August 21, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Round Valley Unified School District

Slade Morgan, Superintendent
Round Valley Unified School District

Transmitted herewith is the report *A Performance Audit of Round Valley Unified School District,* conducted pursuant to Arizona Revised Statutes §41-1279.03. The CPA firm Walker & Armstrong, LLP conducted this performance audit under contract with the Arizona Auditor General. 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 recommendations and plans to implement all the 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 Morgan 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

Round Valley Unified School District

District’s domed athletic facility increased its operating costs and may pose an ongoing financial burden, and the District did not effectively manage aspects of its capital planning, business office, transportation, food service, and information technology functions, increasing risks to public monies, District resources, student safety, and sensitive computerized data

Performance Audit
A Report to the Arizona Legislature
August 2026
Report 26-209

Walker & Armstrong
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

Walker & Armstrong
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

August 13, 2026

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Round Valley Unified School District for fiscal year 2024, conducted pursuant to Arizona Revised Statutes §41-1279.03.

As outlined in its response, the District agrees with the findings and plans to implement all the recommendations.

We appreciate the opportunity to provide these services and work with your Office. Please let us know if you have any questions.

Sincerely,

Walker & Armstrong, LLP

Walker & Armstrong, LLP
Phoenix, Arizona

Report Highlights

Walker & Armstrong
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

Round Valley Unified School District

Performance Audit

District's domed athletic facility increased its operating costs and may pose an ongoing financial burden, and the District did not effectively manage aspects of its capital planning, business office, transportation, food safety, and information technology functions, increasing risks to public monies, District resources, student safety, and sensitive computerized data

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's ownership and operation of the Tot Workman Dome, an enclosed domed athletic facility on its campus, increased its operating costs, influenced capital spending priorities, and may create an ongoing financial burden.
- District lacked adequate business processes and controls over purchasing, travel, accounting, and financial responsibilities, resulting in wasteful spending, accounting errors, noncompliance with State requirements, and an increased risk that District monies could be misused.
- District's conflict-of-interest disclosure forms and procedures were not aligned with recommended practices to provide for an affirmative statement of "no conflict," and to ensure all Board members and employees submitted annual conflict-of-interest disclosure forms and completed related training. These deficiencies reduced transparency and increased the risk that potential conflicts may not be identified or addressed.
- District's school bus preventative maintenance schedules lacked specifications to help ensure all school buses were properly maintained, and the District did not adequately monitor fleet vehicle use, increasing risks to student safety, unnecessary repair costs, and misuse of District resources.
- District did not consistently comply with food safety requirements for storing and discarding foods requiring temperature control, potentially putting students' health at risk.
- Numerous IT deficiencies, including excessive access to IT systems, failures to safeguard electronic documents and systems, and a lack of comprehensive cybersecurity awareness training and contingency planning increased the risk of unauthorized access, data loss, and prolonged operational disruptions.

Key recommendations

The District should:

- Evaluate the Dome’s operating costs and appropriateness of rental fee structure, document decisions to charge reduced rental rates, and use a comprehensive capital plan to prioritize and fund capital projects.
- Ensure compliance with District policy, the USFR, and State requirements related to business office functions, including purchasing, accounting, travel, and payment processing.
- Align conflict-of-interest procedures with recommended practices by requiring affirmative "no conflict" disclosures, verifying annual disclosure forms are submitted by all Board members and employees, and ensuring periodic conflict-of-interest training is completed.
- Develop and implement comprehensive school bus preventive maintenance policies and procedures and strengthen procedures to document and monitor District vehicle use to help ensure school buses and fleet vehicles are properly maintained and used only for authorized purposes.
- Develop and implement procedures to ensure foods requiring temperature control are properly date marked and discarded in accordance with food safety requirements.
- Develop and implement IT security policies and procedures to manage and monitor user access, protect sensitive data, and enforce cybersecurity controls and annual security awareness training requirements. Additionally, develop and annually test an IT contingency plan that complies with USFR requirements and credible industry standards.

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Tables

Round Valley Unified School District—Performance Audit
Fiscal Year 2024[1]
August 2026

Rural district in Apache County

Grades: Kindergarten through 12th

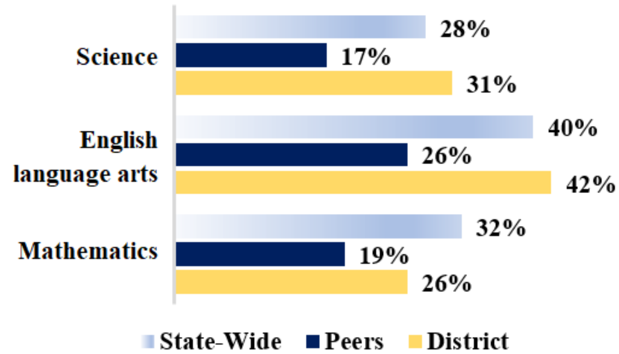
FY 2024

Students attending: 1,181

Number of schools: 4

School letter grade[2]: 1 A, 2 B

Students who passed State assessments[3]



[2] Source: Arizona State Board of Education 2023-2024. One District school did not receive a letter grade because it did not have a sufficient number of students for grading purposes.

[3] Source: Arizona Auditor General's *Arizona school district spending analysis—Fiscal year 2024* and data file.

FY 2024 total operational spending – $16.8 million ($14,257 per student)

Instructional – 54% ($7,730 per student)	Noninstructional – 46% ($6,527 per student)

Operational overview—FY 2024	Measure	Round Valley USD	Peer average
Administration—lower per student spending and improvements needed The District spent less per student on administration than its peer districts averaged, likely because the District's average administrative staff salaries were lower compared to peers, resulting in lower salary and benefit costs. However, the District lacked important internal controls over its business and financial operations, and had not implemented some recommended conflict-of-interest practices or important IT standards (see Findings 2, 3, and 6, pages 8 through 12, 13 and 14, and 18 through 23).	Spending per student	$1,641	$1,817

[1] This audit primarily focused on fiscal year 2024 operations. However, certain areas of our review were extended to other years to ensure that the reported information included context necessary to understand the magnitude of the identified deficiencies.

Operational overview—FY 2024	Measure	Round Valley USD	Peer average
Plant operations—mixed spending and reported findings The District spent more per student and less per square foot than its peer districts averaged because it maintains more square footage than its peers. The District operates a large multipurpose athletic facility, the Tot Workman Dome, which it uses for its athletic programs and makes available for community rental. In fiscal year 2024, the District spent approximately $400,000 on routine Dome operating expenses, such as upkeep, utilities, and insurance, that were not covered by rental revenues. These additional costs, which are unique to the District, accounted for much of the District's higher spending per student relative to its peers. (see Finding 1, pages 3 through 7).	Spending per square foot	$5.23	$7.29
	Spending per student	$2,345	$1,987
Food service—mixed spending and improvements needed The District spent more on food service per meal but less per student than its peer districts averaged, likely due to fewer students participating in its food service program compared to peer districts. Approximately 35% of the District's student population are enrolled at its high school and are allowed to leave campus during lunch, which may contribute to lower school lunch participation. However, the District did not ensure food served to students was safe for consumption (see Finding 5, page 17).	Spending per meal	$5.80	$4.89
	Spending per student	$472	$519
Transportation—lower spending but improvements needed The District spent less on its transportation program than its peer districts averaged, likely due to lower salary and benefit costs. The District had 7 bus routes compared to its peer districts' average of 9 routes, which resulted in the District requiring fewer bus drivers and spending less on salary and benefits. However, the District should improve its management of district vehicles and school bus maintenance (see Finding 4, pages 15 and 16).	Spending per mile	$3.12	$4.04
	Spending per rider	$2,432	$2,548

FINDING 1

District's domed athletic facility adds to its plant operations costs and may pose a financial burden, and District has not used its capital planning tools to prioritize and estimate project costs

We identified 2 issues that related to the operating costs and rental fees for 1 District facility and the District's overall planning for capital projects, as further described below.

Tot Workman Dome, Eagar, Arizona
Source: Round Valley Unified School District.

