation 12, if the District determines any of its solar contracts are disadvantageous to the District, consult with its legal counsel, as necessary, to determine what options may be available to the District to address the disadvantageous contracts, such as renegotiating or terminating the contracts. **15**

14. Establish and implement contract monitoring and oversight procedures to ensure its solar vendor provides required reports to the District as required by its contracts and statute, including reconciled cost savings reports and guaranteed savings validation reports, and reimburses any guaranteed cost saving shortfalls. **16**

FINDING 4 17

15. Analyze purchasing card spending and use those results to identify any cards that should be eliminated or any authorized users who no longer require purchasing card access to perform their job responsibilities. Take immediate actions to minimize the number of cards and users in accordance with the USFR. **19**

16. Develop and implement written procedures to determine whether an employee should be an authorized purchasing card user and establish a formal process to periodically review purchasing cards and users to ensure the District maintains the minimum number of cards and users in accordance with the USFR. **19**

17. Separate responsibilities over purchasing cards among more than 1 employee so that no single employee can issue cards and request, authorize, and execute purchases for each school site. **20**

18. Establish and implement written purchasing card procedures and sufficient independent review processes to ensure purchase authorization and District purpose is documented for all purchasing card purchases. **20**

19. Require users to submit annual purchasing card user agreements and receive training on the District's purchasing card policies and procedures prior to using District purchasing cards. **20**

20. In consultation with legal counsel, as needed, determine whether its current practice of allowing employees who use District purchasing cards for approved District travel to spend more than statutorily allowed is permissible under State law; document the legal analysis and determination made. **20**

21. If necessary, based on its legal determination, revise District's practices for using purchasing cards to pay for District-approved travel expenses to comply with State laws and SAAM requirements. **20**

FINDING 5 21

22. In accordance with the USFR, separate cash-handling duties from recordkeeping responsibilities, such as by requiring more than 1 employee to collect, deposit, and review cash received at its school sites and the District office. **24**

23. Develop and implement a process to issue receipts or maintain other documented evidence for all cash received at the time of cash collection and reconcile deposits to cash-collection documentation to ensure all cash received is deposited, as required. **24**

24. Develop and implement procedures to regularly review fueling reports for appropriateness and reasonableness, document the review, and investigate any irregularities identified to ensure fuel use is authorized and appropriate. **25**

25. Develop and implement procedures for managing its white fleet vehicles in accordance with the USFR, including ensuring vehicles are used only by authorized personnel for valid District purposes and requiring vehicle usage and the purpose of travel be documented and monitored. **25**

26. Upon rekeying all locks, conduct and maintain an accurate physical key inventory and develop and implement written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance. **25**

27. Establish and implement a formal school bus preventative maintenance policy that specifies what preventative maintenance work will be completed at what mileage and time frame intervals. **25**

28. Develop and implement a process to document school bus preventative maintenance and repairs in a systematic and timely manner and in sufficient detail to ensure it can demonstrate it has complied with its policy and the State's Minimum Standards. **25**

FINDING 6 **26**

29. Implement and enforce strong authentication controls for its critical systems that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations. **29**

30. Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually. **29**

31. Develop and implement written procedures to address IT system access relative to job duties; promptly remove access when no longer needed; and establish a formal process to periodically review accounting system and network access, including making necessary updates if the reviews identify accounts with more access than necessary. **29**

32. Work with the County and its third-party vendor to review and limit users' access to the accounting system to only those functions needed to support the District, including ensuring that no single user can initiate and complete a transaction without an independent review and approval. **29**

33. Implement effective controls to monitor external users' accounting system activities, such as a process to regularly review transactions and activity logs, to ensure these users' system activities are authorized and appropriate. **29**

34. Develop and implement a process to review USFR IT requirements and credible industry standards at least annually to ensure the District complies with IT security practices to safeguard sensitive information and prevent errors, fraud, and data loss. 29

In addition to the 6 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 8 recommendations. We will follow up on the status of these 8 confidential recommendations when we conduct our followup work.

