FSS | FORENSIC STRATEGIC SOLUTIONS

REPORT HIGHLIGHTS

Arizona State Schools for the Deaf and the Blind (ASDB)

Forensic Audit

ASDB did not reliably bill, collect, and reconcile service-related revenue, including an estimated $2.1 million for services provided, reducing monies available for operations, and had deficiencies in payroll and purchasing processes and Board policies, increasing the risk of inappropriate transactions, potential conflicts of interest, and reduced transparency.

AUDIT PURPOSE

To conduct a forensic audit of ASDB's revenues, payroll expenditures, and nonpayroll expenditures for goods and services in fiscal years 2022 through 2024, and to assess its compliance with State open meeting and conflict-of-interest requirements.[1,2]

KEY FINDINGS

- ASDB developed a self-audit process to help ensure compliance with State conflict-of interest requirements, but its first self-audit was still underway at time of our review.
- ASDB did not collect an estimated $2.1 million in voucher and fee-for-service revenue, had $2.6 million in denied Medicaid claims categorized as correctable that it did not timely resubmit, reducing monies available for operations in fiscal years 2022 through 2024; and collected approximately $456,000 from the Arizona Department of Education and school districts for students it did not serve that it may need to repay.
- ASDB made 14 incentive and stipend payments totaling $5,135 to ASDB employees that were unsupported, ineligible, or inconsistent with applicable requirements and made 2 purchases totaling $26,680 without required purchase orders, reducing assurance that payments and purchases were appropriately approved before public monies were paid or obligated.
- ASDB's policy allowed purchases from Board members without competitive public bidding, contrary to statute, increasing the risk of favoritism and self-dealing.

KEY RECOMMENDATIONS

- Correct inaccurate data; maintain complete, accurate, and accessible records; reconcile financial and program records; investigate discrepancies; and take appropriate corrective action.
- Develop, implement, and enforce written procedures for revenue, payroll, nonpayroll expenditures, and Board governance and compliance, and align policies with applicable State requirements.
- Require documented management review and ongoing monitoring including contractor oversight and legal review of policies based on statutory requirements.

[1] For more information on the results of the forensic audit, including work related to the assessment for indicators of possible financial fraud, see Chapter 1 of the report, pages 11-16.

[2] Forensic Strategic Solutions conducted this forensic audit of ASDB pursuant to a December 10, 2024, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.