Issue 1: Operating costs for the District's domed athletic facility may affect funding available for other District purposes, and the facility's propensity to flood has influenced spending priorities

District operates a domed athletic facility that also serves as a community evacuation site and space for community events

The District's indoor athletic facility, known as the Tot Workman Dome (Dome), encloses approximately 113,000 square feet of field space and includes a football field, a track, and 2 volleyball courts. If needed, the field area can be converted to accommodate multiple basketball, volleyball, tennis, and badminton courts. The Dome's seating capacity is between 3,500 and 9,200, depending on its configuration. In addition, the Dome has locker rooms and showers that the District reported can accommodate up to 6 athletic teams at a time.[1] Round Valley residents, including the citizens of Springerville and Eagar, Arizona, approved a bond in 1987 to construct the Dome at an approximate cost of $11 million.[2] According to the District, the Dome opened in 1991 and was the nation's first domed stadium operated by a school district.

[1] Round Valley School District. (n.d.). *Dome*. Retrieved 4/21/26 from https://www.elks.net/o/rvs/page/dome.

[2] *Tucson Electric Power Co. v. Round Valley Unified School District No. 10*, 163 Ariz. 532, 789 P.2d 399 (Ariz. Ct. App. 1990).

The Dome, along with several other sports fields the District maintains at its various campuses, primarily serves the District's physical education classes along with its athletic programs, but may also be used by the community. For example, the Dome served as a community evacuation site when a wildfire threatened the area in 2002.[3] Additionally, the District reported that it works with the local community for the Dome to host various events including community activities, conventions, exhibitions, fairs and concerts, and activities such as youth sports.

Table 1: Dome revenues and expenditures for fiscal year 2024

Revenues		
Dome revenues	$	128,864
Total revenues	$	128,864
Expenditures		
Salaries	$	147,775
Utilities		
Water and sewer		32,569
Electricity		54,050
Propane		90,562
Repairs and improvements		93,256
Insurance		89,668
Supplies		16,250
Total expenditures	$	524,130
Total net loss	$	(395,266)

Source: Walker & Armstrong staff compilation of information provided by the District.

Dome contributes to the District's higher-than-average plant operations costs

The District is responsible for the maintenance and associated costs that result from its ownership and continued operations of the Dome. The District's per-student spending on plant operations in fiscal year 2024 was 18% higher than peer districts'—$2,345 per student compared to $1,987 per student—and these higher costs appear attributable primarily to the Dome's operation and maintenance. Added plant operations costs associated with the Dome included salaries and benefits for 3 full-time maintenance staff in fiscal year 2024, as well as repairs and improvements, utilities, and insurance. Additionally, as further discussed below, the extent to which the District has not taken steps to recover more of its costs and the facility's risk for flooding may have reduced monies available for other District purposes and has influenced its spending priorities.

District recovers some of the costs associated with operating the Dome through rental revenues, but did not adjust its rental fee structure for 10 years, potentially impacting the monies available to pay for other District priorities

Although the Dome serves the District's athletic programs and is not required to be self-supporting, the District did not adjust rental rates charged to outside groups for many years, and when it updated rental rates in 2025, it did not appear to consider all costs associated with third-party Dome use. As previously discussed, the District allows third parties to rent the Dome to host various events. As shown in Table 1, it received nearly $129,000 in rental revenues in fiscal year 2024, including nearly $119,000 earned from hosting football camps. The rental revenues covered about a quarter of the District's total Dome expenditures that year and the District needed to spend an additional $395,000 of its operating monies to cover the remaining costs.

[3] Arizona Department of Emergency and Military Affairs (formerly Arizona Division of Emergency Management). (n.d.). *Mitigation newsletter (Vol. 1, Ed. 6)*. Retrieved 4/21/26 from https://web.archive.org/web/20110810044910/http://www.dem.azdema.gov/operations/docs/pubs/mitnewsletter/vol1_ed6.pdf.

The District may have recovered more of the Dome's operating costs if it had considered these costs when determining the rental rates it charged. Specifically, we found that:

- **District's fee structure had remained the same for more than 10 years**—Our review found that although the District acknowledged that the Dome was costly to maintain, prior to July 2025, it had not updated some of its facility rental fees for more than 10 years. Although expenditures for the Dome have consistently been higher than revenues, had the District increased its fees more frequently, it may have reduced the amount of its own monies needed to cover the Dome's expenses across several years. The District reported that it annually reviewed the Dome's rental fees but did not increase fees because it prioritized maintaining affordable access for community engagement, recreation, and local events.

- **District's revised fee schedule does not appear to consider all costs associated with hosting an event in the Dome**—The District increased its rental fees in 2025, but the adjusted facilities fee schedule did not factor all associated costs into its fee structure. For example, when an event is held at the Dome, the District incurs costs such as utilities and personnel salaries. These costs can vary depending on the size of the event, the portion of the Dome being used, and the amount of time needed for event preparation and cleanup.

  Rather than basing its fees on the anticipated costs of hosting an event, the District established 4 fee tiers with daily rental rates and has only adjusted these rates for inflation. According to the District's fiscal year 2026 fee schedule, Dome rental rates range from $0 for District and/or nonprofit free educational events to $1,500 for profit-making and commercial organizations. Other not-for-profit organizations that charge fees to attendees and/or do not promote the educational function of the District pay $950. Based on the District's fiscal year 2024 expenditures, the Dome cost the District more than $1,400 per day, on average, to operate. The average daily cost, which is nearly as much as the District's newly adopted daily charges for commercial Dome use, includes days when the Dome may not be occupied or operating. Event days likely cost more than the daily average due to additional utility usage and staff time, indicating that the District may allocate District resources to cover a portion of the cost associated with hosting some third-party events.

The District's cost to operate and maintain the Dome exceeded the revenues the Dome generated, which reduced the monies available for other District priorities. For instance, District officials and staff reported that budget cuts of approximately $1.4 million—or 11% of its total maintenance and operations budget—in fiscal year 2026 resulted in staffing reductions across the District. According to the District, these reductions included more than 15 teachers and instructional aides. Although Dome revenues offset a portion of the facility's expenses, the remaining costs must be supported by District funding sources that otherwise could have been used for staffing and other educational or operational needs. The District reported that the Dome has become a valued community asset and the District has no plans to discontinue its operation to help eliminate or reduce the related costs.

However, our review of the 2026 *School district financial risk analysis* conducted by the Arizona Auditor General found that the District is approaching the highest financial risk category, and the costs associated with the Dome may contribute to financial concerns. Expenses for operating the Dome are unlikely to decline, but the District's enrollment and associated enrollment-based State funding fell steadily between fiscal years 2023 and 2026. Additionally, the District's operating budget limit reserve also declined by more than 60% over a 4-year period ending in fiscal year 2025.[4] Declining budget limit reserves are a concern because they are a measure of the District's capacity to respond to emergencies or higher-than-anticipated operating expenses.

In addition to impacting the District's operating budget, the Dome is prone to flooding and necessary repairs have influenced its spending priorities and contributed to the District's need to issue bonds for capital projects

The Dome has flooded at least twice, making it unusable for extended periods and requiring additional spending. The Dome flooded in 2015 and again in 2024 after monsoon rains overwhelmed water diversion projects that the Federal Emergency Management Agency (FEMA) funded in 2018 to address flooding risks to the Dome and surrounding community.[5] According to the District, following each flooding event, the Dome was closed for a substantial time period to repair and replace elements such as the artificial turf of its football field and sports court flooring.

Partially prompted by concerns about the potential for future flooding and resulting Dome closures, District officials reported that the District determined that a secondary football field was needed for use when the Dome is unavailable. The District had an existing secondary outdoor football field located adjacent to the Dome, but it determined that upgrades to the field were needed. The District reported renovating the field at a cost of nearly $3.5 million. A portion of the project was funded through a $3 million water conservation grant from the Water Infrastructure Finance Authority of Arizona that the District received in fiscal year 2025 to replace grass with artificial turf on multiple playing fields located throughout the District. The remaining costs associated with bleacher replacements and other renovations were funded through other sources, including equalization assistance, tuition, property taxes, interest on investments, and bond proceeds.

The Dome was also a consideration when the District issued $15 million in bonds in fiscal year 2023 and received an additional $2.7 million from the Arizona School Facilities Board (SFB) and the Arizona School Facilities Oversight Board (SFOB) to pay for substantial facility repairs, renovations, and improvements. Among the District's planned uses of the monies were Dome structural renovations and drainage improvements anticipated to cost approximately $86,000.

Issue 2: District has not consistently used its capital plan to guide improvements and prioritize spending

The District has a capital plan, but we identified some deficiencies in its capital planning processes that may have affected the District's ability to plan for all costs and prioritize spending. As previously discussed, the District received a total of approximately $21 million in taxpayer-approved bonds, school facilities funding, and grants to pay for various capital improvement projects. Although the District

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[4] Arizona Auditor General. (n.d.). *Arizona school district financial risk analysis—Round Valley Unified School District* (FRISK). Retrieved 4/21/26 from https://frisk.azauditor.gov/District/Round_Valley_Unified_School_District.