Objectives, scope, and methodology

We have conducted a performance audit of Crane Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 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 focused on 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 cocurricular activities, such as choir or band; and tuition paid to out-of-State and private institutions.

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.

Noninstructional spending we 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.

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, the USFR, District policies and procedures, and other District-provided documentation; interviewing District staff and Board members; 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 appropriately provided fringe benefits, such as retirement and longevity bonuses, cell phone allowances, and personal use of District vehicles, to 97 District employees during fiscal year 2025 in accordance with USFR requirements and District policy, we reviewed employment agreements or contracts and/or other related payroll records. We also reviewed Board agendas and meeting minutes to determine whether the Board had approved these fringe benefits for fiscal year 2025 and in some prior years. We also reviewed related documentation, such as IRS requirements regarding personal use of entity vehicles, to determine whether the District had appropriately reported these fringe benefits for tax purposes.

- To determine whether the District purchased food and beverages for District events during fiscal year 2025 in accordance with statutory requirements, we reviewed supporting documentation for all 11 instances we identified where the District provided food and beverages to staff not on travel status in fiscal year 2025, totaling nearly $8,500 in spending for this purpose. Specifically, we reviewed purchasing card records and catering request forms, purchase receipts, Board minutes, and Board resolutions to determine whether the purchases were authorized and for a valid District purpose. We also judgmentally selected and reviewed 10 employee contracts to determine whether the contracts contained language related to food purchases.

- To determine whether the District had the statutory authority to operate a catering service, we reviewed State and federal laws related to schools' food service programs and other laws related to school districts' provision of food and beverages. To determine whether the District's catering service fully recouped its costs, we interviewed District officials and reviewed supporting documentation related to all 64 fiscal year 2025 catering events that the District provided to its staff and the public, totaling approximately $10,100, including catering request forms, catering menus, cash-collection receipts, and District communications with ADE.

- To determine whether the District monitored its solar vendor's compliance with its solar contracts' requirements, we reviewed the District's 2012 solar contracts and interviewed District officials about their contract monitoring processes. To estimate the potential costs of the disadvantageous solar contract terms, we reviewed the District's 2018 solar economic performance audit and fiscal year 2025 electrical invoices for the District's 8 school sites under contract, and interviewed District officials.

- To determine whether the District limited the number of purchasing cards and authorized users to the minimum necessary for its operations, we interviewed school site and department officials regarding their purchasing card practices and reviewed supporting documentation such as fiscal year 2025 purchasing card records and the District's list of authorized purchasing card users. To determine whether the District's purchasing card practices met USFR requirements and whether the District consistently followed its procedures, we judgmentally selected and reviewed 72 purchasing card purchases totaling $56,700 of approximately $3,586,306 total fiscal year 2025 purchasing card purchases. We also reviewed supporting documentation related to the purchases we reviewed, such as purchasing card user agreements, receipts, invoices, and purchasing card bank statements. Further, to determine whether the District's purchasing card practice for travel expenses met requirements outlined by statute, District policy, and the SAAM, we interviewed District officials regarding their travel practices and policies and procedures and reviewed supporting documentation such as SAAM requirements for travel reimbursements and 5 travel claims and associated documentation for District employees who exceeded the maximum reimbursement rates provided by the SAAM in fiscal year 2025.

- To determine whether the District's cash-handling processes met USFR requirements and whether the District consistently followed its processes, we judgmentally selected and reviewed available cash-collection and deposit documentation for $12,492 of food service cash received in November 2024 and January 2025 from 2 school sites, and $8,394 of cash received in October 2024 and April 2025 from 2 school sites and the District office. We also reviewed supporting documentation related to the cash transactions we reviewed, such as District-provided receipts, cash-collection forms, deposit slips, reconciliation documentation, and bank statements.

- To determine whether the District met the State's Minimum Standards and District informal policy for required school bus preventative maintenance, we interviewed District transportation officials regarding the District's transportation procedures, including procedures for school bus preventative maintenance. We also reviewed related documentation the District maintained, such as preventative maintenance records, pretrip inspections, and DPS inspections.

