ARIZONA Auditor General
Making a Positive Difference

Tonto Basin Elementary School District

Initial Followup of Performance Audit Report 25-209

The September 2025 Tonto Basin Elementary School District performance audit found that the District did not comply with key requirements in financial and operational areas, including accounts payable, credit cards, cash handling, payroll, procurement, transportation, and information technology security. These deficiencies increased the District's risk of errors, fraud, and improper payments and weakened the District's ability to safeguard public resources. The consulting firm Sjoberg Evashenk Consulting, which conducted the performance audit under contract with the Arizona Auditor General, made **19** recommendations to the District.

District's status in implementing 19 recommendations

Implementation status	Number of recommendations
Implemented	5 recommendations
In process	10 recommendations
Not implemented	**4 recommendations**

We will conduct a 24-month followup with the District on the status of the recommendations that have not yet been implemented.

Recommendations to the District

Finding 1: The District lacked sufficient internal controls over several business and operational areas, increasing the risk of errors, fraud, and improper payments

1. Develop and implement written procedures and a supervisory review process to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including purchases made with credit cards.

- Status: **Implementation in process.**

  The District has developed written purchasing procedures and is in the process of implementing them. In December 2025, the District began requiring the superintendent and/or business manager to approve all purchases in advance, including those made by credit card, and to ensure purchases are properly received and supported before issuing payments to vendors. Additionally, in April 2026, the District established a requirement that all credit card purchases must be supported by an approved purchase requisition.

  To evaluate the District's progress toward implementing its new procedures, we reviewed 17 purchases made between December 2025 and April 2026 and found that 1 lacked required preapproval and 2 purchases lacked documentation sufficient to support the purchase had been approved in advance, as required by the District's procedures. Additionally, 11 of the purchases lacked documentation to support that the purchased goods and/or services were received before invoices were paid. Although we found evidence of supervisory review for the purchases we reviewed, the District's supervisory review process did not identify and address the discrepancies we found, indicating that additional review steps are necessary to ensure compliance with the District's new procedures.

  During the followup review, there were no credit card purchases to review for this recommendation because the District reported that it had temporarily discontinued its credit card use. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements, and document the training provided.

- Status: **Implementation in process.**

  The District provided training to responsible employees on its existing and revised purchasing and accounts payable policies, procedures, and processes in March and April 2026 and provided documentation of staff participation. However, after we made District officials aware of the deficiencies discussed in recommendation 1, District officials indicated that additional employee training may help address the issues we identified. Officials reported providing purchasing-related training to applicable staff in July 2026 and indicated they plan to continue providing such training annually during the District's summer in-service training sessions. We will follow up on the District's efforts to implement this recommendation at the 24-month followup.

3. Establish procedures for tracking possession of the District's credit card and ensuring that all card users have a signed user agreement on file with the District and have been trained on the District's credit card policies and procedures prior to using any District credit card.

- Status: **Implementation in process.**

As noted in recommendation 1, the District discontinued using its credit card at the time of our review and had not yet implemented the changes nor provided credit card training to staff. However, the District reported that it expects to obtain new credit cards by July 2026 to support its operations and had developed new policies, procedures, and user agreements it planned to implement and train relevant staff on prior to allowing them to use the new credit cards.

The District's new procedures require the employee responsible for tracking credit cards to maintain a complete list of authorized card users, in accordance with the USFR. Additionally, we found that the District's template for its new credit card user agreement meets USFR requirements, including specifying disciplinary actions that the District may take if an authorized user misuses a District credit card. The user agreement also specifies that credit card holders may be required to present their District-assigned credit card periodically to verify that it is being securely maintained.

We will assess the District's efforts to implement this recommendation at the 24-month followup.

4. Develop and implement procedures, including supervisory oversight processes, to ensure compliance with USFR requirements and District policies related to cash-handling and bank reconciliations, and train District employees and others with cash-handing responsibilities on these procedures.