[5] Federal Emergency Management Agency. (2018, August 6). *Final public notice: PDMC-PJ-09-AZ-2016-005*. Retrieved 6/25/26 from https://www.fema.gov/disaster-federal-register-notice/final-public-notice-pdmc-pj-09-az-2016-005. Town of Springerville Arizona. (2024, August 20). *Town council special meeting* [Meeting minutes]. Retrieved 6/25/26 from https://www.springervilleaz.gov/media/Agendas/town-council-special-meeting_minutes_2024-08-20_170425.pdf?v=638615223240052988.

included some of these projects in its capital plan, we identified areas where the plan was incomplete or may not have been considered when prioritizing projects. For example:

- **District did not estimate the cost of each project or document the funding source that would be used to pay for them**—Despite the District's capital plan including a placeholder for the District to record the estimated cost for each project, the District did not do so. Additionally, with the exception of bond proceeds, the plan did not consistently identify the anticipated funding source(s) to be used for each project.

- **District did not consider its roofing evaluations when prioritizing projects**—Although the District's capital plan indicated that the District had conducted a roof inspection for each of its facilities, it did not use the inspection results to prioritize roof replacements. Specifically, the District rated 1 facility's roof as being in good condition but scheduled its replacement ahead of another facility's roof that had been given a failed rating. The District did not document its rationale and therefore could not demonstrate whether it prioritized the District's most critical roofing projects.

As of December 2025, the District had $5 million remaining in bond proceeds that had not been allocated to specific projects. By improving its capital planning process to ensure any remaining project needs are fully detailed, including cost estimates, the District could better ensure decision makers have the information necessary to prioritize projects and exercise fiscal oversight. For instance, by including cost estimates in its capital plan, decision makers could consider project costs in relation to the District's budget limits to reduce the risk of overspending.

Recommendations to the District:

1. Evaluate its rental fees for the Dome and determine whether adjustments are needed to ensure third party rental fees are sufficient to cover the Dome's operating cost for the rental period; and, develop and implement a process to document relevant considerations and rationale supporting decisions to charge reduced rates for certain events, such as nonprofit-hosted events that support the District's educational function.

2. Develop and implement a process to routinely review facility fees using information such as maintenance, utility, salaries, and other operating costs, to determine the appropriateness of its fees and make any identified fee adjustments.

3. Update its existing capital plan to include cost estimates and funding strategies, and use its plan and any facility inspection results to prioritize capital spending.

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

District wasted monies, misclassified transactions, and failed to comply with other requirements, increasing the risk that District monies could be misused

We reviewed fiscal year 2024 District accounting records, including travel and credit card related expenditures, and found that the District did not comply with State and District policy requirements in several areas. In some cases, the District's failures resulted in it wasting public monies and increased the risks of misuse and improper expenditures. See below for details.

Deficiency 1: District made late payments and incurred nearly $340 in unnecessary charges

We analyzed the District's fiscal year 2024 expenditures and scanned the District accounting records and found that, contrary to the *Uniform System of Financial Records for Arizona School Districts* (USFR) and District policy, the District incurred $338 in fees that may have been avoidable.[6] Specifically, the District failed to timely remit employee retirement contributions to the Arizona State Retirement System and owed $302 in penalties that it could have avoided. According to the District, staff were waiting on supporting documentation to make the payment. However, employee retirement withholdings are calculated during the payroll process and should not have required additional documentation for payment.

Additionally, the District spent $36 to expedite delivery of a credit card payment to avoid paying a $39 late fee. The District reported that employees had not submitted supporting documentation in a timely manner, delaying its efforts to ensure all expenditures were properly supported prior to paying its credit card balance. If the District had enforced its credit card user agreement provisions requiring users to submit documentation in a timely manner and followed USFR guidance to process credit card payments based on when transactions are completed, the added expense related to the delayed payment would likely have been avoided.

[6] The Arizona Auditor General in conjunction with the Arizona Department of Education 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.

Deficiency 2: District did not record some purchases and cash receipts in accordance with the USFR Chart of Accounts

Districts are required to adhere to the USFR Chart of Accounts when recording expenditures and revenues to ensure accurate financial reporting and comparability among Arizona school districts, but the District did not consistently do so. We selected and reviewed a sample of 77 out of 5,160 accounts payable transactions and a sample of 30 out of 1,425 revenue transactions from fiscal year 2024 and analyzed the District's fiscal year 2024 expenditures and revenues to determine whether the District accurately recorded transactions in its accounting records, and we identified several discrepancies. Specifically, our review found the District incorrectly classified more than $61,000 in revenues. The misclassifications included approximately $56,500 received from other districts that was incorrectly recorded as miscellaneous revenues. The District also incorrectly classified more than $26,000 in expenditures.

Although District staff reported that they had a process to review the USFR Chart of Accounts prior to coding transactions, they also indicated that the District lacked a process to perform a secondary review to ensure coding is accurate and they were unable to explain the inaccuracies we identified. By adopting a secondary review process, the District could better ensure that its accounting and financial records accurately present the District's revenues and spending to the public and decision makers who rely on it to understand how the District spent its public monies.

Deficiency 3: District spent at least $850 more for lodging than State rates allow and lacked support for some travel expenditures

District policy requires that staff comply with the USFR and follow the Arizona Department of Administration's travel policies as set forth in the *State of Arizona Accounting Manual* (SAAM), but the District did not do so for some of the travel expenditures we reviewed. Specifically, we reviewed 47 of 227 fiscal year travel-related expenditures totaling $32,708 and identified the following issues:

- **District paid $850 more than SAAM allowed for lodging**—Our review found that the District improperly paid more for lodging than SAAM allowed for more than half of the lodging expenses we reviewed. SAAM establishes limits on travel expenses by setting maximums for lodging, meals, and other travel expenses based on location. However, we found that for 9 of 16 fiscal year 2024 hotel expenditures we reviewed, the District paid a total of $850 more than SAAM's maximum allowable lodging rates. For example, in July 2023, the District sent a teacher to attend a training in Aurora, Colorado. The teacher who was traveling did not stay at the conference hotel, which had a published rate of $199. For this trip, SAAM's maximum allowable nightly lodging rate would have been the same as the conference hotel rate, but the District paid $284, or $85 more per night than allowed for the 3-night stay, resulting in total waste of $255.

  According to District staff, some lodging expenditures exceeded State maximum lodging rates because the District was unable to find hotels at rates within allowable SAAM rates. However, by paying more than SAAM allowed for lodging, the District potentially wasted public monies that could have been used for other District priorities.

- **District lacked supporting documentation for some travel expenditures**—The USFR requires districts to ensure expenditures are for valid district purposes, but the District was unable to provide documentation to support the validity and accuracy of some travel expenditures. Specifically, for 5 of the 47 travel expenditures we reviewed, the District lacked supporting documentation, such as receipts for travel expenses or odometer readings for mileage reimbursement requests, to ensure that expenditures and reimbursements were accurate and appropriate. For example, the District reimbursed an employee a total of $1,056.50 for 1,370 miles of travel without obtaining odometer readings or a route and mileage summary to verify the number of miles being reimbursed was accurate.

  District staff were unable to explain why the District lacked documentation to support the expenditures.

Deficiency 4: District failed to follow its policy and USFR requirements to separate financial responsibilities

We reviewed the District's policies and procedures and observed the District's processes and found that, contrary to District policy and USFR requirements, the District did not separate financial responsibilities among employees to reduce the risks of theft or fraud. Specifically:

- **District staff had the ability to write checks, set up vendors, and process payments without independent review—**District policy and the USFR require districts to separate conflicting responsibilities and establish other safeguards to prevent a single employee from being able to conceal the theft of cash or to complete a transaction, such as a purchase, without independent review or oversight. However, the District had not implemented these safeguards. For example:
    - The District lacked safeguards to prevent 2 of its 3 authorized check signers from being able to independently prepare and cash District checks. District checks require 2 signatures, and the District's authorized signers included the superintendent, finance specialist, and accounts payable supervisor. The District stored its blank checks, along with the superintendent's signature stamp, in a business office safe that is accessible to both the finance specialist and accounts payable supervisor. As a result, either of these 2 authorized check signers had the ability to prepare a check using the superintendent's signature stamp for the required second signature, increasing the risk of fraud or misuse of public monies.
    - The District also improperly granted its finance specialist full access to both its accounts payable and vendor management functions. Although we did not identify any questionable vendors or transactions during our review, the District provided the finance specialist the ability to create fictitious vendors and initiate and process fraudulent payments without detection. Additionally, as further discussed in Finding 6, pages 18 through 23, the District allowed other users to have more accounting system access than necessary to complete their job duties, further increasing the District's risk of fraudulent transactions and/or data loss.