- To determine whether the District established effective internal controls over District supplies and property to safeguard against unauthorized use and theft, we interviewed District transportation and plant operation officials regarding the District's supplies and property controls. We also observed controls in place over its fuel tanks, District vehicles, and physical keys. Further, we reviewed related documentation the District maintained, such as fuel logs, vehicle assignments, and key agreements.

Peer groups

We developed 3 peer groups for comparative purposes. To compare the District's student achievement, we developed a peer group using district poverty rates, type, and locality because these factors have been shown to be associated with student achievement. We used this peer group to compare the District’s fiscal year 2025 student passage rates on State assessments as reported by ADE. We also reported the District’s fiscal year 2025 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 2

Criteria for selecting peer school districts for comparative purposes

Fiscal year 2025

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Locality	Less than 16% Elementary school districts Cities and suburbs	11
Administration, plant operations and maintenance, and food service	District size District type Locality	Between 500 and 5,999 students Elementary school districts Cities and suburbs	17
Transportation	Miles per rider Locality	Between 207 and 241 miles per rider Cities and suburbs	12

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 ADE.

Financial accounting data and internal controls

We completed work to assess internal controls, including controls over payroll, purchasing, credit cards, travel reimbursements, and appropriate expenditure classification. Our work consisted of reviewing the District’s policies and procedures; interviewing District staff; and, where applicable, testing compliance with its policies and procedures, the USFR and related guidance, and IT industry frameworks. Specifically, we reviewed the District’s fiscal year 2025 expenditure processing and reviewed 102 of 4,090 payroll transactions and 100 of 4,178 accounts payable transactions in the District’s detailed accounting data for proper account classification and reasonableness. We also judgmentally selected 10 of 937 individuals who received payments through the District’s payroll system in fiscal year 2025 and reviewed detailed payroll and personnel records for these individuals to ensure they were paid in accordance with their employment agreements. To assess the District’s internal controls over purchasing, we judgmentally and randomly selected and reviewed supporting documentation for 16 of 4,178 fiscal year 2025 accounts payable transactions. We also reviewed the District's fiscal year 2025 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 and reported our conclusions on applicable internal controls in Findings 4 through 5 (see pages 17 through 25).

We also reviewed controls over the District's relevant computer systems and reported our conclusions on applicable controls over the District computer systems in Finding 6 (see pages 26 through 29).

Specifically:

- To determine whether the District's authentication controls for its critical IT systems were consistent with USFR requirements and credible industry standards, we reviewed the District's password policies and procedures and current authentication controls for its critical IT systems and compared them to the authentication controls required by the USFR and recommended by credible industry standards.

- To determine whether the District appropriately limited users' system access to only those functions needed to perform their job duties, we reviewed active users' accounting information system and network access and compared their access levels with their job responsibilities. We also reviewed all accounting information system and network accounts with administrator-level access to determine whether the District had appropriately granted administrator-level access to these users.

- To determine whether the District had appropriately terminated user access to its accounting information system and network, we compared the District's accounting information system and network user listings with a list of terminated District employees whose District employment ended between March 2020 and February 2026 to identify accounts potentially associated with terminated employees. Additionally, to identify network user accounts not associated with a current or terminated District employee, we compared the District's network user listing to a list of current employees as of March 2026 and the previously mentioned terminated employee list to identify accounts not associated with users on either list. From these identified accounts, we randomly selected and reviewed 30 of 317 network accounts to determine whether the accounts were appropriate and necessary. Further, we reviewed all accounting information system accounts to determine whether the District promptly removed user access when no longer necessary.

- To determine whether the District appropriately monitored external party access to its accounting information system, we interviewed District officials to understand support services provided by the external parties and efforts the District had implemented to monitor external users' access levels and system activities. Additionally, to determine whether the District appropriately granted external party administrator-level access and limited external party system access to its accounting information system, we reviewed all external party accounts with administrator-level access and all external party system access as of March 2026 and compared their access levels to the support services they provide as reported by the District.

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. Additionally, we omitted 1 finding from the public report because of its sensitive nature. Accordingly, we communicated this finding and associated recommendations directly to the District's Governing Board and management.

We express our appreciation to the District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

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.

