ARIZONA AUDITOR GENERAL

**Lindsey A. Perry,** Auditor General

September 28, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Superintendent Reichman
Arizona State Schools for the Deaf and the Blind

Transmitted herewith is the report *A Forensic Audit of the Arizona State Schools for the Deaf and the Blind*. This audit was conducted by the independent firm Forensic Strategic Solutions, LLC under contract with the Arizona Auditor General and was in response to a December 10, 2024, resolution of the Joint Legislative Audit Committee. The forensic audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona State Schools for the Deaf and the Blind (ASDB) agrees with all findings and plans to implement all recommendations. My Office has contracted with Forensic Strategic Solutions, LLC to follow up with ASDB in 6 months to assess its progress in implementing the recommendations. I express my appreciation to ASDB's board members, Superintendent Reichman, and the ASDB 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

cc: Arizona State Schools for the Deaf and the Blind board members

FORENSIC AUDIT OF

# Arizona State Schools for the Deaf and the Blind

A Report to the Arizona Legislature

**REPORT 26-115**

SEPTEMBER 2026

Prepared by

FSS | FORENSIC STRATEGIC SOLUTIONS

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September 16, 2026

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

Dear Ms. Perry:

Forensic Strategic Solutions is pleased to submit our report containing the results of the forensic audit of the Arizona State Schools for the Deaf and the Blind (ASDB). We conducted this audit on behalf of the Arizona Office of the Auditor General pursuant to a December 10, 2024, resolution of the Joint Legislative Audit Committee (JLAC).

The objectives of this audit were to determine whether ASDB properly identified, billed, collected, recorded, deposited, and reconciled service-related revenue during fiscal years 2022 through 2024. We also evaluated whether payroll expenditures and non-payroll expenditures for goods and services were properly authorized, supported, approved, allocated, procured, allowable, and paid, as applicable, in accordance with applicable requirements during fiscal years 2022 through 2024. In addition, we assessed ASDB's compliance with State open meeting law and the extent to which ASDB established safeguards against possible conflicts of interest. Finally, we evaluated whether ASDB implemented the Auditor General's 2022 recommendation to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amounts and whether ASDB could support its reported Birth-to-3 counts for fiscal years 2022 through 2024.

We appreciate the professionalism and cooperation exhibited throughout the course of this audit by the Superintendent and staff of ASDB. Also, we thank you for the opportunity to have been of service to the Arizona Auditor General as it has been our pleasure to work with you and your team.

Sincerely,

**FORENSIC STRATEGIC SOLUTIONS, LLC**

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# 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.

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# INTRODUCTION

On behalf of the Arizona Auditor General, Forensic Strategic Solutions (FSS) has completed a forensic audit of the Arizona State Schools for the Deaf and the Blind (ASDB) pursuant to a December 10, 2024, resolution of the Joint Legislative Audit Committee (JLAC). As outlined in the resolution, this report addresses ASDB's financial activity for fiscal years 2022, 2023, and 2024.

**ASDB is responsible for providing educational programs and related support services to Arizona children with sensory impairments through its schools and other programs**

ASDB was established in 1912 to educate students in Arizona with sensory impairments, such as a hearing and/or vision impairment. In accordance with statute, ASDB provides educational programs for children and students with sensory impairments in the State from birth through 21 years of age so that they may become self-sustaining citizens.[1]

According to statute, ASDB is a local education agency, or an agency that maintains administrative control of primary and secondary schools.[2] As such, ASDB is responsible for the provision of general and special education services for students enrolled in its campus-based schools, as well as its contracted preschool programs. Consistent with its statutory requirements, ASDB had the following schools and programs:

- **Tucson campus—**Until May 2026, ASDB operated the Tucson campus, which included both a day and residential program for enrolled students with hearing and/or vision impairments from preschool through grade 12.[3] The Tucson campus included both a day program and a residential program for its students, including elementary, middle, and high school buildings; residential halls; and a performing arts center.[4] The Tucson campus offered classroom instruction, as well as educational and support services for its students, such as occupational and physical therapy, social skills training, braille, speech therapy, and American Sign Language (ASL). In addition, the Tucson campus provided transition services, which were intended to assist students to prepare for post-

[1] A.R.S. §§15-1302(B), A.R.S. 15-1343(A), and A.R.S. 15-1344(A).

[2] A.R.S. §15-1306.

[3] In a February 15, 2026 letter to students and families, ASDB announced that the Tucson campus would be relocating to the Amphitheater School District's Copper Creek Elementary School site in Oro Valley, Arizona and would transition from a dormitory and day-school model to a campus-based school for students that are deaf and hard of hearing and an outreach/cooperative-site model within local public-school districts for students who are blind and visually impaired beginning with the 2026-2027 school year. However, because this relocation occurred after fiscal year 2024, it was not within the scope of this review.

[4] Students participating in the day program attended school during the day and then returned home later in the afternoon.

school activities, including individualized assistance for students and families preparing for postsecondary education and work, courses to help students learn job skills, programs for high school students to develop independent living skills, and access to career and technical education courses offered at local public schools and other locations throughout Pima County and the surrounding area.

- **Phoenix Day School for the Deaf (PDSD)—**PDSD served enrolled hearing-impaired students in preschool through grade 12.[5] PDSD offered classroom instruction and similar educational and support services as the Tucson campus, such as ASL and occupational and physical therapy. Similar to the Tucson campus, PDSD also offered transition services, including a course that focuses on the college application process and entering the job market, individualized assistance for students and families preparing for postsecondary education and work, courses to help students learn job skills, and programs for high school students to develop independent living skills, as well as access to career and technical education courses offered at local public schools and other locations throughout Maricopa County.

- **Itinerant Services Program—**ASDB's Itinerant Services Program provided sensory impaired students throughout the State with educational and support services, including specialized equipment and materials; virtual instruction; nonteaching services, such as low vision examinations; and other related services, such as educational interpreting. The Itinerant Services Program served sensory impaired students who are enrolled in participating schools, which included public school district and charter schools, and other public educational programs, such as Bureau of Indian Affairs schools.[6] The Itinerant Services Program consisted of three regional cooperatives that offer services to students within their respective region. Participating schools must enter into a cooperative agreement with ASDB to obtain services for their sensory impaired students.

- **Early Learning Program (ELP)—**ASDB's ELP served sensory impaired children from birth to age 5 in Arizona. Specifically, as required by statute, ASDB worked with the Arizona Early Intervention Program (AzEIP) to provide home-based services to sensory impaired infants and toddlers, birth to age 3, across the State.[7] Additionally, the ELP served sensory impaired preschool students, age 3 to 5, enrolled at ASDB's Tucson campus, as

[5] PDSD does not offer a residential program.

[6] If a student receives special education services from ASDB's Itinerant Services Program, ASDB is not considered the local education agency for that student because the student remains enrolled at the participating school.

[7] A.R.S. §41-2022. AzEIP is a State-wide system of early intervention programs and services administered by the Arizona Department of Economic Security for infants and toddlers, birth to age 3, with developmental delays.

well as students enrolled at ASDB through campus-based preschool programs in the Phoenix metropolitan area. Specifically, ASDB ran preschool programs on its PDSD campus and at a satellite campus in San Tan Valley, and contracts with public nonprofit preschools, such as the Foundation for Blind Children and the Desert Voices Oral Learning Center in the Phoenix metropolitan area.

**ASDB's Board and three-division structure oversee and support statewide educational and related services**

ASDB's Board of Directors (Board) is responsible for the governance of ASDB, including appointing ASDB's Superintendent.[8] As required by statute, the Board has 10 members including the Governor, who serves as a nonvoting ex officio member, and the State's Superintendent of Public Instruction or the Superintendent's designee, who is a voting member.[9] The Governor appoints the remaining members, who serve 3-year terms.