District staff reported that although the finance specialist and accounts payable supervisor had access to check stock and the superintendent's signature stamp, they would not use the stamp without the superintendent's approval. However, as previously discussed, the District had not established any controls to prevent the signature stamp from being used improperly. Additionally, the District indicated that it did not have enough staff to adequately separate financial and accounting duties. However, at the time of our review the District had 6 business office staff, which should have been sufficient to provide adequate separation of duties. Moreover, the District had not implemented additional compensating controls, such as regular supervisory reviews of transactions, system logs, and activity reports, that are required by the USFR to reduce the risks of errors and fraud when proper separation of duties is not feasible.

- **Superintendent's expenditures lacked appropriate oversight**—Contrary to the USFR, the District did not have a process to ensure that the Board preapproved the superintendent's planned expenditures, and did not separately identify the superintendent's transactions for the Board's final review and approval. For instance, when District staff prepared consent agendas summarizing credit card expenditures for Board approval, they did not separately identify the charges made by the superintendent, such as travel expenses, to ensure the Board had the information necessary to exercise proper oversight of the superintendent's purchasing activities.

  According to the District, its process was to have a subordinate of the superintendent review and approve the superintendent's expenditures in advance of the purchase and prior to payment. However, the superintendent's authority over subordinate employees may cause subordinates to feel pressured to approve the superintendent's purchasing activities even when they have questions about the purchase's purpose. By not establishing procedures to ensure that the Board was aware of and approved the superintendent's expenditures and travel, the District increased the risk of misuse of District resources or fraud.

Deficiency 5: District lacked documentation supporting the receipt of some purchased items and required Board approval for an accrued leave payout to the superintendent

The District did not follow its purchasing procedures to ensure all goods were received prior to paying for them and did not ensure that a payout for accrued leave was made in accordance with the superintendent's employment contract. Specifically:

- **District did not follow its written procedures to document the receipt of some purchased goods**—Our review of 30 accounts payable transactions, excluding travel-related transactions, found 1 transaction where the District purchased auto parts for $2,351, but only documented receiving approximately half of the items it purchased. Although the District's procedures required documentation that goods were received before payment, the District could not explain why all items were not marked as received nor why it paid the associated invoices despite missing documentation of the items' receipt.

- **District paid the superintendent for 270 hours of accrued personal leave totaling nearly $16,000, but could not support that the transaction was properly approved**—We analyzed the District's fiscal year 2024 payroll and found that the District paid its superintendent a lump-sum payment of $15,872 for 270 hours of accrued personal leave in March 2024. Although the District reported that the District's Board president approved the payment when it occurred, as required by the superintendent's employment contract, the District was unable to provide documentation showing the approval. After we brought this to the District's attention in January 2026—nearly 2 years after the transaction occurred—the District's Board president retroactively approved the payment.

By not ensuring that all transactions were properly supported and approved, the District increased the risk of paying for unauthorized transactions, potentially resulting in the waste or misuse of District funds.

Recommendations to the District:

4. Make payments timely to avoid unnecessary fees and penalties.
5. Train staff responsible for classifying revenues and expenditures on the USFR Chart of Accounts.
6. Develop and implement a secondary review process to ensure revenues and expenditures are properly coded in accordance with the USFR Chart of Accounts.
7. Follow its policy to comply with SAAM requirements, including adhering to maximum lodging rates.
8. Obtain, review, and retain supporting documentation, such as odometer readings, invoices, and/or receipts for all travel expenditures and reimbursement requests, to ensure travel expenditures are accurate, appropriate, and serve a District purpose.
9. Restrict access to the superintendent's signature stamp to prevent check preparers and other check signers from having access to it.
10. Separate responsibilities for vendor management and accounts payable functions or implement an independent, periodic review of the vendor master file to verify vendors are properly approved, supported by appropriate documentation, and free of duplicate, inactive, or unusual activity.
11. Ensure that all goods and services are verified and documented as received before related invoices are paid.
12. Develop and implement written procedures to ensure all payments to, and purchases by, the superintendent are approved in advance and separately identified for Board approval and that any such approvals are documented.

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

FINDING 3

District's conflict-of-interest procedures were not aligned with recommended practices, increasing the risk that undisclosed substantial interests could influence employees' and Board members' official conduct

Statute and recommended practices provide guidance for addressing potential conflicts of interest for school district board members and employees

Statute prohibits school district governing board members from having any direct or indirect financial interest in contracts, purchases, or sales involving the school district.[7] Additionally, State conflict-of-interest laws and District policy require employees and public officers, including school governing board members, to avoid conflicts of interest that might influence or affect their official conduct.[8]

If an employee, board member, or one of their close relatives has a substantial interest, statute and District policy require the employee or board member to fully disclose the interest and refrain from voting upon or otherwise participating in any manner in related decisions.[9] The interest must be disclosed in the District's official records, either through a signed document or the Board's official meeting minutes. These records, and any others necessary to memorialize all disclosures of substantial interest, must be maintained and available for public inspection as required by statute, also known as a "special file".[10] Further, conflict-of-interest recommended practices indicate that, if applicable, employees and board members should attest that they do not have any of these potential conflicts, also known as an "affirmative no" on their disclosure form. Recommended practices also indicate providing periodic training to Board members and employees about State and District conflict-of-interest requirements and the importance of disclosing potential conflicts could also help ensure compliance.

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[7] A.R.S. §15-323.

[8] A.R.S. §38-502(8) defines "public officer" as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State constitution, or statute. According to the *Arizona Agency Handbook*, public officers include directors of State agencies and members of State boards, commissions, and committees—whether paid or unpaid.

[9] A.R.S. §§38-502(11) and 38-503.

[10] A.R.S. §§38-509 and 38-502.

District has begun requiring all Board members and employees to complete conflict-of-interest disclosures annually, but additional steps are needed to ensure all potential conflicts are reported and addressed

Prior to fiscal year 2025, the District did not require employees or Board members to complete conflict-of-interest disclosure forms unless they had a potential conflict to report and, according to District staff, the District did not collect any disclosure forms in fiscal year 2024 and did not maintain a special file for such forms. Beginning in fiscal year 2025, the District initiated an informal process to require all Board members and employees to complete a conflict-of-interest disclosure form regardless of whether they had a substantial interest to disclose. Additionally, to promote awareness of when conflict-of-interest disclosure is required, the District reported that it provided training to Board members and District employees in fiscal year 2024.

Although the District has aligned some of its conflict-of-interest processes with recommended practices, we identified 3 areas where it could improve. Specifically, although in fiscal year 2025 the District required all Board members and employees to complete a disclosure form, our review of its disclosure form found that it did not require individuals to attest that they had no potential conflicts, commonly referred to as an "affirmative no." Therefore, some Board members and employees signed blank forms that did not clearly indicate whether a potential conflict existed. Additionally, our review of the District's process found that it did not include procedures to determine whether it obtained forms from all Board members and employees. For example, the District did not compare the conflict-of-interest disclosure forms obtained to a current list of District employees and Board members to verify all employees and Board members submitted a form. Lastly, the District's policy did not require periodic conflicts-of-interest training, such as upon hire or appointment and annually thereafter, and the District was unable to verify that all Board members and employees completed the training it provided in fiscal year 2024.

By further aligning its conflict-of-interest practices with recommended practices, the District could improve public transparency and reduce the risk that Board members and employees do not disclose substantial interests that could influence or affect their official conduct.

Recommendations to the District:

13. Update its conflict-of-interest disclosure form to require an affirmative no for instances where Board members or employees do not have a conflict to disclose.
14. Update its policy and procedures to require and document periodic conflict-of-interest training, including a process to ensure that all Board members and employees complete the training.
15. Develop and implement written procedures to verify all Board members and employees submit annual conflict-of-interest disclosure forms and to maintain any conflicts disclosed in a special file to memorialize all disclosures of substantial interest, as necessary.