CRANE SCHOOLS

Leaders in Learning

July 16, 2026

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

Re: Response to Performance Audit Report – Crane Elementary School District No. 13

Dear Auditor General Perry:

On behalf of the Governing Board and Administration of Crane Elementary School District No. 13, we appreciate the professionalism, courtesy, and collaboration demonstrated by your staff throughout the performance audit process. Thank you for the time and effort invested in evaluating the District's operations and for providing an independent assessment of our practices.

Crane Elementary School District No. 13 has carefully reviewed the performance audit report and its recommendations. We recognize the important role performance audits play in promoting accountability, transparency, and the effective stewardship of public resources. The District has accepted many of the recommendations and, where appropriate, will implement others through alternative approaches that align with our operational practices while achieving the intended objectives. We are committed to developing and implementing appropriate action plans to further strengthen our internal controls, policies, and administrative procedures.

Crane Elementary School District No. 13 has a longstanding commitment to sound fiscal management, transparent governance, and continuous organizational improvement. We remain dedicated to improving our internal controls, ensuring compliance with applicable laws and regulations, and responsibly managing public resources in support of high-quality educational opportunities for our students and continued service to our staff and community.

Sincerely,

Dale Ponder
Superintendent

Finding 1: District provided more than $156,000 in unauthorized fringe benefits to employees and spent nearly $8,500 on food and beverages without ensuring compliance with statute and the State Constitution's gift clause, limiting public transparency

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

Response explanation: The District has a longstanding commitment to transparency, accountability, and compliance. Consistent with that commitment, the District is willing to further strengthen its documentation and approval processes to ensure that the authorization and administration of such benefits are clearly reflected and readily identifiable in future reviews.

Recommendation 1: Ensure that all salaries and benefits it provides to employees, including any fringe benefits, are documented in each employee's approved contract or employment agreement and/or approved by the Board in a public meeting prior to the execution of the employees' contracts or employment agreements for each fiscal year.

District Response: The audit recommendation will be implemented.

Response explanation: Effective at the June 2026 regular governing board meeting, the District included the specific payment amounts for both the retirement recognition and longevity credit payments for FY2025 and FY2026 as part of the personnel report. The District is committed to maintaining this practice moving forward.

Recommendation 2: Develop and implement a thorough review process prior to providing fringe benefits to District employees to ensure District employees are eligible for the fringe benefits and are paid appropriately.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented a review process that assesses eligibility criteria, submission due dates, and Governing Board approval of fringe benefits as defined by Governing Board policy.

Recommendation 3: Continue to work with the ASRS to determine whether its retirement bonus program qualifies as a termination incentive program as defined by A.R.S. §38-749, and document any determination made.

District Response: The audit recommendation will be implemented.

Response explanation: Based on state statute and the program parameters, the District does not believe that the retirement credit program qualifies as a termination incentive program as defined by statute. However, the District is currently awaiting a response from the Arizona State Retirement System that confirms the same, and the District is documenting each attempt to seek an update

Recommendation 4: If the District determines that its retirement bonus program is a termination incentive program, work with the ASRS to address any unfunded liabilities the District may have incurred related to past program payments, and if the Board approves the program's continuation, ensure the ASRS is properly notified of the program as required by statute.

District Response: The audit recommendation will be implemented.

Response explanation: If the program is determined to be a termination incentive program, the District will operate in accordance with the established and prescribed requirements.

Recommendation 5: Determine if the value of the vehicle benefit for employees driving District vehicles to and from home and school should be reported as noncash taxable income and if so, report it in accordance with applicable IRS requirements.

District Response: The audit recommendation will be implemented.

Response explanation: The District has discontinued this practice and will review IRS guidelines to determine if the benefit received, to-date, should be reported as non-cash taxable income in accordance with IRS requirements.

Recommendation 6: In consultation with its legal counsel, as necessary, determine whether the District violated the State's gift clause by providing fringe benefits to its employees without Board approval. If the District determines it violated the State's gift clause, it should determine the amounts it may have improperly gifted and take necessary action to resolve any gift clause violations it identifies.

District Response: The audit recommendation will be implemented.

