STEDY

Thomas C. Tyree, Superintendent

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

Re: Response to Performance Audit Report – Southwest Technical Education District of Yuma (STEDY)

Dear Auditor General Perry:

On behalf of the Governing Board and Administration of the Southwest Technical Education District of Yuma (STEDY), please accept our response to the performance audit recently completed. We have carefully reviewed the performance audit report and its recommendations.

STEDY's administration and governing board agree to the audit's findings and recommendations. We recognize the important role audits play in promoting accountability, transparency, and our responsibility in appropriately managing the resources our community and state provide to us. The district has and will implement meaningful actions to ensure fiscal management, transparent governance and continued organizational improvement. The Southwest Technical Education District of Yuma maintains its commitment to providing high-quality educational opportunities for our students and the community we serve in a manner that strengthens our internal controls, policies, and administrative practices.

In conclusion, we want to express our appreciation for the professionalism, courtesy, and collaboration demonstrated throughout the performance audit process. We thank you for your efforts in evaluating the District's operations.

Respectfully submitted,

Thomas C. Tyree
Superintendent

Finding 1: District did not ensure monies it provided to its member districts were used to supplement CTE spending, provide data-collection and reporting guidance to member districts, or use outcome data to evaluate satellite programs, potentially impacting satellite program quality

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

Response explanation: The District fully acknowledges the statutory requirement that all monies provided to member districts to be used to supplement and not supplant base year spending on Career and Technical Education (CTE programs, as outlined in A.R.S. 15-393. The District is committed to upholding the integrity of this requirement and working with its member districts to ensure compliance. To strengthen oversight and compliance moving forward, STEDY will review base-year CTE spending data for each member district and compare it annually to current-year spending to indemnify any potential supplanting.

Recommendation 1: Ensure its IGAs with member districts are up to date, including by adding references to the CTED instructions and supplanting worksheet member districts are required to complete and removing the outdated references to USFR Memorandum 219.

District Response: The audit recommendation will be implemented.

Response explanation: The District will work with its legal counsel to review and revise its Intergovernmental Agreements (IGA's) with its member districts to ensure they reflect the current statutory requirements and reporting obligations. Specifically, the updated IGAs will replace references to USFR Memorandum 219 with a requirement that all member districts annually complete and submit the CTED supplanting worksheet. These updates will help ensure consistent compliance and accurate reporting of Career and Technical Education program expenditures across all member districts.

Recommendation 2: Develop and implement procedures to identify and address possible supplanting by requiring member districts to timely submit all required CTED supplanting worksheets and supporting documentation to the District, the Board, and ADE; reviewing the worksheets; and taking appropriate action when potential supplanting is identified.

District Response: The audit recommendation will be implemented.

Response explanation: In accordance with A.R.S. §15-393, all CTED member districts are required to complete and submit the Worksheet for Determining the Appearance of Supplanting with CTED monies to both the CTED's Governing Board and the Arizona Department of Education. STEDY will issue a formal reminder memo to all member districts by October 1st each year. This memo will outline statutory requirements and instruct districts to submit their completed supplanting worksheet and supporting documentation to STEDY for presentation to the Governing Board. STEDY will review each worksheet to assess for any indication of supplanting. If supplanting is identified, STEDY will work with the member district to determine the root cause and develop a corrective action plan. This plan outlines steps to ensure future compliance and proper use of CTED funds. Through the process, STEDY ensures compliance with state law, reinforces financial accountability, and supports member districts in maintaining the integrity of their CTE programs.

Recommendation 3: Develop and implement data-collection protocols for member districts' satellite CTE programs and a monitoring process to ensure member districts consistently collect, validate, and report accurate outcome data, including student certifications earned and post-graduate job placements.

District Response: The audit recommendation will be implemented.

Response explanation: The District agrees with the recommendation and has developed data-collection protocols for member districts' satellite CTE programs. The District will work with member districts to implement these protocols and a monitoring process to promote consistent collection, validation, and reporting of accurate student outcome data, including certifications earned and post-graduate job placements.

