Cochise Technology District

24-Month Followup of Performance Audit Report 24-203

The February 2024 Cochise Technology District performance audit found that the District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into its activities; did not comply with important internal control requirements, increasing risk of errors, fraud, and unauthorized purchases; and lacked key outcome data preventing it from demonstrating how the $4.5 million it spent on CTE programs in fiscal year 2022 effectively prepared students for high-need occupations. We made **20** recommendations to the District.

District's status in implementing 20 recommendations

Implementation status	Number of recommendations
Implemented	11 recommendations
In process	6 recommendations
Not yet applicable	1 recommendation
Not implemented	**2 recommendations**

We will conduct a 36-month followup with the District on the status of the recommendations that have not yet been implemented.

Recommendations to the District

Finding 1: District did not comply with some State conflict-of-interest laws and USFR requirements, limiting transparency into the District's activities and increasing the risk that the District may not be able to recover monies it improperly paid in advance

1. The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing conflicts-of-interest in conformance with State law. These policies and procedures should specifically disallow District employees from participating in matters for which they have a substantial interest, including approving payments to a relative or themselves.

Status: **Implemented at 24 months.**

As reported in the prior initial followup, the District's legal counsel reviewed and approved its conflict-of-interest policies in August 2024. These policies state that any employee who has a substantial interest in any District decision shall refrain from participating in such decisions in any manner. Additionally, since the initial followup, the District's superintendent has not participated in a matter for which he disclosed a substantial interest. Specifically, the District's Governing Board (Board) created a new lease agreement between the superintendent as lessor and the District as lessee for fiscal years 2025 through 2027 because the superintendent's home serves as the District's business office. The superintendent did not participate in determining the annual rental payment amounts of $6,600 and the discounted rate the District would receive by prepaying the rent each fiscal year, which was 10% less than the full rental rate, or $6,000 (see explanation for recommendation 4 for more information about the District's rental payments to the superintendent).

2. The District should develop and provide periodic training on conflict-of-interest requirements, process, and disclosure forms to its employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Status: **Implemented at 12 months.**

The District provided conflict-of-interest training to employees in June 2024 and March 2025. The District's training included information about conflict-of-interest requirements for employees, such as the need to complete a conflict-of-interest form to disclose substantial interests and refrain from participating in any manner in matters related to disclosed interests. Additionally, the training included information relevant to staff involved in purchasing. Our March 2025 review found that all the District's full-time employees had completed the conflict-of-interest training.

3. The District should ensure District employees follow the State conflict-of-interest law and District policy by following the practices they learned in the District-provided training (see recommendation 2), including describing their substantial interests on the District's conflict-of-interest form as required and refraining from participating in any decision, contract, sale, purchase, or service, such as office space rental prepayments, for which they have a substantial interest.

- Status: **Implemented at 24 months.**

  Our review of the District's calendar year 2026 conflict-of-interest disclosure forms as of April 2026 found that all 5 District employees submitted disclosure forms in January 2026 and had described their substantial interests, as applicable. Additionally, the superintendent appropriately disclosed his lease agreement with the District as a substantial interest on his January 2026 conflict-of-interest disclosure form. As explained in recommendation 1, we found the superintendent refrained from making decisions about the agreement, such as setting rental rates, for fiscal year 2025.

4. The District should revise existing lease agreements to no longer allow prepayments of expenditures unless they meet USFR and statutory requirements for prepayments, and recover all improperly prepaid amounts from District employees.

- Status: **Implemented at 24 months.**

  The District has revised its lease agreement terms to address this recommendation. During the initial audit, the District improperly prepaid rental payments of $6,000 annually each to its superintendent and program director for use of their personal residences as District office space. The prepayments were improper because the USFR and State laws allow districts to prepay only for items that are normally prepaid to procure them, such as insurance premiums, or to receive a discounted price, which the District did not receive in the audit year.