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

District's lack of school bus maintenance and fleet vehicle records increased the risk of student safety issues and the potential for District resources to be misused

Our review identified 2 issues in the District's transportation program related to inadequate recordkeeping and a lack of oversight, as further discussed below.

Issue 1: District did not specify time and mileage intervals for school bus preventative maintenance services, which may lead to unnecessary repair costs and increased student safety risks

The District lacked preventative maintenance service schedules that include both time and mileage intervals to help ensure its school buses were properly maintained. The District reported that its mechanics performed routine school bus maintenance in accordance with manufacturer recommendations. However, the District was unable to provide the manufacturer-recommended maintenance schedules for each school bus. As such, we were unable to determine whether the preventative maintenance work its mechanics performed and documented was timely and complete. Although our review of fiscal year 2024 transportation expenditures did not identify any that could have been prevented by routine maintenance, by not establishing policies and procedures that include time and mileage intervals for routine school bus maintenance, the District may have increased the risks to student safety and reduced the useful lives of its school buses.

Issue 2: Contrary to the USFR, District did not monitor fleet vehicle usage for some District vehicles to ensure the District's fleet was used only for authorized purposes

The District requires drivers to document the date, beginning and ending mileage, and District purpose when using most, but not all, of its vehicles, increasing the risk that District resources could be misused. We reviewed vehicle trip logs for 5 of 20 District vehicles the District had in fiscal year 2024 and found that the District did not maintain detailed logs for 2 vehicles we reviewed. The District reported that some District vehicles, such as the 2 we identified, are used between or on District campuses, and therefore, the District did not require drivers to document their use. However, without usage records, the District cannot ensure that these vehicles were used by only authorized personnel and for valid District purposes, as required by the USFR. The District could better manage its property and fulfill USFR requirements by requiring employees to log trips in any fleet vehicle and by periodically reviewing vehicle trip logs to ensure the recorded mileage is reasonable and related to District purposes.

Recommendations to the District:

16. Develop and implement school bus maintenance policies and procedures to maintain school buses that include mileage and time intervals for routine maintenance such as fluid and filter changes, tire rotation, alignments and other routine maintenance items, and implement a process to verify all routine maintenance is performed, such as comparing maintenance schedules to maintenance records.
17. Update its procedures to require users of all District vehicles to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.
18. Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure compliance with its procedures and that vehicle use is reasonable and for District-authorized purposes.

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

FINDING 5

Food safety issues potentially put students' health and safety at risk

In addition to providing education services, school districts are responsible for implementing safeguards to protect students under their supervision from safety risks, but we identified some safety concerns associated with the District's food service program. Local health authorities require foods to be marked with a discard date at the time of opening, and any food requiring time or temperature control for safety (TCS foods) must be date marked and used or discarded within seven days.[11,12] However our September 2025 observation of the District's food service operations found that the District did not comply with these requirements and had expired and/or undated foods in its refrigerators and dry storage areas. For example, we found refrigerated TCS foods, including sliced peppers and prepared bacon, that were not marked with discard dates. Additionally, the District had not disposed of all expired foods, including tartar sauce with an expiration date 34 days prior to our observation.

By failing to ensure food was properly dated and discarded when expired, the District increased the risk that students could have been served foods that were expired and/or contained harmful bacteria that could cause foodborne illnesses. District staff were unable to explain why the tartar sauce had not been discarded nor why other foods were not date marked as required.

Recommendation to the District:

19. Develop and implement procedures to ensure all foods are properly date marked and discarded at their expiration date.

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

[11] The District is located in Apache County, which defers to the Arizona Department of Health Services. That agency established the Arizona Administrative Code R9-8-101, which requires compliance with the United States Food and Drug Administration publication, *Food Code: 2017 Recommendations of the United States Public Health Service, Food and Drug Administration*.

[12] According to the Food and Drug Administration's *Food Code: 2017 Recommendations of the United States Public Health Services, Food and Drug Administration*, TCS foods include meat or dairy that is raw or cooked; plants that are cooked or consists of raw seed sprouts, cut melons, cut leafy greens, cut tomatoes or mixtures of cut tomatoes that are not modified in a way so that they are unable to support pathogenic microorganism growth or toxin formation, or garlic-in-oil mixtures that are not modified in a way so that they are unable to support pathogenic microorganism growth or toxin formation.

Numerous IT deficiencies, including excessive access to computerized data and limited security controls, increased cybersecurity risks to District IT systems

District has not complied with some important IT security requirements and credible industry standards

The USFR and credible industry standards, such as those developed by the *National Institute of Standards and Technology* (NIST), set forth important IT security practices that help districts safeguard sensitive information and prevent errors, fraud, and data loss. However, our review of the District's IT security practices identified several deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards. These deficiencies increased the District's risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

Deficiency 1: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access, errors, fraud, and data loss

Our September 2025 review of user accounts on the District's network, accounting information system (AIS), and student information system (SIS) found that the District did not regularly review and limit users' access to critical IT systems in accordance with USFR requirements and credible industry standards (see Table 2, page 20). The USFR requires that when user accounts are no longer needed, such as when an employee terminates district employment, access to information systems should be immediately disabled. The USFR further requires districts to limit users' access to information and restrict system access to only what is necessary for users to carry out their assigned job duties. Additionally, credible industry standards recommend that districts develop policies and procedures to regularly review and limit user access.

The issues we identified with the District's user accounts and system access include:

- **Contrary to the USFR, the District allowed some AIS users more access than necessary to perform their job duties**—We reviewed 18 of the District's 37 AIS user accounts and found 6 users had more system access than was necessary to perform their job duties, contrary to the USFR. Further, 3 of these 6 users had administrator-level access, which provided them with the ability to modify system settings and permissions, view, and modify employee information and pay rates—including their own—and initiate and complete payroll and purchasing transactions without independent review or approval.

By providing employees with more access to the AIS than is necessary to perform their job duties and failing to properly separate financial responsibilities, as discussed in Finding 2, pages 8 through 12, the District increased its risks of fraud or errors.

District officials reported that staffing limitations resulted in some employees needing access to multiple AIS functions to support the District's operations, but we found that the District likely has sufficient staffing to separate duties in accordance with USFR requirements. Further, the District had not implemented additional compensating controls, such as regular supervisory reviews of transactions, system logs, and activity reports, required by the USFR when proper separation of duties was not feasible.

- **District did not restrict administrator-level access to the SIS after it was no longer necessary**—We reviewed 11 of the District's 47 SIS user accounts and found that 2 users retained administrator-level access after it was no longer necessary. One user had previously been responsible for overseeing the SIS but, as of May 2025, no longer performed those duties. The other user was a consultant assisting the District with the SIS but, as of June 2025, no longer required system access because they provided support remotely.

- **District did not disable unnecessary IT system user accounts**—We reviewed user accounts for multiple District IT systems and found that the District did not consistently disable user access when it was no longer needed. Specifically, we reviewed 298 network user accounts and identified 8 accounts, including 3 accounts with administrator-level access, that should have been disabled. These unnecessary accounts included shared accounts that were no longer needed, accounts whose users could not be identified by the District, and accounts associated with former contractors or terminated employees. Additionally, a total of 4 user accounts from among the AIS and SIS user accounts we separately reviewed were also unnecessary and should have been disabled. After we brought these accounts to the District's attention, the District reported that it disabled them. However, the District's failure to routinely identify and promptly remove unnecessary user access increased the risk of unauthorized access to sensitive information and data loss.

Although we did not identify any improper activities or transactions due to these deficiencies, the District could not confirm when each of the unnecessary accounts we identified should have been disabled, limiting our ability to determine whether any District systems had been improperly accessed. Additionally, the District lacked formal policies and procedures to assign and periodically review user access to the District's network, accounting, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. It also lacked effective procedures to ensure unnecessary IT system user accounts were promptly identified and removed.

Table 2: District did not consistently limit user access to its information systems

Requirement	Network	Student Information System	Accounting Information System	Summary
Limit the number of users with administrator-level access	X	X	X	We found that 3 network accounts, 3 AIS accounts, and 2 SIS accounts that had unnecessary administrator-level access.
Restrict user access to only include access necessary to perform assigned duties	X	X	X	We found that 8 network accounts, 6 AIS accounts, and 2 SIS accounts had more access than was necessary to perform their assigned duties.
Timely remove terminated vendor and employees' access	X	X	X	We found that 8 network accounts, 3 AIS accounts, and 1 SIS accounts were associated with former vendors, terminated employees, or users that the District could not identify.