- Status: **Implementation in process.**

The District developed written cash-handling procedures in December 2025 and reported training relevant staff in March 2026. However, its new procedures do not include steps to formalize its supervisory review process for cash collections and reconciliations. We reviewed 6 cash deposits from March 2026 and found that for 1 deposit, although there was evidence of supervisory review, the review of cafeteria cash collections appeared incomplete. Specifically, the review did not include a reconciliation of cash reported on the cafeteria cash-collection forms to any documentation showing the number of meals purchased.

By developing more complete procedures, the District could better ensure that supervisory reviews are thorough, provide guidance to new or less-experienced employees, and facilitate continuity in the event of staff turnover. We will assess the District's efforts to implement this recommendation at the 24-month followup.

5. Prepare and maintain evidence of receipt for all cash received, such as sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

- Status: **Implementation in process.**

The District has taken steps to implement this recommendation, but additional improvements are needed. Specifically, the District updated its cash-handling procedures to require the use of sequential, prenumbered receipts. We reviewed documentation for 6 deposits and found that the District maintained evidence for all cash received. However, as discussed in recommendation 4, additional efforts are needed to ensure cash collections are reconciled to supporting documentation. We will assess the District's efforts to implement this recommendation at the 24-month followup.

6. The District should ensure cash is deposited at least weekly, and daily when amounts are significant.

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

The District has established a process to deposit cash at least weekly. We reviewed 6 March 2026 deposits totaling $2,678 and found that the District deposited all 6 deposits we reviewed within a week of collection in accordance with District policy.

7. The District should determine whether the District will continue to process electronic payments and, if so, identify an appropriate payment platform and develop robust procedures that ensure payments, processes, and documentation comply with all USFR cash-handling requirements.

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

District officials reported that the District's previous administrators had stopped the practice of accepting electronic payments and that the District had not received any electronic payments during the 2025-2026 school year. District officials indicated that the District accepts payments made only by cash or check. We reviewed District revenues received between July 2025 and April 2026 and did not identify any payments that appeared to have been collected through inappropriate payment platforms.

8. Establish procedures to collect and retain all procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, Arizona Administrative Code, and Board-approved policies.

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

  The District is a member of multiple purchasing consortiums and has a process for obtaining relevant and required procurement documentation to support cooperative purchases. For purchases that cannot be made through a cooperative purchasing agreement and require competitive bidding, the District has a process to obtain 3 written quotes prior to selecting a vendor, as required by the USFR. We reviewed procurement files for 4 cooperative purchases and 1 competitive purchase the District made during fiscal year 2026 and found that each procurement file contained all required documentation.

9. Ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.

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

  Since the audit, the District has experienced turnover in its business manager position and has a new business manager responsible for classifying expenditures. The business manager reported annually reviewing updates to the USFR Chart of Accounts and attending bimonthly AASBO trainings to stay up to date with any potential coding changes. We found that the District's expenditure coding accuracy has improved substantially since the audit. Specifically, we reviewed the coding for all expenditures between July 2025 and April 2026 and found that approximately $12,000 of $1,249,600, or about 1%, was miscoded. During the audit, the contract auditor found that the District miscoded approximately 18% of sampled expenditures.

Finding 2: The District made improper or erroneous payments to some employees and did not ensure all payments were reviewed and approved, putting public monies at an increased risk of waste, fraud, and misuse

10. Clarify its policy for accumulated leave payouts and establish procedures that specify the process for requesting and approving for these types of payments, including steps to ensure any requests for accumulated leave payouts are in accordance with employment contract provisions and payments are calculated correctly.

- Status: **Implementation in process.**

  The District updated its leave payout policies and procedures in November 2025 to specify that leave payouts are only allowable for accumulated vacation time. Specifically, support staff may be paid out for up to 16 days of accumulated leave, and professional 12-month administrators may be paid out for up to 40 days of accumulated leave upon leaving District employment. Further, the District's updated leave payout policies indicate that professional 12-month administrators may request a payout for up to 10 days of accumulated leave annually, which must be approved by the District's governing board.