  Since the initial followup, the District's Board created and approved a new lease agreement with the superintendent in April 2025 that provides a prepayment discount that appears to meet USFR and State law requirements. The new lease agreement requires the District to pay the superintendent a monthly rental rate of $550, which would total $6,600 per year, with a provision that the District can receive a 10% discount ($600) if it prepays the yearly rental amount in full. Additionally, the District's Board provided documented support for why it elected to prepay rent to the superintendent, as required by the USFR. Specifically, the Board declared in May 2025 that the prepayment of rent to the superintendent offers several benefits to the District such as simplifying budgeting, accounting, and administrative process. Further, the lease agreement stipulates that in the event the lease is terminated early, the superintendent must return to the District any prepaid rental monies associated with the remainder of the lease term.

  As reported in the prior initial followup, all District employees we identified with a prepaid lease agreement during the audit remained employed at the District through June 2024, the end of the previous lease agreements. Therefore, the District did not need to recover any prepaid amounts from District employees.

Finding 2: District did not comply with important internal control requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

5. The District should develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.

- Status: **Implementation in process.**

  As reported in the prior initial followup, the District developed and implemented cash-handling policies and procedures for cash collection, deposit, and review in July and August 2024. Our review of cash the District collected in January and February 2026 found that the District deposited all 9 cash transactions within a week of collecting it, in accordance with its policy. However, we continued to identify other cash-handling deficiencies similar to those identified during the audit. Specifically, the District did not separate cash-handling duties from recordkeeping responsibilities as required by District policy and the USFR (see explanation for recommendation 6). Further, the District continues to not complete monthly bank and County Treasurer reconciliations, as required by the District policy and the USFR. As a result, the District continues to increase the risk of errors and fraud, or that cash could be lost or stolen without detection. We will assess the District's efforts to implement this recommendation at the 36-month followup.

6. The District should separate cash-handling duties from recordkeeping responsibilities, such as requiring a separate employee to be present when opening mail before recording checks on its mail log or implement other controls to ensure all checks received are accounted for and deposited.

- Status: **Implementation in process.**

  As explained in recommendation 5, our review of the District's cash-handling process found that the District has continued to not separate cash-handling duties from recordkeeping responsibilities. Although the superintendent established a process to involve a second individual in the cash-collection process via email and regularly updates the District's mail log used to record cash payments received through the mail, the superintendent continues to collect checks and open the mail at his residence without another District employee present. Based on our review, the superintendent is the only employee to receive, record, and deposit checks sent to the District through the mail.

  Further, our review of cash the District collected in January and February 2026 found that the District did not require 2 disbursements from its Auxiliary Fund to the County Treasurer made by check to be signed by 2 employees designated by the Board, as required by the USFR. Instead, the superintendent prepared, signed, and deposited these checks without another District employee's or Board member's involvement. As a result, the District continues to increase the risk of errors, fraud, and noncompliance with the USFR. We will assess the District's efforts to implement this recommendation at the 36-month followup.

7. The District should prepare and maintain evidence, such as sequential, prenumbered receipts or a complete mail log, for all cash received.

- Status: **Implemented at 6 months.**

  We reviewed 11 cash collections from July and August 2024 and found that the District prepared and maintained evidence of sequential, prenumbered receipts for all 11 cash collections we reviewed.

8. The District should deposit all cash at least weekly, or daily when amounts are significant.

- Status: **Implemented at 24 months.**

  As discussed in recommendation 5, our review of cash the District collected in January and February 2026 found that the District deposited all 9 cash transactions within a week of collection, as required by District policy.

9. The District should provide training on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit.

- Status: **Not implemented.**

  Although the District provided training in July 2024 on USFR cash-handling requirements and its cash-handling policies and procedures to all employees involved in cash collection and deposit, the District has not provided subsequent training in the nearly 2 years since. Further, as stated in recommendations 5 and 6, our review of the District's cash collections from January and February 2026 found that the superintendent did not separate cash-handling duties from recordkeeping responsibilities and did not complete monthly bank and County Treasurer reconciliations, indicating that additional training may be necessary. District officials reported the District would provide cash-handling training to staff and begin following its policies and procedures and USFR requirements by June 2026. However, due to the timing of the District's training, we will assess the District's efforts to implement this recommendation at the 36-month followup.

10. The District should separate responsibilities over credit cards among more than 1 employee so that no employee can make purchases, reconcile purchase receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.