Recommendation 4: Analyze satellite CTE program outcome data to evaluate its satellite programs' effectiveness in preparing students for high-need occupations and to support the investment of any public monies; and use the results of its evaluations to identify and make any necessary program changes.

District Response: The audit recommendation will be implemented.

Response explanation: The district agrees and will work with member districts to develop a process to analyze satellite CTE outcome data, evaluate program effectiveness and alignment with high-need occupations, and identify necessary program improvements.

Finding 2: District spent at least $1,450 on food and beverages without required Board approval, limiting public transparency and increasing the risk that the purchases may violate the State Constitution's gift clause

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

Response explanation: The District has a longstanding commitment to transparency, accountability, and compliance. Consistent with that commitment, the district has implemented a new process to include an item on the board agenda to approve all events that will include food purchased by the district. The Board is also making changes to Policy 3-103 Expenses and Payroll and Procedures for 3-103 – Food and Beverages Expenses.

Recommendation 5: If the District determines that it is appropriate to purchase food and beverages using public monies, it must obtain advance Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements for any Board-approved food or beverage purchases, including by determining and documenting that funding sources used are appropriate and how each purchase benefits the District and serves a public purpose.

District Response: The audit recommendation will be implemented.

Response explanation: The District has implemented a new process to include an item on the board agenda to approve all upcoming events that will include food purchased by the district.

Finding 3: District's excessive access to its sensitive computerized data and incomplete contingency plan increased the risk of unauthorized access to sensitive information, disrupted operations, data loss, errors, and fraud

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

Response explanation: The District has taken all steps to ensure appropriate access is given based on their job duties and will continue to improve deficiencies and vulnerabilities.

Recommendation 6: Limit users' access in the accounting system to only those functions needed to perform their job duties.

District Response: The audit recommendation will be implemented.

Response explanation: The District will continuously monitor access to the accounting system and modify as necessary. Protocols are in place to ensure compliance.

Recommendation 7: Immediately disable or remove all accounting system and network accounts that are no longer needed, including those associated with terminated employees.

District Response: The audit recommendation will be implemented.

Response explanation: The District will improve the process for account termination when an employee leaves the district. The District has implemented an exit form, requiring department heads to sign off. The District has immediately disabled and removed all terminated users.

Recommendation 8: Develop and implement written procedures to periodically review accounting system and network accounts to ensure access levels align with job duties and change or remove access, as necessary.

District Response: The audit recommendation will be implemented.

Response explanation: The District will develop and implement written procedures that includes review of accounting system and network access biannually.

Recommendation 9: Implement effective controls to monitor external users' accounting system activities, such as a process to regularly review transactions and activity logs, to ensure these users' system activities are authorized and appropriate.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement the recommendation. The Education Technology Consortium (ETC) hosts STEDY's accounting system and retains access to perform essential functions such as training, troubleshooting, and system updates while the County finalizes and posts AP, Payroll, Revenue and prints all school warrants. However, the District acknowledges the importance of external controls and has followed up with the parties to request a review of current user roles and access levels. The District will implement a process to regularly review external access users to establish effective controls. These measures will help mitigate risks associated with unauthorized access and errors. It is important to note that the Auditor General did not report or identify any instances of fraud.

Recommendation 10: Update its IT contingency plan to ensure it meets USFR requirements and credible industry standards.

District Response: The audit recommendation will be implemented.

Response explanation: STEDY's Director of Information Technology has been actively working to strengthen IT security and contingency planning efforts. While we currently maintain a foundational IT contingency plan including basic system recovery procedures, we recognize the need to align more closely with USFR requirements and industry's best practices. We are committed to further developing our contingency planning framework as part of a broader effort to improve IT governance and security across the organization.

Recommendation 11: Develop and implement detailed, written procedures to annually review and update its IT contingency plan to ensure it meets USFR requirements and credible industry standards; perform documented tests against the plan at least annually to identify and remedy any deficiencies; and update the plan based on the test results.

District Response: The audit recommendation will be implemented.

Response explanation: The District will implement the recommendation. We are committed to further developing our contingency planning framework as part of a broader effort to improve IT governance and security across the organization.