District officials reported updating all new employment contracts starting in fiscal year 2027 to ensure leave-payout provisions are consistent with the District's updated policy. We judgmentally selected and reviewed 5 fiscal year 2027 contracts and found all 5 contracts were consistent with the District's updated policy. Additionally, the District has implemented personnel action forms to document all employee requests for leave payouts. At the time of our review, the District had not made any leave payouts under its new policy, and therefore, we were unable to assess whether the District consistently followed its updated procedures. We will assess the District's efforts to implement this recommendation at the 24-month followup.

11. Review leave buyouts paid to District employees during fiscal year 2024 to ensure amounts paid align with contract provisions and make corrections where appropriate.

Status: **Implementation in process.**

The District reviewed accumulated leave payouts paid to employees in fiscal years 2024 through 2026. Based on its review of accumulated leave payouts, the District determined that the former business manager had improperly received a total of $12,778 for accumulated leave that was paid out contrary to employment contract provisions. Additionally, the District found that the former superintendent had been underpaid a total of $6,834 because accumulated leave payouts had been incorrectly calculated. To rectify the overpayments, the District obtained a promissory note from the former business manager to repay the District over the course of 18 months. The agreement stipulates monthly payments of $709.92, beginning May 1, 2026, with the final payment due on or before October 1, 2027. We confirmed that the District had received the first 3 payments, totaling $2,129.76 as of July 2026. To resolve the underpayments to the superintendent, the District issued a payment of $6,834. We found that the District's review of accumulated leave payouts, including the additional under- and overpayment it identified, were accurate and aligned with contract provisions. We will review this recommendation at the 24-month followup to ensure that the former business manager fulfills the terms of the promissory note.

12. Develop and implement procedures for payroll staff and supervisors to follow to ensure payroll and overtime payments are properly approved, documented, and allowable in accordance with the USFR and District policies, and train District employees responsible for processing and approving payroll on these procedures.

Status: **Implementation in process.**

In December 2025, the District developed unwritten payroll procedures to address this recommendation, but it has not formalized these procedures, and we found that improvements are necessary to ensure payments are accurate and overtime is approved in advance. We reviewed payments the District made to 14 employees for 1 pay period in December 2025. Although each of the payments had evidence of supervisory review, we found that the District's review process was insufficient and resulted in 2 employees being paid for more hours than they had recorded on their time sheets. Specifically, the District's supervisory review should have included a verification that the work hours recorded on employee time sheets matched the hours the business manager manually entered into the District payroll-processing spreadsheet. However, the District's review did not identify the errors we found prior to making the overpayments, which totaled $375.

The District reported that it had identified 1 of the erroneous payments during the next payroll cycle, and it attempted to rectify the overpayment by reducing the affected employee's next paycheck by an equivalent number of work hours. However, the District's attempted resolution resulted in it collecting only $259 of the $371 total overpayment to this employee because overtime hours are paid at a higher rate than regular work hours. District officials were unaware of the second error we found prior to our bringing it to their attention. District officials reported in July 2026 that they had implemented a new interface between the District's timekeeping and payroll systems to eliminate some manual processes and provide for supervisory review and approval of hours worked, which they believed would help address some of the deficiencies we identified.

The District has not yet developed procedures that require supervisors to approve overtime in advance, contrary to the USFR, and it has not formalized its procedures and provided staff training. District officials indicated that staff do not normally accrue overtime, and so they did not incorporate an overtime-preapproval requirement into the District's procedures. By developing and formalizing more complete procedures and training staff, the District could better ensure that payments are approved and accurate and facilitate continuity in the event of staff turnover. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: The District inaccurately reported riders and miles to ADE for State funding purposes and lacks a process to ensure reports are correct

13. Annually review ADE's most recent transportation guidance and develop and implement written procedures for preparing and reviewing transportation funding reports to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

Status: **Not implemented.**

The District has not yet developed written procedures for preparing and reviewing transportation funding reports, and it incorrectly reported transportation data to ADE in fiscal year 2026. Our review of the District's fiscal year 2026 transportation funding reporting to ADE identified errors in the number of riders the District reported transporting to and from school. The transportation director indicated that they had misunderstood what rider information the District was required to collect and report, and they had not considered total ridership. The resulting errors undercounted riders for reporting purposes, but the District's documentation was insufficient to enable us to accurately determine the number of underreported riders. Additionally, we found that the District's supervisory review process was insufficient to identify and correct the errors prior to submitting the required transportation reporting to ADE.