Source: Walker & Armstrong staff analysis of District information system users' access levels, employment status, and assigned duties for fiscal year 2024, as of September 2025.

Deficiency 2: District failed to safeguard electronic documents, allowing them to be shared with external parties, and did not monitor its IT systems to identify and investigate unusual system activity

The District did not monitor access to documents stored on its cloud-based storage service (cloud storage) and did not have a documented process to track, approve, and monitor changes to its critical IT systems in accordance with USFR requirements and credible industry standards. The USFR requires, and credible industry standards recommend, that school districts implement policies and procedures to track and monitor system activity to enable them to identify and investigate any unusual or unexpected activities, and document, approve, and review changes to critical IT systems. Regular monitoring allows districts to assess whether their security measures are effectively safeguarding sensitive information. However, our review found that the District did not follow these guidelines. Specifically,

- In March 2026, we reviewed cloud storage user activity for the previous 6 months, which is the length of time the system retains activity logs, and found that District staff had shared 948 documents with external parties. Based on the document titles, we were unable to determine whether the documents contained sensitive information; however, our review of the external user email addresses involved found that District staff may have shared documents with architects, teachers at other schools, and personal user accounts. The District had the ability to implement controls to limit system users' ability to share, copy, or download cloud-storage documents to protect sensitive data; however, District officials reported that they had not done so. Additionally, they reported that the District did not have a process to monitor user activity and they were unaware that data had been shared externally. As a result, District staff had the ability to share potentially sensitive data without the District's knowledge or oversight.

- Although our review of system change logs for the District's AIS, SIS, cloud-based storage and network in September 2025 did not identify any major system changes or unusual activity other than the external document sharing, the District did not have a documented configuration management process. For example, it did not have a process to track, approve, and monitor system configurations and changes to ensure settings were maintained and changes were properly managed. As a result, unauthorized or inappropriate changes to sensitive data and settings could have occurred without the District detecting them, increasing the risk of system disruptions and delayed recovery in the event of a system interruption.

By implementing procedures to restrict and monitor external sharing of sensitive documents, review user activity, and track and approve changes to critical IT systems, the District could better protect sensitive information, detect unauthorized activity, ensure system changes are appropriate, and reduce recovery time in the event of a system interruption.

Deficiency 3: District lacked some essential IT safeguards, which increased the risk of unauthorized access to sensitive information and data loss

Our review of the District's IT system access controls found that the District had not implemented essential safeguards to prevent unauthorized access to its wireless networks and sensitive District data. The USFR requires, and credible industry standards recommend, that districts develop and implement effective security procedures and settings, software security applications, and comprehensive user authentication controls, including password requirements that meet credible industry standards. However, we found the District's practices for securing its IT systems were inconsistent with USFR requirements and credible industry standards. After we brought these concerns to the District's attention, officials indicated that they had been unaware of the District's IT security risks and would take steps to address the security deficiencies.

Deficiency 4: District did not ensure all staff completed required annual security awareness training, increasing employees' vulnerability to cyberattacks

The USFR requires IT system users to receive basic annual security awareness training that addresses the prevention and detection of technology-related threats, but the District did not ensure all employees completed the training it offered in fiscal year 2024. Cybersecurity awareness training helps equip employees to recognize, avoid, and safely address common cyber risks, such as phishing, malware, and social engineering attacks and is a critical component in safeguarding the District's sensitive data and systems.

Although the District had an informal requirement for staff to complete security awareness training, we found that it did not have a process to verify all District staff received the training. For example, the District did not maintain an attendance log of the individuals who attended the training to compare against a list of current employees.

Deficiency 5: District lacked a complete IT contingency plan, increasing the risk of extended disruptions to operations

Our September 2025 review of the District's IT contingency plan found that the plan lacked some components required by the USFR and recommended by credible industry standards to ensure continued operations, and the District had not tested its plan as required. Specifically, the District's plan did not designate the individuals responsible for leading recovery efforts and lacked an inventory of the District's critical IT systems. These elements are important for ensuring recovery efforts are promptly initiated, managed, and directed, and address all critical IT systems. Without a complete contingency plan that is routinely tested, the District increased the risk that it may not be able to effectively respond to and timely resolve system disruptions.

Recommendations to the District:

20. Develop and implement written policies and procedures to assign and periodically review user access, including accounts with administrator-level access, to the District's network, accounting, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.
21. Immediately disable or remove all unnecessary network, AIS, and SIS user accounts and develop and implement procedures to ensure user access to the District's network and other IT systems is terminated when access is no longer required.
22. Develop and implement policies and procedures to limit users' abilities to share, copy, or download sensitive or confidential information outside of the District's network, and to track and monitor cloud-based storage activity, and investigate any unusual activities that are identified.
23. Develop and implement policies and procedures to maintain configurations for all major IT assets and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.
24. Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.
25. Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.
26. Develop and implement a process to ensure all District employees complete annual security awareness training, including verifying all District employees complete the training.

27. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

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

SUMMARY OF RECOMMENDATIONS

Walker & Armstrong makes 27 recommendations to the District

Recommendations to the District:

Finding 1 3

1. Evaluate its rental fees for the Dome and determine whether adjustments are needed to ensure third party rental fees are sufficient to cover the Dome's operating cost for the rental period; and, develop and implement a process to document relevant considerations and rationale supporting decisions to charge reduced rates for certain events, such as nonprofit-hosted events that support the District's educational function.
2. Develop and implement a process to routinely review facility fees using information such as maintenance, utility, salaries, and other operating costs, to determine the appropriateness of its fees and make any identified fee adjustments.
3. Update its existing capital plan to include cost estimates and funding strategies, and use its plan and any facility inspection results to prioritize capital spending.

Finding 2 8

4. Make payments timely to avoid unnecessary fees and penalties.
5. Train staff responsible for classifying revenues and expenditures on the USFR Chart of Accounts.
6. Develop and implement a secondary review process to ensure revenues and expenditures are properly coded in accordance with the USFR Chart of Accounts.
7. Follow its policy to comply with SAAM requirements, including adhering to maximum lodging rates.
8. Obtain, review, and retain supporting documentation, such as odometer readings, invoices, and/or receipts for all travel expenditures and reimbursement requests, to ensure travel expenditures are accurate, appropriate, and serve a District purpose.
9. Restrict access to the superintendent's signature stamp to prevent check preparers and other check signers from having access to it.
10. Separate responsibilities for vendor management and accounts payable functions or implement an independent, periodic review of the vendor master file to verify vendors are properly approved, supported by appropriate documentation, and free of duplicate, inactive, or unusual activity.
11. Ensure that all goods and services verified and documented as received before related invoices are paid.

12. Develop and implement written procedures to ensure all payments to, and purchases by, the superintendent are approved in advance and separately identified for Board approval and that any such approvals are documented.

Finding 3 — 13

13. Update its conflict-of-interest disclosure form to require an affirmative no for instances where Board members or employees do not have a conflict to disclose.

14. Update its policy and procedures to require and document periodic conflict-of-interest training, including a process to ensure that all Board members and employees complete the training.

15. Develop and implement written procedures to verify all Board members and employees submit annual conflict-of-interest disclosure forms and to maintain any conflicts disclosed in a special file to memorialize all disclosures of substantial interest, as necessary.

Finding 4 — 15

16. Develop and implement school bus maintenance policies and procedures to maintain school buses that include mileage and time intervals for routine maintenance such as fluid and filter changes, tire rotation, alignments and other routine maintenance items, and implement a process to verify all routine maintenance is performed, such as comparing maintenance schedules to maintenance records.

17. Update its procedures to require users of all District vehicles to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.

18. Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure compliance with its procedures and that vehicle use is reasonable and for District-authorized purposes.

Finding 5 — 17

19. Develop and implement procedures to ensure all foods are properly date marked and discarded at their expiration date.

Finding 6 — 18

20. Develop and implement written policies and procedures to assign and periodically review user access, including accounts with administrator-level access, to the District’s network, accounting, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.

21. Immediately disable or remove all unnecessary network, AIS, and SIS user accounts and develop and implement procedures to ensure user access to the District’s network and other IT systems is terminated when access is no longer required.

22. Develop and implement policies and procedures to limit users' abilities to share, copy, or download sensitive or confidential information outside of the District's network, and to track and monitor cloud-based storage activity, and investigate any unusual activities that are identified.
23. Develop and implement policies and procedures to maintain configurations for all major IT assets and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.
24. Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.
25. Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.
26. Develop and implement a process to ensure all District employees complete annual security awareness training, including verifying all District employees complete the training.
27. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

APPENDIX

Objectives, scope, and methodology

We have conducted a performance audit of Round Valley Unified School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2024, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Arizona Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions.