As of fiscal year 2025, ASDB was organized into the following 3 divisions:

- **Education Programs** – Responsible for the agency's educational programs, including onsite campus instruction, the Itinerant Services Program, and the ELP.
- **Agency Operations and Support Services** – Responsible for food services, transportation, facilities management, human resources, business services, and information technology.
- **Agency Relations** – Responsible for policy and government relations, as well as agency communications, including web and digital media.

**ASDB's staff support campus-based, itinerant, and early learning programs that serve students and children throughout Arizona**

ASDB measures its staff by full-time equivalent (FTE) positions. As shown in Table 1, see page 5, ASDB reported 495 FTEs in fiscal year 2022, 478 FTEs in fiscal year 2023, and 496 FTEs in fiscal year 2024.[10] These FTEs supported ASDB's educational programs, agency operations, and agency relations functions, including campus-based instruction, itinerant services, early learning services, student support, transportation, facilities, food services, business services, human resources, information technology, policy and government relations, and communications.

[8] A.R.S. §§15-1321(A) and 15-1325(A).
[9] A.R.S. §15-1321. As of May 15, 2026, four of the Board's statutorily required positions were vacant.
[10] The relocation of the Tucson campus in calendar year 2026 resulted in a reduction-in-force of approximately 80 teachers and staff. However, because this reduction-in-force occurred after fiscal year 2024, it was not within the scope of this review.

Table 2, see page 5, presents the number of students and children identified as served through ASDB's schools and programs during fiscal years 2022 through 2024. Birth-to-3 amounts are ASDB-reported counts that FSS could not independently validate, as discussed in Chapter 10, see pages 48 through 50. These counts provide context for ASDB's operations because students and children may receive services through different program models. For example, some students are enrolled in ASDB's campus-based programs, while students receiving itinerant services generally remain enrolled in their home schools and receive ASDB-provided educational or support services through participating schools.

These staff FTE and student/children-served levels provide context for ASDB's revenues and expenditures, including payroll and related benefit costs, professional and outside services, transportation, facilities operations, and other costs necessary to provide educational and support services.

**Table 1**

**Staff FTE counts by fiscal year and program/area**

| Programs | 2022 [4] | 2023 | 2024 |
|---|---|---|---|
| PDSD | 114 | 97 | 95 |
| Tucson campus | 130 | 120 | 119 |
| Itinerant Services Program | 23 | 109 | 102 |
| ELP | 1 | 43 | 48 |
| Administration and statewide support | 226 | 109 | 132 |
| **Total[1,2,3]** | **495** | **478** | **496** |

Note: Amounts may not total due to rounding.

[1] Source: FSS analysis of ASDB fiscal years 2022 through 2024 payroll transaction detail by department.

[2] FTE are calculated as actual hours worked per fiscal year divided by total possible hours of 2,080.

[3] Staff may be assigned to more than one department during a fiscal year. To avoid double counting, staff were listed in the department where they earned the largest portion of their compensation during the fiscal year.

[4] ASDB changed its payroll allocation methodology after fiscal year 2022. During fiscal year 2022, staff with earnings charged to multiple departments were assigned to the department where they earned the largest portion of their compensation. Because some staff had earnings charged to both administration and statewide support and the Itinerant Services Program or ELP, fiscal year 2022 staff FTE counts for those program areas may be understated and may not be directly comparable to subsequent fiscal years.

**Table 2**

**Students and children served by school year and location**

| Programs | 2022 | 2023 | 2024 |
|---|---|---|---|
| PDSD | 255 | 250 | 227 |
| Tucson Campus | 122 | 123 | 128 |
| Itinerant Services Program | 1,248 | 1,284 | 1,140 |
| ELP | 169 | 106 | 138 |
| Birth to 3[1] | 571 | 555 | 553 |
| **Total students and children served [2,3]** | **2,365** | **2,318** | **2,186** |

Note: Amounts may not total due to rounding.
[1] Source: Birth-to-3 counts reported by ASDB. FSS could not independently validate these counts. See Chapter 10, pages 48 through 50, for additional information.
[2] Source: With the exception of Birth-to-3, FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024.
[3] Some students appear enrolled at multiple locations during a fiscal year due to a school transfer. To avoid double counting, students enrolled at multiple locations were assigned to the location in which they were enrolled for the greatest number of days during the fiscal year.

### ASDB's administrative structure differs from that of a traditional Arizona school district

Although Arizona law treats ASDB's campuses as local education agencies for limited education purposes, including federal education funding, accountability, and providing a free and appropriate public education to students enrolled in campus-based programs, ASDB is established in statute as a State agency, and thus is not required to follow the

Uniform System of Financial Records for Arizona School Districts, which applies to Arizona school districts.[11,12]

Although ASDB is not required to follow the Uniform System and Financial Records for Arizona School Districts (USFR), the USFR and related guidance contain internal-control practices that ASDB and its Board could consider as benchmarks for school-related accounting, financial reporting, budgeting, attendance reporting, and compliance activities, to the extent those practices are compatible with State agency systems and requirements.

Instead, ASDB's administrative functions operate within the State's centralized administrative framework. The Arizona Department of Administration's General Accounting Office establishes statewide accounting policies and procedures, manages the State's financial system, administers statewide payroll, and requires State agencies to comply with central accounting policies and procedures unless exempted by law or in writing. In addition, the Arizona Department of Administration's State Procurement Office uses the Arizona Procurement Portal as the State's e-procurement system for State agencies. As a result, several of ASDB's business functions such as purchasing, disbursements, payroll, and related administrative support are processed through State systems and processes, providing an additional layer of centralized oversight and control that is important context for understanding ASDB's operating environment.

**ASDB relies on State appropriations and service-related revenues to support its operations**

ASDB receives revenue from several sources that differ in the extent to which ASDB is responsible for earning, billing, and collecting the revenue. Some revenues, such as State appropriations, are provided through the State's budget process and do not require ASDB to bill for services or collect payment. Other ASDB revenues are tied to the students ASDB serves and the services it provides. For these revenues, ASDB is responsible for identifying eligible students or services, completing required reporting, billing, or claims processes, and taking the steps necessary to collect and manage the related revenue.

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[11] A.R.S. §15-1306. ASDB campuses are considered local education agencies for specified purposes, including federal education funding, state and federal accountability, and providing a free and appropriate public education to pupils enrolled in a campus-based model.

[12] Arizona Auditor General, *Arizona State Schools for the Deaf and the Blind, Performance Audit and Sunset Review* (September 2022), Appendix B, stating: "As a State agency, ASDB is not required to follow the Uniform System of Financial Records for Arizona School Districts (USFR)."

Specifically:

- **Voucher revenue**
  Voucher revenue is intergovernmental revenue paid by the Arizona Department of Education. According to statute, a special education institutional voucher is issued to State institutions, such as ASDB, to provide monies for the education of a student who requires institutional placement or who has been placed in a residential facility.[13] ASDB receives voucher payments for students enrolled at its Tucson and Phoenix campuses, for preschool students in its Early Learning Program, and for certain students served through its Itinerant Services Program.[14] Within the Itinerant Services Program, voucher funding applies to eligible students whose educational costs are paid through the voucher model rather than through direct billing to participating schools. For some students served through ASDB's Itinerant Services Program, the student remains enrolled in their home school (the participating school), but voucher monies are paid to ASDB to fund the students' services. ASDB uses those monies to provide itinerant services. If ASDB's costs for providing those services are less than the voucher monies received, ASDB's cooperative agreements provide for reimbursement of a portion of those monies to the participating school. This funding structure is distinct from fee-for-service arrangements, under which participating schools pay ASDB directly for services provided and affects both how ASDB receives revenue and whether any portion of the voucher monies may be reimbursed to the participating school. Although ASDB does not control the voucher funding mechanism itself, it is responsible for reporting eligible students and managing receipt of the related revenue.