- Status: **Implementation in process.**

  The District has taken steps to separate responsibilities over credit cards among more than 1 employee, but additional improvements are needed to fully implement this recommendation. Specifically, our April 2026 review of 40 District credit card purchases made between January and February 2026 found that all 40 credit card purchases were reviewed for appropriateness and approved by more than 1 employee, and no employee could independently complete a credit card purchase.

However, the District reported that it does not complete monthly credit card reconciliations, as required by the USFR. Instead, the District reported it completes credit card reconciliations at the District superintendent's discretion based on the number of credit card transactions to be reconciled, which is contrary to USFR requirements. Our review of the 40 credit card purchases made between January and February 2026 found that the District did not reconcile purchase receipts to credit card statements until at least April 2026, more than 2 months after the purchases were made. By not completing monthly credit card reconciliations, the District increased its risk of errors and fraud without detection or paying for other unauthorized purchases. We will assess the District's efforts to implement this recommendation at the 36-month followup.

11. The District should require an independent review and approval of its purchases prior to the purchases being made.

- Status: **Not implemented.**

We judgmentally selected and reviewed 10 of 558 District purchases made between June 2025 and February 2026 and found the District did not require an independent review and approval of its purchases prior to the purchases being made for 4 of 10 purchases reviewed. As a result, the District continues to increase the risk for unauthorized purchases.The 4 purchases we identified that lacked prior review and approval were for CTE-program-related banners, plaques for student recognition, embroidered uniforms, and welding supplies. We will assess the District's efforts to implement this recommendation at the 36-month followup.

Finding 3: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

12. The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

- Status: **Implemented at 12 months.**

Our March 2025 review of the District's current IGAs with its member districts found that the District had updated all of its 11 member districts' IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219, which was an outdated report that was replaced by the required worksheet and instructions in September 2017. The updated IGAs require its member districts to complete and submit the CTED supplanting worksheet to the District by October 15 annually. Additionally, all 11 updated IGAs have been approved by the respective member districts' boards and the District's Board.

13. The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

- Status: **Implemented at 24 months.**

  The District's Board approved an updated supplanting policy in March 2026 that states any member district that does not complete and submit the required CTED Supplanting Worksheet by November 15 each year will not receive any additional funding from the District until it submits the required worksheet. The District reported that it updated its supplanting policy to be in accordance with the Arizona Department of Education's (ADE) deadline to submit the CTED Supplanting Worksheet by November 15 each year. We found that 9 of the 11 member districts submitted the required supplanting worksheets to ADE by the November 15, 2025, deadline. Although 2 member districts did not meet the deadline specified in District policy and required by ADE, the District worked with the 2 member districts to submit the required worksheets to ADE within 5 days of the deadline. Additionally, District officials provided the District's Board with a summary of the member districts' submitted 2025 CTED supplanting worksheets during a public meeting.

14. The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

- Status: **Implementation in process.**

  As discussed in recommendation 13, the District's Board approved an updated supplanting policy in March 2026. The District's policy states that if a member district's form indicates it potentially supplanted CTE spending in the prior fiscal year, the District will reduce the member district's current year funding allocation by the amount supplanted, not to exceed 25% of its total current-year allocation. Our review of the member districts' 2025 CTED supplanting worksheets found that 3 of 11 member districts' worksheets indicated they had potentially supplanted CTE monies in fiscal year 2025. As a result, the District reported that it reduced all 3 member districts' fiscal year 2026 funding allocations by the amount each reported having potentially supplanted as required by District policy.

  Subsequently, the District worked with 2 of the 3 member districts to identify the cause of the potential supplanting. The District determined that these 2 member districts erroneously calculated some amounts in their supplanting worksheets and requested the member districts revise the identified calculation errors accordingly. The District reported it is still working with 1 member district to understand the causes of the potential supplanting and revise its 2025 CTED supplanting worksheet. The District indicated it would disburse the withheld monies to the 3 member districts once all the necessary corrections were made and the supplanting forms were resubmitted to ADE and the District. We will review the District's complete fiscal year 2026 member district disbursements of CTE monies at the 36-month followup to determine whether the District withheld CTE monies in accordance with the District's policy after the fiscal year has ended.