Response explanation: The District will consult with legal counsel regarding any alleged violations of the State's gift clause and will pursue the remedies recommended.

Recommendation 7: Upon determining whether its actions resulted in a gift of public monies in violation of the State's gift clause, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

District Response: The audit recommendation will be implemented.

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

Recommendation 8: 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: For the audit year, the District obtained advanced approval of food and beverage expense for certain events but failed to achieve the same for all events. The District will obtain advanced Board approval for all food and beverage events that includes the components listed in the recommendation.

Finding 2: District operated catering services without statutory authority to do so and did not ensure that events it catered were not improperly subsidized with District monies

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

Response explanation: The District recognizes the importance of ensuring that all operational activities are clearly supported by statutory authority and that associated costs are fully documented and recoverable. Accordingly, the District will review statutory authority related to catering services and, if permitted, strengthen its procedures, cost allocation, and documentation to provide greater clarity and ensure continued stewardship of public resources.

Recommendation 9: Immediately stop operating catering services until the District reviews and documents the District's statutory authority to offer these services.

District Response: The audit recommendation will be implemented.

Response explanation: The District has already suspended all catering activities until the program can be further reviewed to ensure that it aligns to statutory authority.

Recommendation 10: If the District determines that it has the statutory authority to operate a catering service, the District should document its statutory authority to offer the catering service, document the funding source used, and account for catering expenses separately from other allowable meal service programs.

District Response: The audit recommendation will be implemented.

Response explanation: Should the District determine that the catering services may resume operations, appropriate actions will be taken to validate or confirm that authority, document the funding source(s) used, and account for catering expense separately from other allowable meal service programs.

Recommendation 11: If the District determines that it has the statutory authority to operate a catering service, the District should ensure that revenues for the District's statutorily authorized catering events cover all related costs and ensure any purchases are an allowable use of the funding source.

District Response: The audit recommendation will be implemented.

Response explanation: Should the District determine that the catering services may resume operations, appropriate actions will be taken to ensure that the program revenues cover the related expenditures, and all expenditures are permitted by the determined funding source(s).

Finding 3: District did not ensure its solar vendor complied with contractual cost-savings obligations and did not act to address disadvantageous contract terms that may have added an estimated $400,000 to its electricity costs since 2018

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

Response explanation: The District will develop monitoring and documentation processes to ensure that contractual performance metrics are regularly evaluated and that any concerns regarding contract terms or vendor obligations are identified and addressed in a timely manner. The District remains committed to prudent fiscal management and the responsible stewardship of public resources while continuing to pursue energy solutions that provide long-term value to students, staff, and taxpayers.

Recommendation 12: In consultation with its legal counsel, as necessary, work with its solar vendor to obtain historical reports required by its contracts and State statute, including reconciled cost savings reports and guaranteed savings validation reports, and for each contract year, determine whether the solar vendor owes the District reimbursement for any shortfalls of guaranteed cost savings and the amount, if applicable, and collect any reimbursement monies owed.

District Response: The audit recommendation will be implemented.

Response explanation: In consultation with the District's legal counsel, the District will seek the previously requested information from the solar provider as required by the existing contracts and State statute and will work to make the District whole.

Recommendation 13: As the District addresses recommendation 12, if the District determines any of its solar contracts are disadvantageous to the District, consult with its legal counsel, as necessary, to determine what options may be available to the District to address the disadvantageous contracts, such as renegotiating or terminating the contracts.

District Response: The audit recommendation will be implemented.

Response explanation: The District will have legal counsel review the contracts to determine whether they are still beneficial to the District, and if not, to determine what options the District might have to remedy outstanding concerns, including contract termination or renegotiation or, if warranted, litigation.

Recommendation 14: Establish and implement contract monitoring and oversight procedures to ensure its solar vendor provides required reports to the District as required by its contracts and statute, including reconciled cost savings reports and guaranteed savings validation reports, and reimburses any guaranteed cost saving shortfalls.

District Response: The audit recommendation will be implemented.