  See Chapter 2, pages 17 through 26, for deficiencies we identified with ASDB's billing and collection of voucher monies.

- **Fee-for-service revenue**
  Fee-for-service revenue is part of ASDB's Itinerant Services Program revenue. As discussed above, the Itinerant Services Program serves students who remain enrolled in participating schools that enter into cooperative agreements with ASDB for services. When a participating school receives ASDB services but does not use voucher funding for a student, ASDB bills the school directly. In addition, participating schools pay membership fees to participate in the cooperative program. As a result,

[13] A.R.S. § 15-1204.
[14] Birth-to-3 services are funded through State appropriations.

fee-for-service revenue depends on ASDB's documentation of services provided, billing processes, and collection efforts.

See Chapter 2, pages 17 through 26, for deficiencies we identified with ASDB's billing and collection of fee-for-service monies.

- **Medicaid revenue**

  ASDB receives Medicaid revenue for reimbursement of Medicaid-covered services provided to eligible students enrolled in its Phoenix and Tucson campuses and ELP, such as audiology, physical and occupational therapies, nursing services, therapeutic services, and transportation. ASDB may also receive Medicaid reimbursement for certain allowable administrative activities that support Medicaid. Unlike State appropriations, Medicaid revenue is not automatic but depends on ASDB's documentation, submission of claims and reports, and follow-up to obtain and manage reimbursement.

  Through Arizona's Local Education Agencies Medicaid Reimbursement Program, the Arizona Department of Education contracts with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid agency, to administer Medicaid reimbursement for eligible school-based services. AHCCCS contracts with Public Consulting Group (PCG) to operate the program, and ASDB uses SEAS Education, a school Medicaid billing and documentation vendor, to assist with submitting claims. PCG reviews claims for eligibility and, if approved, AHCCCS requests federal reimbursement and transfers the federal share through PCG to ASDB.

  ASDB also participates in Medicaid Administrative Claiming, a cost-based reimbursement process that allows state and local agencies to recover federal matching funds for certain administrative activities that support Medicaid access, outreach, and care planning. As part of this process, ASDB submits quarterly financial information, including salary, benefit, and contracted service costs, to the third-party administrator for Arizona's Medicaid school-based claiming program. The third-party administrator reviews the information and issues reimbursements to ASDB, typically within 6 months of submission. ASDB also submits annual cost information, including salaries, contracted services, and allowable transportation costs, which is subject to desk review by PCG before any additional reimbursement is processed.

  See Chapter 2, see pages 17 through 26, for deficiencies we identified with ASDB's billing and reimbursement of Medicaid monies.

**ASDB's revenues and expenditures were intended to support educational and support services provided to students throughout Arizona**

Table 3 presents ASDB's revenues, expenditures and transfers, and changes in fund balance for fiscal years 2022 through 2024. ASDB's revenues included State General Fund appropriations and other State and federal monies, as well as revenues associated with the educational and support services it provided. These revenues supported ASDB's statewide operations, including its campus-based schools, Itinerant Services Program, Early Learning Program, and related administrative and operational functions.

ASDB's expenditures and transfers included payroll and goods-and-services costs intended to provide educational services, student support, transportation, facilities operations, and agency administration. Payroll and related benefits represented the largest share of ASDB's spending, reflecting ASDB's reliance on teachers, instructional staff, therapists, interpreters, transportation staff, and other support personnel to provide educational and related services across its programs. Expenditures for goods and services included categories such as professional and outside services, travel, food service, other operating costs, capital and noncapital purchases, and transfers to other State agencies.

**Table 3**

**ASDB's schedule of revenues, expenditures, and changes in fund balances[1,2]**

**Fiscal years 2022 through 2024 (Unaudited)**

| | 2022 (Actual) | 2023 (Actual) | 2024 (Actual) |
|---|---|---|---|
| **Revenues** | | | |
| State General Fund appropriations | $22,986,436 | $27,150,684 | $26,173,625 |
| **Intergovernmental** | | | |
| State special education vouchers | 13,304,666 | 13,813,181 | 13,135,784 |
| State Classroom Site Fund | 3,701,407 | 3,235,709 | 3,474,786 |
| Federal grants | 2,604,061 | 1,885,982 | 3,273,339 |
| Federal pandemic aid | 484,541 | 209,875 | 197,668 |
| Other state | - | - | - |
| **Regional Cooperative Fund** | | | |
| State special education vouchers | 15,853,251 | 14,084,121 | 15,480,339 |
| State special education vouchers reimbursements | - | - | - |
| Educational and support services fees | 2,655,969 | 3,265,650 | 2,134,089 |
| Other | 58,119 | 41,922 | 197,601 |
| Rental income | 964,988 | 948,801 | 1,038,570 |
| Medicaid reimbursements | 805,011 | 831,749 | 1,374,614 |
| Investment income | - | - | 162,000 |
| Donations | 203,262 | 1,270 | 9,420 |
| Private grants | (15,499) | 16,522 | 25,710 |
| Other | 159,050 | 463,931 | 149,575 |
| **Total revenues** | **63,765,262** | **65,949,395** | **66,827,118** |
| **Expenditures and transfers** | | | |
| Payroll and related benefits | 42,067,846 | 46,077,877 | 48,012,669 |
| Professional and outside services | 5,179,032 | 5,523,805 | 8,620,004 |
| Travel | 132,160 | 203,935 | 406,477 |
| Food | 49,889 | 92,054 | 888,089 |
| Aid to individuals | - | - | - |
| Other operating | 6,407,518 | 8,289,102 | 8,577,886 |
| Capital and noncapital purchases | 1,381,733 | 1,494,749 | 1,564,718 |
| Transfers to other agencies | 602,682 | 866,000 | |
| **Total expenditures and transfers** | **55,820,860** | **62,547,522** | **68,069,844** |
| Net change in fund balance | 7,944,401 | 3,401,873 | (1,242,726) |
| Fund balance, beginning of year | 12,896,577 | 20,840,978 | 24,242,851 |
| **Fund balances, end of year** | **$20,840,978** | **$24,242,851** | **$23,000,125** |

Note: Amounts may not total due to rounding.

[1] Source: Prepared by ASDB from its general ledger transaction detail.

[2] See Appendix C for additional information.

# CHAPTER 1

## Results of the forensic analysis

**JLAC request**: Conduct a forensic audit of the Arizona State Schools for the Deaf and the Blind that examines its financial activity for fiscal years 2022, 2023, and 2024.

**Conclusion:** Based on the procedures performed, we did not identify evidence or circumstances that warranted further investigation for possible financial fraud in the areas reviewed during the audit period. However, we did identify deficiencies requiring corrective action that are discussed in more detail in later chapters.

As explained below, this conclusion reflects whether the evidence and circumstances identified warranted further investigation for possible financial fraud; it should not be interpreted as a determination that financial fraud did not occur.

The techniques used in a forensic audit differ from those traditionally used in a financial statement audit or internal audit. A forensic assessment is designed to identify indicators of possible financial fraud and determine whether the evidence and circumstances identified provide a reasonable basis for further investigation. The Association of Certified Fraud Examiners refers to this threshold as predication.[15] In practical terms, predication exists when the circumstances would lead a reasonable, professionally trained, and prudent individual to believe that financial fraud has occurred, is occurring, or will occur.

