Blue Elementary School District

24-Month Followup of Performance Audit Report 24-207

The June 2024 Blue Elementary School District performance audit found that the District educates a small number of students in a remote community and has taken steps to control its costs but lacked procedures for certain business office activities, resulting in it being underfunded by over $31,000 and inaccurately reporting its fiscal year 2023 spending and did not have a formal agreement with Greenlee County Superintendent's Office (GCSSO) to provide business office services, increasing the risk of disruptions to District operations. We made **5** recommendations to the District.

District's status in implementing 5 recommendations

Implementation status	Number of recommendations
Implemented	2 recommendations
In process	3 recommendations

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

Recommendations to the District

Finding 1: District lacked procedures for certain business office activities, resulting in it being underfunded by over $31,000 and inaccurately reporting its fiscal year 2023 spending

1. The District should create written policies and procedures for District accounting and finance-related responsibilities that include requirements for:

a. Annually reviewing the Arizona Department of Education's (ADE) most recent transportation guidance, and accurately reporting to ADE all route miles traveled and riders transported, including those that are contracted, for State funding purposes.

- Status: **Implementation in process.**

Since the audit, the District has improved its transportation reporting and reported attending an ADE webinar on transportation reporting to stay updated on ADE's transportation guidance. However, it has not yet formalized these steps with written policies and procedures to ensure these improvements are sustained. Specifically, the District worked with a vendor to create written policies for its accounting- and finance-related responsibilities, but these written policies still do not include requirements to annually review ADE's most recent transportation guidance as part of the transportation reporting process. Additionally, the District has not yet developed written procedures for reviewing ADE's transportation guidance or for calculating and reporting miles traveled and riders transported in accordance with ADE's guidance. District officials indicated they are working with the vendor to update written policies and procedures to fully address this recommendation by the end of calendar year 2026. We will assess the District's efforts to implement this recommendation at the 36-month followup.

b. Reviewing the impact of reporting contracted miles and riders on its transportation State aid amount when preparing the District's annual budget and, when necessary, updating its tax levy calculations for transportation funding if a local levy for that purpose is not necessary.

- Status: **Implementation in process.**

Since the prior initial followup, the District resolved the transportation-funding issues identified in our performance audit, included the amount of transportation State aid it expected to receive in its budget calculations, and updated its fiscal year 2026 tax levy calculations accordingly. However, the District has not yet updated its written policies and/or procedures to address the recommendation's key components. Specifically, the District's policies do not address reviewing the impact of reporting contracted miles and riders on the District's budget nor updating the District's tax levy calculations, which is important to ensure that future tax levy calculations continue to take into account the District's State aid for transportation. According to

District officials, they plan to develop written policies and procedures to fully address this recommendation by the end of calendar year 2026. We will assess the District's efforts to implement this recommendation at the 36-month followup.

c. Ensuring staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and at any time it is revised or updated and implement its guidance to accurately account for and report the District's spending throughout the year.

▶ Status: **Implementation in process.**

Although District officials reported that the employee responsible for classifying expenditures reviews the USFR Chart of Accounts annually and attended related training in April 2026, the District has not yet developed written policies or procedures to ensure staff routinely review the Chart of Accounts and classify expenditures accordingly. According to the District, it plans to develop written policies and procedures by the end of calendar year 2026. We will assess the District's efforts to implement this recommendation at the 36-month followup.

2. Immediately work with ADE to correct its transportation funding reporting for the previous 3 fiscal years to account for its contracted miles and riders to ensure it receives the correct level of State aid funding.

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

The District submitted corrections to ADE for the previous 3 fiscal years, resulting in increased State aid for transportation totaling $96,546.

Finding 2: District did not have a formal agreement with GCSSO to provide business office services, increasing the risk of disrupted District operations

3. If the District continues to rely on GCSSO to perform business office functions on its behalf, the District should enter into a formal, written agreement with GCSSO for the services it provides to the District that complies with Arizona Revised Statutes §11-952 and clearly documents the agreement's duration and purpose and the roles, responsibilities, and expectations for both parties to the agreement.

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

The District continues to rely on GCSSO for business office services and, in November 2024, entered into an Intergovernmental Agreement (IGA) with GCSSO for these services, effective January 2025. The IGA states the duration, purpose, roles, responsibilities, and expectations for both GCSSO and the District. Additionally, the IGA stipulates the requirement of a written notice for termination if either party wants to cease this agreement, decreasing the risk of sudden disruptions to District operations.