To resolve these issues, the District needs to work with ADE to correct its inaccurate transportation reporting and develop written procedures to guide staff responsible for completing and reviewing transportation funding reports. District officials indicated they have created a spreadsheet for the transportation director to use to track riders and miles, which they expect will help ensure the information is calculated and reported in accordance with ADE's guidance. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 4: The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, errors, fraud, and data loss

14. Establish and implement policies and procedures for promptly disabling user accounts when employees and contractors no longer work for the District, conduct periodic audits of all user accounts to identify and remove inactive or unnecessary accounts, and designate personnel responsible for monitoring user accounts and ensuring compliance with industry best practices and the USFR.

- Status: **Implementation in process.**

District officials reported taking steps to address this recommendation but have not yet developed written policies and procedures. Specifically, District officials reported working with the District's third-party network administrator to develop a process for promptly disabling user accounts when they are no longer necessary. Officials reported that District staff have been assigned to review network user reports provided by its third-party network administrator and identify and communicate needed changes to user accounts. We will assess the District's efforts to implement this recommendation at the 24-month followup.

15. Develop and implement a policy to standardize user access levels by job function and a process to regularly perform, at least annually, detailed user account reviews to ensure network and accounting system access is necessary and appropriate.

- Status: **Implementation in process.**

District officials reported that they reviewed accounting system user access, and we found the District had restricted some users' abilities to perform the entire payroll and accounts payable processes without another employee's involvement. However, the District's efforts were insufficient to limit accounting system users' access levels to only what is necessary to perform their assigned duties. Specifically, we found that 1 user had unnecessary administrator-level access that gave them access to and control over all accounting system functions. We also found a second user with more access to the system's purchasing and payroll functions than necessary. Additionally, at the time of our review, the District had not yet developed a policy to standardize user access levels by job function for accounting and network system users, and it had not completed a detailed review of network user accounts to ensure they were necessary and appropriate.

By continuing to allow some employees to have excessive accounting system access, the District is at risk for unauthorized transactions, unauthorized access to sensitive information, and fraud. We will assess the District's efforts to implement this recommendation at the 24-month followup.

16. Establish and implement procedures for collecting and monitoring logs of accounting system activities to enable the District to track transactions and to detect potentially malicious or fraudulent activity in a timely manner.

- Status: **Not implemented.**

District officials indicated that they plan to develop a process for monitoring accounting system activities through the superintendent's review of accounting system change logs. However, the District plans to implement these reviews after the District's new superintendent begins working at the District in July 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

17. Implement comprehensive authentication controls for users accessing critical IT systems.

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

The District has implemented comprehensive authentication controls to control users' access to its critical IT systems in accordance with USFR requirements and credible industry standards.

18. Require and provide cybersecurity awareness training to employees at least annually and document their participation.

- Status: **Not implemented.**

At the time of our followup review, District officials had not implemented cybersecurity awareness training for all employees. After we completed our followup work, District officials reported that they provided cyber security awareness training during the District's July 2026 in-service training and will continue to do so annually. We will review the District's efforts to implement this recommendation at the 24-month followup.

19. 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 any deficiencies and document the test results.

- Status: **Not implemented.**

  At the time of our followup review, District officials indicated they had not yet developed and implemented an IT contingency plan that meets USFR requirements and credible industry standards. District officials reported they plan to do so by the end of fiscal year 2027 in collaboration with the District's third-party IT contractor. We will assess the District's efforts to implement this recommendation at the 24-month followup.