Our work applied the Fraud Theory Approach and was tailored to the facts and circumstances of this engagement and the financial areas included in our scope. This approach recognizes that concealment is inherent in financial fraud. Therefore, our procedures were designed to identify anomalies, examine relevant evidence, test reasonable explanations for the matters identified, and evaluate the evidence and circumstances as a whole. The specific procedures performed and the extent of follow-up required professional judgment. Given the inherent concealment of financial fraud, a forensic audit cannot guarantee that all potential improprieties will be identified, and the absence of identified indicators does not establish that financial fraud did not occur.

[15] Association of Certified Fraud Examiners, CFE Code of Professional Standards Interpretation and Guidance, Section IV.A.2, defining predication as “the totality of circumstances that would lead a reasonable, professionally trained and prudent individual to believe a fraud has occurred, is occurring or will occur.”

**Our approach began with a forensic assessment to help identify areas of heightened risk and to direct targeted audit work in the areas of service-related revenue, payroll expenditures, and expenditures for goods and services for fiscal years 2022 through 2024**

Consistent with the Joint Legislative Audit Committee's request and the scope of our engagement, our work focused on ASDB's revenue, payroll expenditures, and nonpayroll expenditures for goods and services. Within these areas, we used a top-down, risk-focused approach to identify the financial activities and transactions warranting further review.

Within the revenue area, we focused our detailed procedures on service-related revenue rather than State appropriations. As described in the Introduction, State appropriations are provided through the State's budget process and generally do not require ASDB to identify billable services, issue invoices or claims, or collect payment. In contrast, service-related revenue depends on ASDB accurately identifying eligible students and services, completing required reporting, billing, and claims processes, collecting amounts due, issuing refunds when appropriate, and reconciling the related activity. These processes require greater involvement and judgment by ASDB and depend on accurate student service billing and payment information. They present a higher risk of errors, omissions, and other irregularities.

For the three financial areas included in our engagement scope, we first applied broad forensic and data-analytic procedures to available transaction data and records for the full population of activity in each area. The following sections provide more specific information about the data, underlying records, and procedures we used for each area.

Our work was iterative and designed to identify anomalies, apparent noncompliance with statutory, policy, or procedural requirements, and other indications of potential fraud, financial misappropriation, conflicts of interest, or other irregularities. For example, our procedures included reviewing transaction patterns and trends, comparing related data sources, and looking for indicators such as unusual payment activity, unsupported or improperly approved transactions, unusual payroll or vendor activity, revenue billing or collection anomalies, and transactions that appeared inconsistent with applicable requirements or normal business practices and trends.

After identifying anomalies and areas of heightened risk, we conducted more targeted testing and document review. This testing included reviewing underlying documentation, such as invoices, contracts, purchase orders, approvals, payroll and personnel records, billing records, reimbursement support, and other relevant records and conducting interviews with ASDB staff when additional explanation was needed. We used this work to determine whether identified anomalies were reasonably explained or whether they represented exceptions, errors, instances of noncompliance, or indicators of potential fraud or other irregularities.

Although we did not identify evidence sufficient to indicate that financial fraud occurred during the audit period, we identified deficiencies requiring corrective action in all 3 areas that are discussed in more detail in later chapters.

**Our test work on service-related revenue was designed to assess whether revenue was properly billed, collected, recorded, and deposited in accordance with applicable requirements**

We performed procedures on service-related revenue to determine whether amounts ASDB received were properly supported, billed, collected, and recorded in accordance with applicable requirements. Our work addressed 2 revenue groupings that differ in how revenue is earned, billed, and supported: voucher and fee-for-service revenue, which depends primarily on student enrollment and service records for students receiving ASDB services; and Medicaid revenue, which depends on Medicaid-eligible services provided to eligible enrolled students and on claims submitted and paid. Collectively, our service-related revenue procedures included obtaining and analyzing 62 data files representing 742,888 detailed data lines from ASDB and related sources, such as the Arizona Department of Education. For voucher and fee-for-service revenue, we obtained and validated student enrollment, voucher payment, fee-for-service billing and payment, and related supporting data from multiple sources and assessed the completeness and reliability of that information for analytical purposes. Because voucher and fee-for-service revenue is tied to enrolled students receiving ASDB services, our procedures focused on the full population of enrolled students within the audit scope, as seen in Table 2, page 5, and the related billings and payments associated with those students, including reconstructing and consolidating enrollment information needed to address the student information system transition during the audit period.[16] For Medicaid revenue, we obtained and validated ASDB's Medicaid claims and payment data, enrollment information, and other related records and assessed the completeness and reliability of that information for analytical purposes. Because Medicaid revenue is tied to Medicaid-eligible services rather than to all enrolled students, our

[16] During the audit period, ASDB transitioned from its legacy student information system to a new student information system. The formal data migration process began on May 8, 2023. The new student information system was put in use on July 1, 2023. Due to ASDB's inadequate reconciliation and validation of the data conversion, as discussed more fully in Chapter 2, see pages 17 through 26, we reconstructed a consolidated enrollment database to support our analysis of service-related revenue.

procedures focused on the total population of claims submitted and payments received for those services.

Using the student populations and related transaction populations within the audit scope for each revenue stream, we performed reconciliation, cross-referencing, and other analytical procedures to assess whether amounts ASDB received were tied to enrolled students and whether there were enrolled students with no associated payment. For voucher and fee-for-service revenue, this included comparing ASDB's student enrollment data to voucher payments received from the Arizona Department of Education and to fee-for-service billings to invoices ASDB issued to participating schools and fee-for-service payments received to assess whether amounts billed and collected were supported by enrollment and service records. For Medicaid revenue, this included comparing claims submitted and payments received to underlying enrollment and related records to assess whether reimbursements were supported by available documentation. Information obtained through document review and follow-up inquiries was used to determine whether items identified for further review were reasonably explained or represented exceptions, errors, instances of noncompliance, indicators of potential fraud, or other irregularities.

See Chapter 2, pages 17 through 26, for deficiencies we identified related to ASDB's service-related revenues.

**Our test work on payroll expenditures was designed to assess whether compensation was properly authorized, supported, and paid in accordance with applicable requirements**

We performed risk-based payroll procedures to determine whether payroll expenditures were properly authorized, supported, and paid in accordance with applicable requirements. Our work included obtaining and validating payroll registers and employee master data, including 25 data files representing over 4.3 million detailed data lines, assessing the completeness and reliability of that information for analytical purposes, and applying data analytics to the full population of payroll detailed data lines, including all employees and executives. These analytics were designed to develop an overall understanding of payroll activity, employee populations, compensation structures, and pay trends, and to identify patterns, anomalies, and outlier conditions warranting additional review. For example, we analyzed the data to identify compensation trends, overtime and bonus activity, pay relationships across employee groups, duplicate payments, significant fluctuations, unusual transactions, and employee compensation patterns that differed from expected norms.

Our initial analytics identified 173,965 first-pass outliers or anomalies. The identification of an outlier or anomaly does not mean the transaction is improper; rather, it means the transactions met one or more risk-based screening criteria for additional analysis. Because first-pass analytics are intentionally broad, we performed additional analytics to refine the results and focus our follow-up procedures on higher-risk items. Based on this additional analysis, we performed detailed, hands-on follow-up procedures on approximately 10 percent of the first-pass outliers or anomalies, including the detailed examinations of high-risk payroll categories described below.

Our follow-up procedures on the second-pass outliers and anomalies included review of selected transactions, employees, and executives, including examination of personnel files, payroll authorizations, and other relevant supporting documentation. Our work also included detailed examinations of transactions within certain higher-risk categories, including stipend pay, incentive pay, overtime, off-cycle paychecks, payments issued before hire or after termination, and annual compensation reflecting unexpected variances.

See Chapter 3, pages 27 through 30, for deficiencies we identified related to ASDB's payroll expenditures.

