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.