Response explanation: Should the existing contract be beneficial to the District, or if not, the current terms are renegotiated to the District's benefit, in partnership with the solar provider, both parties will mutually determine the system and process to be used to meet and maintain the contractual and statutory requirements.

Finding 4: District likely has more purchasing cards and authorized users than necessary for operations and did not establish effective controls over purchasing card use, increasing risk of errors, fraud, misuse, and unauthorized purchases

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

Response explanation: The District will further strengthen existing controls while preserving the operational efficiencies that purchasing cards provide and supporting the District's ongoing commitment to accountability, transparency, and the prudent management of taxpayer resources.

Recommendation 15: Analyze purchasing card spending and use those results to identify any cards that should be eliminated or any authorized users who no longer require purchasing card access to perform their job responsibilities. Take immediate actions to minimize the number of cards and users in accordance with the USFR.

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

Response explanation: The District will consult with all decision unit managers to identify purchasing cards that may be eliminated. In addition, the District will review purchasing card expenditures for the fiscal years ended 2025 and 2026 to assess utilization levels. For cards demonstrating low or infrequent use, credit limits will be reduced to $0. This approach preserves operational efficiency while ensuring appropriate fiscal oversight and control. It also reduces the risk of unauthorized or unnecessary expenditures while maintaining flexibility for legitimate district needs. Should the card be needed, the District is able to quickly adjust

Recommendation 16: Develop and implement written procedures to determine whether an employee should be an authorized purchasing card user and establish a formal process to periodically review purchasing cards and users, to ensure the District maintains the minimum number of cards and users in accordance with the USFR.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish a process to periodically review the use of the purchasing cards and implement written procedures for determining authorized cardholders.

Recommendation 17: Separate responsibilities over purchasing cards among more than 1 employee so that no single employee can issue cards and request, authorize, and execute purchases for each school site.

District Response: The audit recommendation will be implemented.

Response explanation: The District will revise its purchasing card procedures to ensure appropriate segregation of duties by separating card issuance from the requesting, authorizing, and execution of purchases. Where staffing limitations exist, the District will implement appropriate compensating controls.

Recommendation 18: Establish and implement written purchasing card procedures and sufficient independent review processes to ensure purchase authorization and District purpose is documented for all purchasing card purchases.

District Response: The audit recommendation will be implemented.

Response explanation: The District will formalize its existing procedures by establishing and implementing written documentation of the review process, internal controls, and applicable requirements to ensure consistent application and compliance.

Recommendation 19: Require users to submit annual purchasing card user agreements and receive training on the District's purchasing card policies and procedures prior to using District purchasing cards.

District Response: The audit recommendation will be implemented.

Response explanation: The District will ensure that authorized cardholders submit card user agreements and receive the required training on an annual basis.

Recommendation 20: In consultation with legal counsel, as needed, determine whether its current practice of allowing employees who use District purchasing cards for approved District travel to spend more than statutorily allowed is permissible under State law; document the legal analysis and determination made.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees to consult with legal counsel to determine if the District's current practice is compliant and permissible under State law.

Recommendation 21: If necessary, based on its legal determination, revise District's practices for using purchasing cards to pay for District-approved travel expenses to comply with State laws and SAAM requirements.

District Response: The audit recommendation will be implemented.

Response explanation: Should the review and recommendations by the District's legal counsel determine that changes to its existing processes are necessary, the District will implement procedures to comply with statute and SAAM requirements.

Finding 5: District lacked effective internal controls related to cash handling, supplies and property, and school bus preventative maintenance, increasing risks to District monies, resources, and student safety

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

Response explanation: The District will strengthen internal controls processes and procedures, and notes that some areas identified have already been corrected.

Recommendation 22: In accordance with the USFR, separate cash handling duties from recordkeeping responsibilities, such as by requiring more than 1 employee to collect, deposit, and review cash received at its school sites and the District office.

District Response: The audit recommendation will be implemented.

Response explanation: This recommendation has already been implemented.