**Our test work on expenditures for goods and services was designed to assess whether expenditures were properly procured, authorized, supported, and paid in accordance with applicable requirements**

We performed risk-based procedures on expenditures for goods and services to determine whether expenditures were properly procured, authorized, supported, and paid in accordance with applicable requirements. Our work included obtaining and validating accounts payable detail, purchase order data, vendor master, and warrant register;[17] assessing the completeness and reliability of that information for analytical purposes; and applying data analytics to the full population of more than 500,000 detailed data lines. These analytics were designed to provide an overall understanding of disbursement activity, vendor composition, procurement activity, and transaction trends, and to identify patterns, anomalies, and outlier conditions warranting additional review. For example, we analyzed the data to identify spending trends, vendor payment activity, purchasing behaviors across departments or categories, recurring expenditure patterns, unusual transactions, duplicate payments, split purchases, significant spending fluctuations, conflicts of interest, and other

[17] A warrant register is similar to a check register and identifies warrants or payments issued.

disbursement activity that differed from expected norms.[18] Our initial analytics identified more than 1,300 anomalies or other outlier conditions warranting additional analysis.

Our follow-up procedures on the more than 1,300 anomalies and outliers included a review of selected transactions and vendors, including examination of invoices, purchase orders, approvals, payment records, and other relevant supporting documentation. Although our procedures were not designed to provide an affirmative conclusion that every expenditure served a public purpose, our review included considering whether the nature and documented purpose of the selected expenditures appeared consistent with ASDB's operations. Our work also included targeted testing in higher-risk areas, including potential duplicate payments, transactions lacking invoice support, round-dollar transactions, non-payroll payments to employees, unusual vendor activity or growth, and transactions lacking expected procurement attributes, such as purchase orders.

See Chapter 4, pages 31 through 33, and Chapter 5, pages 34 through 36, for deficiencies we identified related to ASDB's expenditures for goods and services.

[18] A split purchase is the intentional breaking down of a purchase into smaller transactions. Split purchases are often used to deliberately subvert a procurement requirement such as a purchase threshold over which competitive bidding is required.

# CHAPTER 2

## ASDB did not reliably bill, collect, and reconcile service-related revenue for services provided during fiscal years 2022 through 2024, reducing monies available to support its operations and contributing to its financial problems

### ASDB is responsible for accurately billing, collecting, and reconciling service-related revenue

As discussed in the Introduction, see pages 1 through 10, ASDB receives service-related revenue from voucher payments, fee-for-service payments, and Medicaid reimbursements. These revenues are tied to the students ASDB serves and the services it provides. Therefore, ASDB is responsible for identifying eligible students and services, completing required reporting, billing, claims, collection, refund, and reconciliation processes, and accurately managing the related revenue.

### ASDB did not collect an estimated $2.1 million in voucher and fee-for-service revenue for services provided during fiscal years 2022 through 2024, had $2.6 million in denied Medicaid claims identified as correctable, and may not have consistently billed Medicaid for all eligible services

As seen in Table 4 on page 19, ASDB did not consistently bill and collect all service-related revenue it was owed for services provided during fiscal years 2022 through 2024. Specifically, ASDB did not collect an estimated $2,068,654 in voucher and fee-for-service revenue, including voucher payments from the Arizona Department of Education (ADE) and fee-for-service and membership payments from participating schools.[19] Our analysis assessed whether ASDB billed and collected amounts based on the voucher amounts, fee schedules, membership fees, and other billing terms in effect during the audit period; it did not assess whether the Itinerant Services Program fees or membership fees themselves were appropriate or commensurate with the costs of providing services. See Chapter 9, pages 45 through 47, for a discussion on Itinerant Service Program fees and voucher reimbursement amounts.

[19] Our analysis included services ASDB provided during fiscal years 2022 through 2024. In determining amounts collected and outstanding for those services, we considered payments received through the completion of our audit work, including payments received after June 30, 2024, for services provided during the audit period.

In addition, ASDB's Medicaid claims disposition data showed $2,582,230 in denied Medicaid claims that were categorized as correctable. The Medicaid disposition data, which ASDB can obtain from SEAS Education, summarizes claims submitted, paid, outstanding, and denied by student for a specified period and identifies denied claims that may be corrected and resubmitted. For example, correctable denials may result from missing or inaccurate claim information, coding issues, or other errors that can be addressed through review and resubmission. AHCCCS generally requires providers to request reconsideration or pursue resubmission within 12 months of the date of service.[20] Because these claims related to services provided during fiscal years 2022 through 2024, the ordinary time frame for pursuing most or all of these claims expired by the time of our review. ASDB did not review, correct, and resubmit the denied claims within the applicable time frames and, as a result, did not pursue collection of these amounts.

[20] AHCCCS Provider Resubmission and Reconsideration Process.
https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/claimresubmission.html

**Table 4**
**ASDB's uncollected service-related revenue for services provided during fiscal years 2022 through 2024**

| Revenue source | Issue identified | Estimated amount[5] |
|---|---|---|
| Vouchers (failed to report and collect)[1] | ASDB failed to report and collect voucher payments for 113 students enrolled in its Phoenix campus, Itinerant Services Program, and Early Learning Program throughout fiscal years 2022 through 2024. | $1,949,222 |
| Fee-for-service (failed to bill)[2] | ASDB failed to bill participating schools for services provided to 27 students enrolled in its Itinerant Services Program throughout fiscal years 2022 through 2024. | 97,022 |
| Fee-for-service and membership fees (failed to collect) invoices[3] | 19 participating schools did not pay invoices issued by ASDB for services it provided to students enrolled in its Itinerant Services Program throughout fiscal years 2022 through 2024. Payment remained due to ASDB as of the date of our analysis. | 21,559 |
| Membership fees (failed to bill)[3] | ASDB failed to bill 2 participating schools in fiscal years 2022 and 2024 for membership fees for participation in the Itinerant Services Program. | 850 |
| **Total uncollected voucher and fee-for-service revenue** | | **$2,068,654** |
| Medicaid reimbursements[4] | Medicaid disposition data showed denied claims categorized as correctable that ASDB did not resubmit. | $2,582,230 |

Note: Amounts may not total due to rounding.
[1] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.
[2] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; and discussions with ASDB staff.
[3] Source: FSS analysis of ASDB fiscal year 2022 through 2024 student information system enrollment data, fee-for-service invoices and payment receipts detail, Itinerant Services Program membership fee invoices and payment receipts detail; and discussions with ASDB staff.
[4] Source: FSS analysis of ASDB fiscal years 2022 through 2024 Medicaid claims disposition data from SEAS Education.
[5] See Appendix A for underlying details of amounts by entity or participating school by fiscal year.

We also identified inconsistent Medicaid billing activity suggesting ASDB may not have submitted claims consistently for some students who received Medicaid-reimbursed services in other years. Specifically, we identified 16 enrolled students for whom ASDB received Medicaid reimbursement for services provided in fiscal years 2022 and 2024, but not in fiscal year 2023. Because these students received Medicaid-reimbursed services in the year before and the year after fiscal year 2023, the absence of similar claims or reimbursements in fiscal year 2023 indicates ASDB may not have consistently identified and submitted Medicaid claims nor corrected and resubmitted denied claims for these students during the scope period.[21]

**ASDB may need to refund approximately $455,953 because of duplicate, excess, or unsupported payments, and payments for periods students were not enrolled**

Our analysis of ASDB's records identified billing and collection inaccuracies totaling approximately $455,953 in potential refunds to ADE and participating schools. We brought these amounts to ASDB's attention during our review; however, as of May 2026, ASDB had not issued the refunds.