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 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, 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.

Financial accounting data and internal controls—We evaluated the District's internal controls related to processing expenditures and reviewed fiscal year 2024 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. We reviewed detailed payroll and personnel records for 30 of 334 individuals who received payments through the District's payroll system in fiscal year 2024, and supporting documentation for 77 of 5,160 fiscal year 2024 accounts payable transactions, including travel and credit cards, for fiscal years 2024.

In addition, we reviewed fiscal year 2024 spending compared to the previous year and trends for the different operational categories to assess reasonableness and identify significant changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's network and information systems; and reviewing controls over reporting various information used for this audit. We reported our results on applicable internal control procedures in Findings 1 through 6 (see pages 3 through 23).

Peer groups—The Arizona Auditor General developed 3 types of peer groups for comparative purposes. To compare the District's student achievement, the Arizona Auditor General developed a peer group using poverty rates, district type, and location because these factors are associated with student achievement. We used this peer group to compare the District's fiscal year 2024 student passage rates on State assessments as reported by ADE. We also reported the District's fiscal year 2024 ADE-assigned school letter grade. To compare the District's operational efficiency in administration, plant operations and maintenance, food service, and transportation, we used the Arizona Auditor General's peer groupings that are based on district size, type, and location. They used these factors because they are associated with districts' cost measures in these areas.

Table 3: Criteria for selecting peer school districts for comparative purposes—Fiscal year 2024

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	26% or greater, but less than 35% Unified school districts Towns and rural areas	17
Administration, plant operations and maintenance, and food service	District size District type Location	Medium-small Unified school districts Towns and rural areas	19
Transportation	Location	Towns and rural areas	19

Source: Walker & Armstrong staff review of the Arizona Auditor General's *Arizona School District Spending Analysis–Fiscal year 2024*.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered information from various sources that impact spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees about their duties in the operational areas we reviewed. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the operational areas we reviewed. This included facility tours, food services operations, IT operations, and transportation services.

- **Report reviews—**We reviewed various summary reports of District-reported data including its *Annual Financial Report*, Single Audit reports, and USFR compliance questionnaire results that its external financial audit firm completed for fiscal years 2023 and 2024. We also reviewed District-provided accounting system user account reports for fiscal year 2024, and student system and network user account reports for fiscal year 2026. We reviewed accounting information system, student information system, and network user change log reports for fiscal year 2026. Similarly, we reviewed cloud storage user activity logs from September 15, 2025 through March 10, 2026. Additionally, we reviewed Department of Public Safety school bus inspection reports for the school buses inspected in calendar years 2023 and 2024 and the Arizona School Facilities Board's Annual Report for fiscal years 2021 and an annual report issued by the Arizona Department of Administration (ADOA) for fiscal year 2022 through 2024.[13]
- **Documentation reviews—**We reviewed various documentation provided by the District related to its fiscal year 2024 operations and spending including: District policies and standard operating procedures; cash receipts documentation and bank statements; cash disbursement documentation; credit card statements, and supporting documentation for purchases; employment contracts and payroll records; Governing Board meeting minutes; Governing Board member and District employee conflict-of-interest disclosure forms; the District's annual staff cybersecurity awareness training agenda; the District's IT contingency plan; school bus driver files for 13 school bus drivers who transported District students in fiscal year 2024; school bus trip inspection checklists for all 13 District school buses for 3 judgmentally selected weeks of fiscal year 2024; and fiscal year 2024 school bus maintenance logs for all 13 school buses. We also reviewed the District's capital plan and other documentation that we considered significant to the audit objectives.
- **Analysis—**We reviewed and evaluated the District's fiscal year 2024 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also compared the District's square footage per student, use of building space, and meals served per student to peer districts.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District's Governing Board members, superintendent, and staff for their cooperation and assistance throughout the audit, as well as the Arizona Auditor General's Office for their support.

[13] In fiscal year 2022, the responsibilities of the School Facilities Board were transitioned to the School Facilities Oversight Board (SFOB), which is a branch of the School Facilities Division (SFD) under the ADOA. Therefore, the fiscal years 2022 through 2024, Annual Reports were issued by the ADOA on behalf of the SFOB and the SFD.

DISTRICT RESPONSE

Round Valley Unified School District No. 10
940-B East Maricopa Street
P.O. Box 610
Springerville, Arizona 85938-0610

Every Learner Knows Success

August 6, 2026

Lisa Parke
Walker & Armstrong
1850 N. Central AVE., Ste 400
Phoenix, AZ 85004

Ms. Parke,

Round Valley Unified School District No. 10 has received and thoroughly reviewed the FY 2024 Performance Audit Report prepared by Walker & Armstrong. The District acknowledges the findings and recommendations presented in the report and is committed to addressing each item.

Since receiving the report, the District has already completed implementation of several recommendations, resolved others, and continues to make progress toward fully implementing the remaining corrective actions. We are dedicated to ensuring these improvements strengthen our operations and enhance our internal controls.

Round Valley Unified School District remains committed to providing a safe, secure, and high-quality educational environment for our students while fostering an efficient, accountable, and supportive workplace for our employees. We recognize the importance of responsible stewardship of public funds and will continue to implement the audit recommendations in a timely, thoughtful, and effective manner.

On behalf of the District, I would like to express our appreciation for the professionalism, diligence, and guidance provided by Walker & Armstrong throughout the audit process. We value the constructive feedback and the opportunity to further strengthen our policies, procedures, and overall operations.

Sincerely,

Slade Morgan
Superintendent
Round Valley Unified School District No. 10

Finding 1: District’s domed athletic facility adds to its plant operations costs and may pose a financial burden, and District has not used its capital planning tools to prioritize and estimate project costs.

District Response: The finding is agreed to.

Response explanation: While we agree with this finding, we believe it is important to recognize that the Dome is much more than a revenue-generating facility. It is an iconic part of our community that is used by students, families, and community organizations throughout the year. We will continue to explore opportunities to increase revenue, improve operational efficiencies, and make meaningful strides toward reducing the facility's financial impact while preserving this important community asset.

Recommendation 1: Evaluate its rental fees for the Dome and determine whether adjustments are needed to ensure third party rental fees are sufficient to cover the Dome’s operating cost for the rental period; and, develop and implement a process to document relevant considerations and rationale supporting decisions to charge reduced rates for certain events, such as nonprofit-hosted events that support the District’s educational function.

District Response: The audit recommendation will be implemented.

Response explanation: A review of the Dome's rental fee structure was completed in 2025 and 2026, and the District will continue to evaluate and adjust rental fees on a regular basis to ensure they remain appropriate and competitive while balancing community accessibility.

Recommendation 2: Develop and implement a process to routinely review facility fees using information such as maintenance, utility, salaries, and other operating costs, to determine the appropriateness of its fees and make any identified fee adjustments.

District Response: The audit recommendation will be implemented.

Response explanation: A review of the Dome's rental fee structure was completed in 2025 and 2026, and the District will continue to evaluate and adjust rental fees on a regular basis to ensure they remain appropriate and competitive while balancing community accessibility.

Recommendation 3: Update its existing capital plan to include cost estimates and funding strategies, and use its plan and any facility inspection results to prioritize capital spending.

District Response: The audit recommendation will be implemented.

Response explanation: The District will update its Capital Plan to include the required components and maintain supporting documentation as evidence of compliance.

Finding 2: District wasted monies, misclassified transactions, and failed to comply with other requirements, increasing the risk that District monies could be misused.

District Response: The finding is agreed to.

Response explanation: The District is committed to complying with the Uniform System of Financial Records (USFR) and continuously works to strengthen its procedures, promptly addressing any inadvertent errors when they occur.

Recommendation 4: Make payments timely to avoid unnecessary fees and penalties.

District Response: The audit recommendation will be implemented.

Response explanation: The timely receipt of supporting documentation has improved significantly during FY2025 and FY2026, resulting in more timely payment processing. The District will continue to strengthen its processes to further improve efficiency and ensure timely payments.

Recommendation 5: Train staff responsible for classifying revenues and expenditures on the USFR Chart of Accounts.

District Response: The audit recommendation will be implemented.

Response explanation: Training on the USFR will be conducted during monthly meetings with required staff members to reinforce compliance and promote consistent financial practices.