Finding 4: District's lack of key outcome data prevents it from demonstrating how the $4.5 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

15. The District should develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and postgraduate jobs obtained, as well as developing a process to track all outcome data.

- Status: **Implementation in process.**

In April 2026, the District developed documented procedures for collecting data on postgraduate jobs obtained for all its CTE programs. However, the District continues to rely on its member districts to collect data on student certifications earned and validate program outcome data to ensure it is complete and accurate but has not provided consistent guidance on how to do so.

Our review of the District's fiscal year 2024 program outcome data, which was the most recent available at the time of our followup, found that the District appeared to accurately report certifications earned to ADE but likely reported inaccurate information about postgraduate jobs obtained by students. Specifically, our review of 25 certifications the District reported students earned in fiscal year 2024 found that the District accurately reported and maintained adequate supporting documentation for all 25 certifications. However, we found that 31 of the 82 job placements the District reported to ADE as using program skills appeared to be inaccurate based on the survey responses the District received, which indicated the students were placed in jobs with duties unrelated to their CTE programs. These reporting errors likely resulted from the District relying on member districts' determinations of whether students were placed in jobs using their CTE program skills without independently reviewing the determinations for accuracy and reasonableness prior to the member districts reporting this information to ADE.

Without consistent data-collection and validation procedures for all its CTE programs and outcome measures, the District continues to lack critical information necessary to demonstrate that its programs are effective in meeting their statutory purpose of preparing students for high-need occupations. We will assess the District's efforts to implement this recommendation at the 36-month followup.

16. The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

- Status: **Not yet applicable.**

  As stated in recommendation 15, the District has not developed procedures for consistently collecting data on student certifications earned and continues to lack a process for validating postgraduate jobs obtained data to ensure it is complete and accurate. District officials reported they plan to evaluate each CTE program's effectiveness by assessing student-enrollment data, interest levels, certifications earned, program-completion rates, State assessment scores, and postgraduate job-placement data. However, by lacking processes for consistently collecting and validating program outcome data, the District's planned approach for evaluating its programs may result in inaccurate or incomplete information about its CTE programs' effectiveness. The District reported it planned to update and document its evaluation process of its CTE programs using fiscal years 2025 and 2026 program outcome data by June 2026. We will assess the District's efforts to implement this recommendation at the 36-month followup.

Finding 5: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

17. The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office.

- Status: **Implemented at 24 months.**

  Our April 2026 review of users' access for all active users in the District's accounting system found that the District limited users' access to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

18. The District should establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure employees have access to only those accounting system functions needed to perform their job duties.

- Status: **Implemented at 24 months.**

  As reported in the prior initial followup, the District established written policies and procedures in September 2024 related to assigning and periodically reviewing accounting system user access to ensure that employees have access only to functions necessary for their job responsibilities. As explained in recommendation 17, as of April 2026, the District had limited user access to only those accounting system functions needed to perform their job duties and appropriately assigned administrator-level access to an employee outside the business office. Additionally, although the District lacked documentation to support its annual user access review, the District reported it worked with the County to conduct the annual review of user access required by its procedures and adjusted accounting system user access accordingly.

19. The District should establish and implement a District policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter.

- Status: **Implemented at 24 months.**

As reported in the prior initial followup, the District established and implemented a policy in November 2024 to require employee security awareness training upon hire and at least annually thereafter. The District conducted security awareness training for all 5 District employees in March and April 2026. Additionally, our April 2026 review of the District's security awareness training found that the training content covered a variety of information security topics relevant for school districts such as cybersecurity threats and role-specific training, as recommended by credible industry standards.

20. The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and perform documented tests against the plan, at least annually, to identify and remedy any deficiencies.

- Status: **Implementation in process.**

The District developed and implemented an updated IT contingency plan in June 2025. However, the District's IT contingency plan continues to lack critical components, including the order in which critical systems should be restored or criticality of the systems, evidence of an annual review completed by applicable District staff, and contingencies for continued business operations during a system outage. The District performed a documented test against its IT contingency plan in June 2025 and reported it did not need to make significant changes to its IT controls based on the test performed. We will assess the District's effort to implement this recommendation at the 36-month followup.