As shown in Table 5 on page 21, these billing and collection inaccuracies included instances in which ASDB received payments for periods when students were not enrolled, received both voucher and fee-for-service payments for the same students and overlapping time periods, received payments from multiple participating schools for the same student and overlapping time period, and retained duplicate or excess fee-for-service or membership payments from participating schools without timely refunding and correcting its records.

[21] We did not determine whether all Medicaid-eligible services were billed because that determination requires specialized Medicaid billing expertise, and our review was limited to claims ASDB submitted and related billing activity. Therefore, we did not quantify any potential additional Medicaid revenue associated with these inconsistent billing patterns.

**Table 5**

**Potential refunds to ADE and participating schools resulting from ASDB's billing and collection inaccuracies for services provided during fiscal years 2022 through 2024**

| Revenue source | Issue identified | Potential refund[3] |
|---|---|---|
| Vouchers[1] | ASDB received voucher payments from ADE for 16 students or time periods that did not align with ASDB's enrollment records, including instances in which ASDB also received fee-for-service payments from participating schools for the same students and overlapping time periods. | $392,097 |
| Fee-for-service[1] | ASDB received fee-for-service payments from participating schools for 8 students or time periods that did not align with ASDB's enrollment or billing records, including instances in which multiple schools paid for the same student and overlapping time period. | 26,392 |
| Fee-for-service and membership fees[2] | 8 participating schools overpaid fee-for-service invoices or Itinerant Services Program membership fees, and ASDB had not issued refunds. | 37,464 |
| **Total potential refunds** | | **$455,953** |

Note: Amounts may not total due to rounding.

[1] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.

[2] Source: FSS analysis of ASDB fiscal years 2022 through 2024 fee-for-service invoices and payment receipts detail, and Itinerant Services Program membership fee invoices and payment receipts detail; and discussion with ASDB staff.

[3] See Appendix A for underlying details of amounts by entity or participating school by fiscal year.

**By not properly billing, collecting, and refunding monies, ASDB reduced the monies available for its operations and participating schools and increased the risk that billing and collection errors would not be timely identified or corrected**

ASDB relies on service-related revenue to help support its educational programs and related services. ASDB's failure to accurately identify, bill, collect, refund, and reconcile this revenue reduced the cash available to support operations and offset the costs of services it had already provided. Conversely, when ASDB received excess or duplicate payments, did not timely refund monies owed to participating schools, or collected fees that exceeded the costs of providing services, participating schools had fewer public monies available for other priorities, such as increasing teacher salaries or classroom spending. Inaccurate enrollment and billing records also increased the risk that ASDB would not timely identify revenue it was owed, pursue denied Medicaid claims that may have been correctable, or resolve overpayments, potential refunds, and other billing errors.

**ASDB relied on inaccurate enrollment data and lacked reliable processes to bill, collect, refund, and reconcile voucher, fee-for-service, and Medicaid revenue**

ASDB's uncollected service-related revenue and billing accuracy issues occurred because it relied on inaccurate and unreliable enrollment data and lacked reliable processes to bill, collect, refund, and reconcile voucher, fee-for-service, and Medicaid revenue. Specifically:

- **ASDB lacked reliable processes to maintain, reconcile, and validate enrollment data before, during, and after its student information system conversion, resulting in incomplete and inaccurate enrollment records—**Before converting to its new student information system, ASDB did not have a reliable process to ensure that enrollment information maintained in its legacy student information system was complete and accurate. Consequently, ASDB did not have a reliable enrollment record to use as the basis for the conversion. ASDB converted student enrollment data from its legacy student information system to its new student information system during fiscal year 2023, before beginning use of the new system at the start of fiscal year 2024. However, ASDB did not adequately reconcile and validate the converted data before using the new information system for billing, reporting, and other operational purposes. As a result, ASDB's student enrollment records were incomplete and inaccurate.

  For example, we identified 112 instances in fiscal years 2022 through 2024 in which students were enrolled, attended, and were billed for, but their enrollment was recorded in the legacy information system and not in the new information system. Specifically, this included 57 instances in fiscal year 2022, 44 instances in fiscal year 2023, and 11 instances in fiscal year 2024. The fiscal years 2022 and 2023 instances demonstrate that incomplete historical enrollment information was carried forward during the conversion, while the fiscal year 2024 instances indicate that the issue continued after ASDB began using the new information system.

  Because ASDB relied on enrollment data to support voucher reporting, fee-for-service billing, and Medicaid claims, incomplete or inaccurate enrollment records increased the risk that ASDB would not bill and collect all revenue it was owed or identify billing errors requiring refund or other correction.

- **ASDB lacked a well-defined process to consistently maintain accurate enrollment records in its new information system—**In addition to not adequately reconciling and validating converted enrollment data, ASDB lacked a well-defined process to ensure enrollment records were accurately maintained in its new information system. For example, we identified 213 instances in fiscal years 2022 and 2023 in which students were no longer enrolled but the new information system did not show a leave date, even though no services were provided. We also identified 23 instances in fiscal years 2022 through 2024 in which student identification numbers in the new system did not agree with voucher data from ADE, and 9 instances in fiscal years 2022 and 2023 in which student names differed between ASDB's student information system and fee-for-service invoices or voucher data.

These recordkeeping issues affected ASDB's ability to determine which students were enrolled, which services were provided, which revenue source applied, and whether services had been accurately billed and revenue collected. Without accurate enrollment records, ASDB could not reliably confirm that voucher, fee-for-service, and Medicaid revenue was complete, accurate, and properly supported.

- **ASDB did not have reliable billing, collection, refund, and reconciliation processes for voucher, fee-for-service, and Medicaid revenue—**ASDB did not have reliable processes to ensure service-related revenue was accurately billed, collected, tracked, refunded, and reconciled. For voucher revenue, ASDB did not consistently ensure that all eligible students were reported to ADE so that ASDB could receive voucher payments. According to ASDB, it could not retroactively collect voucher payments for students it failed to report. As a result, missed voucher reporting permanently reduced the revenue available to offset the costs of services ASDB had already provided.

  For fee-for-service revenue, ASDB did not maintain a reliable billing system or complete invoice record. During our review, we identified fee-for-service invoices in payment folders that were not included in the fee-for-service invoice files ASDB provided. In addition, ASDB's fee-for-service invoices included student names but did not include ADE student identification numbers, which limited ASDB's ability to match invoices to enrollment and service records and ensure billings were accurate. These issues limited ASDB's ability to determine whether all services were billed, whether invoices were paid, and whether outstanding balances, overpayments, duplicate payments, or potential refunds existed. ASDB staff also indicated that ASDB was looking into a new billing system.

  For Medicaid revenue, ASDB contracts with SEAS Education to submit Medicaid claims on its behalf. However, ASDB did not have a reliable process to oversee its Medicaid billing and ensure denied but correctable claims were reviewed and resubmitted when allowable. For example, ASDB's Medicaid claims disposition report identified $2,582,230 in denied claims as correctable, but ASDB did not have a process for documenting its review and resolution of those claims, determining whether the denials resulted from information provided by ASDB, actions by its Medicaid biller, or other causes, or assessing whether the claims could still be resubmitted and collected.[22] Although we did not determine the cause or final disposition of each denied claim, the report demonstrated that ASDB lacked a reliable process to monitor denied claims, oversee its Medicaid biller, and ensure appropriate follow-up.

In addition, ASDB did not have a reliable process to compare Medicaid billing activity across years to identify enrolled students with inconsistent billing patterns, such as students who had Medicaid-reimbursed services in fiscal years 2022 and 2024 but no claims or reimbursements in fiscal year 2023. Without a reliable process to monitor denied claims, identify gaps in Medicaid billing activity, and work with its Medicaid biller to resolve correctable denials or billing questions, ASDB increased the risk that it would not collect Medicaid reimbursements for claims it submitted or for billing activity that warranted further review.