Recommendation 6: Develop and implement a secondary review process to ensure revenues and expenditures are properly coded in accordance with the USFR Chart of Accounts.

District Response: The audit recommendation will be implemented.

Response explanation: Before final approval, the Business Manager will review transactions with another designated individual to verify that coding is accurate and complies with applicable requirements.

Recommendation 7: Follow its policy to comply with SAAM requirements, including adhering to maximum lodging rates.

District Response: The audit recommendation will be implemented.

Response explanation: The District will continue to strive to adhere to the SAAM requirements. The District will continue to make every effort to comply with SAAM requirements while planning travel as far in advance as practicable.

Recommendation 8: Obtain, review, and retain supporting documentation, such as odometer readings, invoices, and/or receipts for all travel expenditures and reimbursement requests, to ensure travel expenditures are accurate, appropriate, and serve a District purpose.

District Response: The audit recommendation will be implemented.

Response explanation: Reimbursement requests will undergo a more thorough review and be verified by two individuals before processing to help ensure accuracy and compliance.

Recommendation 9: Restrict access to the superintendent's signature stamp to prevent check preparers and other check signers from having access to it.

District Response: The audit recommendation will be implemented.

Response explanation: Beginning in 2026, access to the District's checks and signature stamps has been assigned to the Human Resources Director, who has no financial processing responsibilities, to strengthen internal controls and improve segregation of duties.

Recommendation 10: Separate responsibilities for vendor management and accounts payable functions or implement an independent, periodic review of the vendor master file to verify vendors are properly approved, supported by appropriate documentation, and free of duplicate, inactive, or unusual activity.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement an independent, periodic review of the vendor master file to verify that vendors are properly approved, supported by appropriate documentation, and free of duplicate, inactive, or unusual entries.

Recommendation 11: Ensure that all goods and services are verified and documented as received before related invoices are paid.

District Response: The audit recommendation will be implemented.

Response explanation: The District currently follows established procedures for the procurement of goods and services. We will review and update our written procedures as needed to ensure they remain current and effective, and we will continue to strengthen our processes to minimize errors and maintain compliance.

Recommendation 12: Develop and implement written procedures to ensure all payments to, and purchases by, the superintendent are approved in advance and separately identified for Board approval and that any such approvals are documented.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement written procedures for purchases made by the Superintendent to ensure consistency, transparency, and compliance with District policies and applicable regulations.

Finding 3: District's conflict-of-interest procedures were not aligned with recommended practices, increasing the risk that undisclosed substantial interests could influence employees' and Board members' official conduct.

District Response: The finding is agreed to.

Response explanation: The District followed its conflict-of-interest procedures and requirements. We will review and refine our processes to further strengthen consistency, documentation, and overall compliance with recommended practices.

Recommendation 13: Update its conflict-of-interest disclosure form to require an affirmative no for instances where Board members or employees do not have a conflict to disclose.

District Response: The audit recommendation will be implemented.

Response explanation: Adjustments to the conflict-of-interest form were completed in July 2026 to improve clarity, consistency, and compliance with District procedures.

Recommendation 14: Update its policy and procedures to require and document periodic conflict-of-interest training, including a process to ensure that all Board members and employees complete the training.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented documentation to verify that employees have completed the required training videos and will annually confirm participation to ensure ongoing compliance with training requirements.

Recommendation 15: Develop and implement written procedures to verify all Board members and employees submit annual conflict-of-interest disclosure forms and to maintain any conflicts disclosed in a special file to memorialize all disclosures of substantial interest, as necessary.

District Response: The audit recommendation will be implemented.

Response explanation: The District has established a dedicated file to maintain conflict of interest disclosures for individuals required to submit them, ensuring documentation is organized, accessible, and maintained in accordance with District procedures. The process was done in FY 2025 and FY 2026. We are adjusting them to make them more sufficient.

Finding 4: District's lack of school bus maintenance and fleet vehicle records increased the risk of student safety issues and the potential for District resources to be misused.

District Response: The finding is agreed to.

Response explanation: We will gather maintenance schedule specifics and create a policy entailing following those recommendations regarding time frames and mileage intervals.

Recommendation 16: Develop and implement school bus maintenance policies and procedures to maintain school buses that include mileage and time intervals for routine maintenance such as fluid and filter changes, tire rotation, alignments and other routine maintenance items, and implement a process to verify all routine maintenance is performed, such as comparing maintenance schedules to maintenance records.

District Response: The audit recommendation will be implemented.

Response explanation: First step will be to access and download maintenance schedules from our bus companies, Blue Bird, Thomas and International, we will then lay out our policy of following those scheduled recommendations, and create a tracking record to coincide with the schedules.

Recommendation 17: Update its procedures to require users of all District vehicles to document the use of District vehicles, including the name of the driver; trip purpose, date, and time; and beginning and ending vehicle odometer readings.

District Response: The audit recommendation will be implemented.

Response explanation: We will write up district policy and procedure regarding mileage logs being necessary in all district vehicles. We will order mileage log books, to be assigned and in each district vehicle, used primarily in town. Then we will request the departments that utilize them - have their driver's enter mileage and dates each day they are used,

Recommendation 18: Develop and implement procedures to periodically monitor and review usage logs for all District vehicles to ensure compliance with its procedures and that vehicle use is reasonable and for District-authorized purposes.

District Response: The audit recommendation will be implemented.

Response explanation: We will follow up with periodic review of the log books.

Finding 5: Food safety issues potentially put students' health and safety at risk.

District Response: The finding is agreed to.

Response explanation: All staff will have a refresher on food safety so that we are complying, and the dangers that surround food every day and those that we serve.

Recommendation 19: Develop and implement procedures to ensure all foods are properly date marked and discarded at their expiration date.

District Response: The audit recommendation will be implemented.

Response explanation: Ensuring that this will be completed each day, we will have certain food safety Logs that will be filled out by staff at each school site.

Finding 6: Numerous IT deficiencies, including excessive access to computerized data and limited security controls, increased cybersecurity risks to District IT systems.

District Response: The finding is agreed to.

Recommendation 20: Develop and implement written policies and procedures to assign and periodically review user access, including accounts with administrator-level access, to the District's network, accounting, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, implement compensating controls such as additional supervisory reviews as required by the USFR.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement written policies and procedures to assign and periodically review user access for its network, accounting, and student information systems, ensuring employees have access only to the functions necessary to perform their assigned duties. When separation of duties is not feasible due to limited staffing, the District will implement appropriate compensating controls, including additional supervisory reviews, in accordance with the USFR.

Recommendation 21: Immediately disable or remove all unnecessary network, AIS, and SIS user accounts and develop and implement procedures to ensure user access to the District's network and other IT systems is terminated when access is no longer required.

District Response: The audit recommendation will be implemented.

Response explanation: The District has completed this corrective action. All unnecessary network, accounting information system (AIS), and student information system (SIS) user accounts have been disabled or removed. The District has reviewed the circumstances, corrected the oversight, and implemented procedures to ensure user access is terminated promptly whenever access is no longer required.

Recommendation 22: Develop and implement policies and procedures to limit users' abilities to share, copy, or download sensitive or confidential information outside of the District's network, and to track and monitor cloud-based storage activity, and investigate any unusual activities that are identified.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working to develop and implement policies and procedures.

Recommendation 23: Develop and implement policies and procedures to maintain configurations for all major IT assets and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

District Response: The audit recommendation will be implemented.

Response explanation: The District has completed this corrective action by developing and implementing policies and procedures to maintain standardized configurations for all major IT assets and infrastructure. Procedures have been established to manage and document configuration changes, and the District monitors its systems for unauthorized or unintended configuration changes. These measures help ensure system integrity, enhance security, and provide consistent management of the District's information technology environment.

Recommendation 24: Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal networks.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working to complete this corrective action by evaluating and implementing appropriate security measures to protect sensitive computerized systems and data across its wireless and internal networks. Security controls are being reviewed and enhanced as needed to strengthen network protection, reduce security risks, and help safeguard District information from unauthorized access.

Recommendation 25: Develop and enforce password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working to complete this corrective action.

Recommendation 26: Develop and implement a process to ensure all District employees complete annual security awareness training, including verifying all District employees complete the training.

District Response: The audit recommendation will be implemented.

Response explanation: The District has developed the necessary policies, procedures, and processes to address this finding. Implementation will begin at the start of Fiscal Year 2027, with the District monitoring compliance and making any necessary adjustments to ensure the procedures are consistently followed and maintained.

Recommendation 27: Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District is working to complete this corrective action.