Recommendation 23: Develop and implement a process to issue receipts or maintain other documented evidence for all cash received at the time of cash collection and reconcile deposits to cash-collection documentation to ensure all cash received is deposited, as required.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement procedures to ensure that appropriate documentation is maintained for all cash transactions. The District will work with applicable departments, schools, and activity sponsors to create and utilize receipts or other supporting documentation at the time cash is collected. Additionally, the District will strengthen procedures to ensure that deposits are reconciled to collection documentation and that all cash received is properly accounted for and deposited in accordance with District policies and applicable requirements.

Recommendation 24: Develop and implement procedures to regularly review fueling reports for appropriateness and reasonableness, document the review, and investigate any irregularities identified to ensure fuel use is authorized and appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: In February 2026, the District implemented an electronic fueling system. This system will aid in the development and implementation of procedures to routinely review fueling reports for appropriateness and reasonableness, documenting the review, and will investigate any irregularities identified.

Recommendation 25: Develop and implement procedures for managing its white fleet vehicles in accordance with the USFR, including ensuring vehicles are used only by authorized personnel for valid District purposes and requiring vehicle usage and the purpose of travel be documented and monitored.

District Response: The audit recommendation will be implemented.

Response explanation: The District will review and enhance its procedures for managing white fleet vehicles to ensure compliance with USFR requirements as well as implement appropriate controls to help ensure vehicles are used only by authorized personnel for valid District purposes and that vehicle usage is adequately documented and monitored. The District will continue to evaluate its processes and make improvements as needed to strengthen oversight and accountability related to vehicle use.

Recommendation 26: Upon rekeying all locks, conduct and maintain an accurate physical key inventory and develop and implement written procedures for distributing, tracking, and collecting keys from employees, including requiring employees to sign key agreements outlining their responsibilities as a key holder prior to keys' issuance.

District Response: The audit recommendation will be implemented.

Response explanation: Beginning in the 2025-2026 school year, the District was already in the process of rekeying and redistributing new keys across the District. The District has already implemented an electronic key management solution that will satisfy the components included in the recommendation.

Recommendation 27: Establish and implement a formal school bus preventative maintenance policy that specifies what preventative maintenance work will be completed at what mileage and time frame intervals.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish and implement a formal school bus preventative maintenance policy that includes the recommended parameters

Recommendation 28: Develop and implement a process to document school bus preventative maintenance and repairs in a systematic and timely manner and in sufficient detail to ensure it can demonstrate it has complied with its policy and the State's Minimum Standards.

District Response: The audit recommendation will be implemented.

Response explanation: The District has already implemented electronic fleet management software to assist with the preventative maintenance schedule for further compliance with the State's Minimum Standards.

Finding 6: District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, data loss, errors, and fraud

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

Response explanation: The District remains committed to maintaining a secure technology environment, protecting confidential information, and exercising responsible stewardship of public resources, and will evaluate user access to its data.

Recommendation 29: Implement and enforce strong authentication controls for its critical systems that align with USFR requirements and credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement and enforce strong authentication controls for its critical systems that algin with USFR requirements.

Recommendation 30: Develop and implement a formal process to review the District's authentication controls against credible industry standards at least annually.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish and implement a documented annual review process for authentication controls.

Recommendation 31: Develop and implement written procedures to address IT system access relative to job duties; promptly remove access when no longer needed; and establish a formal process to periodically review accounting system and network access, including making necessary updates if the reviews identify accounts with more access than necessary.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement written procedures to meet the recommendation.

Recommendation 32: Work with the County and its third-party vendor to review and limit users' access to the accounting system to only those functions needed to support the District, including ensuring that no single user can initiate and complete a transaction without an independent review and approval.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement systems and processes that align with the recommendation.

Recommendation 33: Implement effective controls to monitor external users' accounting system activities, such as a process to regularly review transactions and activity logs, to ensure these users' system activities are authorized and appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement effective controls that meet the recommendation.

Recommendation 34: Develop and implement a process to review USFR IT requirements and credible industry standards at least annually to ensure the District complies with IT security practices to safeguard sensitive information and prevent errors, fraud, and data loss.

District Response: The audit recommendation will be implemented.

Response explanation: The District will establish a documented annual review process for applicable USFR technology requirements, district IT policies, security controls, and relevant industry guidance.