**Recommendations to ASDB**

1. Reconcile and correct converted enrollment data. This should include comparing legacy information system, new information system, voucher data, fee-for-service billing records, Medicaid records, and supporting service records to identify and correct discrepancies.

2. Develop and implement written procedures for reconciling and validating converted data before it is used. These procedures should require documented management review and resolution of discrepancies identified during data conversions and ongoing monitoring to identify and correct any remaining conversion-related data issues.

3. Develop and implement written procedures for maintaining accurate enrollment records after system conversion. These procedures should require timely updates to student names, student identification numbers, school attended, enrollment start and leave dates, service status, and other information used for billing, collection, refund, reconciliation, and reporting.

[22] Because our review was limited to claims ASDB submitted and related billing activity, we did not determine whether additional Medicaid-eligible services should have been billed.

4. Require periodic management review of enrollment records used for service-related revenue. This review should include reconciling enrollment records to supporting service records and resolving discrepancies before the records are used for voucher reporting, fee-for-service billing, Medicaid claims, refunds, or other financial reporting.

5. Develop and implement written billing, collection, refund, and reconciliation procedures for voucher, fee-for-service, and Medicaid revenue. These procedures should establish responsibilities for preparing billings and claims, tracking receipts, documenting adjustments, monitoring outstanding balances, identifying potential refunds, and reconciling reported, billed, collected, refunded, and outstanding amounts.

6. Implement a reliable system or tool for generating and maintaining fee-for-service invoices. The system or tool should maintain a complete invoice record, include student identification information needed to match invoices to enrollment and service records, support tracking of payments and outstanding balances, and provide an audit trail for invoice creation, changes, adjustments, and management review.

7. Establish separate monitoring procedures for each service-related revenue source. These procedures should include self-audits comparing voucher payments requested and received to enrollment records, fee-for-service invoices issued and paid to services provided, and Medicaid billing to enrollment records, available Medicaid eligibility records, student service documentation, and year-to-year billing activity.

8. Immediately work with its Medicaid biller to review denied claims identified as correctable and other inconsistent Medicaid billing activity. ASDB should determine whether denied claims remain eligible for resubmission, reconsideration, dispute or other corrective action; promptly pursue all allowable reimbursements; and document the final disposition and root cause of each denied claim or billing gap, including amounts that can no longer be recovered.

9. Develop and implement ongoing Medicaid claims-monitoring and contractor-oversight procedures. These procedures should require periodic review of claims disposition reports; timely identification and resolution of denied claims and billing gaps; documented responsibilities and deadlines for ASDB and its Medicaid biller; analysis of denial causes and trends; and management review of claims submitted, denied, corrected, resubmitted, and paid. ASDB should also evaluate and, as appropriate, revise its Medicaid billing contract to include measurable performance

and reporting requirements, denial resolution time frames, and remedies when the biller does not meet contractual requirements.

10. Review and resolve identified uncollected revenue, unpaid invoices, overpayments, duplicate payments, and potential refunds. This review should determine whether additional collection, correction, refund, immediate reimbursement, or other corrective action is warranted and should be documented and reviewed by management.

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

# CHAPTER 3

## ASDB did not consistently ensure payroll expenditures for incentive pay and stipend pay were properly documented, supported, reviewed for eligibility, and paid in accordance with applicable requirements, increasing the risk of unsupported payroll expenditures and reduced accountability over public funds

**Additional compensation terms used in this chapter**

**Stipend pay** – Supplemental compensation paid to employees who perform duties outside their primary role, such as a teacher who also serves as a coach.

**Incentive pay** – Additional compensation paid through incentive-based programs, such as Annual Teacher Performance pay, the Health Impact Incentive Award, and referral bonuses for teacher candidates.[1,2]

**Referral bonus –** A type of incentive pay available under ASDB's Staff member Referral Program, which was implemented in October 2022 to support recruitment of qualified teaching staff. Under the program, eligible employees may receive up to $750 for referring a qualified teacher candidate who is hired by ASDB, if program eligibility and documentation requirements are met.

[1]Annual Teacher Performance pay is performance-based teacher compensation paid from Classroom Site Fund monies established through Proposition 301. Arizona Auditor General, *Arizona Public School Districts' Planned Uses of Proposition 301 Monies* (Mar. 2022).
[2]The Health Impact Program, or HIP, is the State of Arizona's employee wellness program that allows eligible State employees to earn incentive payments for participating in wellness activities and screenings. Arizona Department of Administration, Benefits Wellness, *Health Impact Program*.

### Payroll expenditures, including incentive pay and stipend pay, should be properly documented, supported, reviewed for eligibility and accuracy before payment, and paid only in accordance with applicable requirements

Arizona statute requires State agencies to make and maintain adequate documentation of essential transactions and preserve records necessary to provide accurate knowledge of official activities supported by State monies.[23] These documentation and recordkeeping requirements apply to payroll expenditures, including incentive pay and stipend pay. Statewide payroll policy further requires agencies to maintain payroll accuracy and internal controls and to retain supporting payroll records.[24] In addition, ASDB's Staff Member Referral Program established eligibility and documentation requirements for referral bonus payments. Among other requirements, to qualify for a referral bonus, the referred candidate could not have been employed by ASDB during the preceding 4 years, the referring employee could not be a family member of the referred candidate, and the referring employee had to be identified on the candidate's employment application.[25]

**ASDB made 14 incentive and stipend payments totaling $5,135 that were unsupported, ineligible, or inconsistent with applicable requirements**

ASDB made 14 incentive and stipend payments totaling $5,135 during fiscal years 2022 through 2024 that were not paid in accordance with applicable requirements (see Table 6, page 29 for more details). These exceptions are reportable because ASDB paid public monies without ensuring the payments were properly supported, eligible, and consistent with approved amounts.

As part of our payroll expenditure testing, as described more fully in Chapter 1, see pages 11 through 16, we identified incentive pay and stipend pay as higher-risk payroll transaction categories and reviewed 100 percent of ASDB's payments in these categories. Specifically, we reviewed 1,593 incentive pay transactions, including 32 pay transactions for referral bonuses, and 3,805 stipend pay transactions, for a total of 5,398 transactions. The 14 reportable exceptions represented approximately 0.3 percent of the incentive and stipend transactions we reviewed. These were the only exceptions we identified in our payroll testing.

The incentive pay exceptions we identified did not involve Annual Teacher Performance pay, which accounted for approximately 98 percent of incentive pay dollars during the audit scope period, and were limited to employee referral bonus payments. Referral bonuses represented approximately 0.4 percent of incentive pay dollars; however, 25 percent of the referral bonus payments we reviewed were ineligible or unsupported under ASDB's Staff Member Referral Program requirements. Specifically, incentive pay for referral bonus exceptions totaled $3,250 and included payments that lacked documentation identifying

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[23] A.R.S. § 41-151.14(A)(2) and A.R.S. § 39-121.01(B)–(C).

[24] Arizona Department of Administration, General Accounting Office, *State of Arizona Accounting Manual*; *General Payroll Policies* (SAAM 5505) (stating that agency management remains responsible for payroll accuracy and internal controls sufficient to mitigate errors, and that supervisors should check employee time entries for accuracy before approval).

[25] ASDB, *Staff Member Referral Program* (Oct. 2022).

the referring employee on the new hire's application, or were paid for ineligible referrals, such as a family member or former employee.

The stipend exceptions we identified totaled $1,885. In 5 instances, ASDB did not maintain documentation showing approval of the activities supported by the stipend payments. In 1 additional instance, ASDB paid $675 more than the amount supported by the available approval documentation. We could not determine from the records provided whether the additional amount had been separately approved or why payroll processed an amount greater than that shown on the approval form.

By making incentive and stipend payments that were unsupported, ineligible, or inconsistent with applicable requirements, ASDB increased the risk that public monies were used for improper or unallowable purposes.

**Table 6**
**Incentive and stipend payments unsupported, ineligible or inconsistent with applicable requirements during fiscal years 2022 through 2024**

| Pay type | Exception | Number of payments | Total |
|---|---|---|---|
| Incentive[1] | Referral bonus paid – referrer was spouse of referred employee | 3 | $1,875 |
| Incentive[1] | Referral bonus paid – referrer not identified on application | 4 | 1,125 |
| Stipend[2] | ASDB did not maintain documentation showing approval | 5 | 1,210 |
| Stipend[2] | Exceeded the amount approved on supporting approval form | 1 | 675 |
| Incentive[1] | Referral bonus paid – employed by ASDB during preceding 4 years | 1 | 250 |
| **Total** | | | **$5,135** |

Note: Amounts may not total due to rounding.

[1] Source: FSS analysis of ASDB fiscal years 2022 through 2024 payroll transaction detail; personnel file documentation such as employment application and ASDB approval of referral bonus; and discussions with ASDB staff.

[2] Source: FSS analysis of ASDB fiscal years 2022 through 2024 payroll transaction detail; personnel file documentation such as ASDB approval of stipend; and discussions with ASDB staff.

### ASDB did not consistently apply required review procedures before processing certain incentive and stipend payments

These issues occurred because ASDB's prepayment review process was not sufficient to identify referral bonus payments that did not meet program requirements or to ensure that stipend payments were supported by retained approval documentation and agreed with the approved amounts. Although the 1 stipend payment that exceeded the amount supported by the available approval documentation was isolated, it indicates that ASDB's prepayment review did not always include verifying that the amount entered in payroll agreed with the amount shown in the approval documentation. The referral bonus exceptions indicate a need for stronger eligibility review within that program. The 5 stipend payments for which ASDB did not maintain approval documentation, when considered in relation to the 3,805 stipend transactions reviewed, indicate a limited documentation retention issue rather than a broader stipend pay problem. As a result, unsupported, ineligible, and inaccurate incentive and stipend payments were not identified before they were made.

**Recommendations to ASDB**

11. Ensure incentive pay and stipend pay are processed only after required approvals are obtained and supporting documentation is received and retained.
12. Develop and implement procedures requiring supervisory or management review of incentive pay and stipend pay before processing, including assigning responsibility for the review, and documenting that the review was completed.
13. Review the identified exceptions and determine whether corrective action is warranted, including recovery of unsupported, ineligible, or overpaid amounts, as appropriate.

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

# CHAPTER 4

## Purchase order system errors caused inaccurate purchase order balances, increasing the risk that ASDB could spend above approved purchase order amounts

### ASDB should ensure purchase order balances accurately reflect authorized commitments, payments made, and remaining spending authority consistent with State laws and accounting requirements

State law and State accounting requirements establish controls over purchase orders, encumbrances, disbursements, and supporting documentation. These controls help ensure expenditures are authorized before payment, supported by adequate documentation, recorded accurately, and monitored to prevent spending above approved or available amounts (see textbox for more information).[26]

**How purchase orders help control spending**

A purchase order is a formal authorization to purchase goods or services from a vendor at specified terms, quantities, and prices. In addition to documenting management approval, a purchase order functions as a spending control because it identifies the amount authorized for the purchase and allows the agency to track payments against that authorization.

A blanket purchase order is used for recurring goods or services over a period of time rather than for a single purchase. Because multiple invoices may be paid against the same blanket purchase order, accurate balance tracking is especially important. When invoices are applied to the purchase order, the purchase order balance should be reduced to reflect the amount paid and the amount remaining available for expenditure. Accurate purchase order balances help agencies monitor outstanding commitments, prevent spending above approved purchase order amounts, and maintain a complete audit trail.

Source: FSS summary of A.R.S. §35-151; State of Arizona Accounting Manual, Topic 45, Section 20, *Disbursements*; State of Arizona Accounting Manual, Topic 05, Section 06, *Internal Control Principles and Practices*; and Arizona State Procurement Office, *How to Properly Balance Purchase Orders*.

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[26] A.R.S. §35-151; State of Arizona Accounting Manual, Topic 05, Section 06, *Internal Control Principles and Practices*, Arizona Department of Administration, General Accounting Office, issued May 23, 2022; and State of Arizona Accounting Manual, Topic 45, Section 20, Disbursements.

Consistent with State internal control requirements, if a system error prevents an invoice from being applied to an existing purchase order, ASDB should ensure that any alternative payment process preserves the key controls provided by the purchase order process. This includes documenting the reason the invoice could not be applied to the purchase order, retaining evidence of management authorization, referencing the original purchase order, and correcting, amending, closing, or otherwise reconciling the affected purchase order balance to actual payment activity.

**ASDB processed some payments as direct payments and did not ensure related purchase order balances were corrected or reconciled**

For some existing purchase orders, system errors prevented ASDB from applying invoices to the related purchase orders.[27] When these errors occurred, ASDB processed the invoices as direct payments in AZ360 after obtaining management authorization of the payments and referencing the original purchase order in AZ360.[28,29] As a result, these payments were not applied to the purchase orders, and they did not reduce the affected purchase order balances in the Arizona Procurement Portal (APP).[30]

Although management authorization and reference to the original purchase order helped document approval and trace the payment to the original payment obligation, ASDB did not correct or reconcile the affected purchase order balances. In addition, ASDB did not maintain a documented secondary record for each affected purchase order showing the original authorized amount, payments made through APP, payments processed as direct payments, and the resulting amount remaining available for expenditure.

To determine whether this issue was broader, we reviewed direct payments to vendors for which a purchase order ordinarily would have been required and reviewed unused purchase order balances. Based on this expanded work, we did not identify evidence indicating that the inaccurate purchase order balance issue extended beyond the affected purchase orders we identified.

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[27] System errors occurred for various reasons, such as funding issues when a grant budget had not been updated, coding mismatches when general ledger chart of accounts changes were made after a purchase order was issued, or purchase orders that were closed at fiscal year-end before the related goods or services were received.
[28] A direct payment is a payment processed outside the normal purchase order application process.
[29] AZ360 is the State of Arizona's centralized enterprise resource planning system used for payroll, personnel, and financial management.
[30] The Arizona Procurement Portal (APP) is the State of Arizona's centralized e-procurement system used by State agencies and suppliers to conduct procurement business, including sourcing, contracting, supplier management, solicitations, and purchase order activity.

### Inaccurate purchase order balances increased the risk that ASDB could spend more than the approved purchase order amounts

Because the direct payments ASDB made did not reduce the affected purchase order balances in APP and ASDB did not maintain a documented secondary record, some purchase orders reflected remaining balances that were higher than the amounts actually available under those purchase orders. Absent a secondary record, the inaccurate balances in APP increased the risk that ASDB could rely on inaccurate purchase order balances and spend more than the amount approved under the affected purchase orders.

### ASDB lacked procedures for reconciling purchase order balances when invoices were paid outside the normal purchase order application process

ASDB had not developed written procedures requiring its staff to correct, amend, close, or otherwise reconcile purchase order balances when payments were processed outside the normal purchase order application process. As a result, although ASDB's compensating controls helped document payment approval and trace the payments to the original purchase orders, they did not address the resulting purchase order balance inaccuracies.

### Recommendations to ASDB

14. Develop and implement written procedures for purchase orders affected by system errors to require that invoice payments are accurately reflected in the purchase order balance or, if that is not possible, that the affected balance is corrected, amended, closed, or otherwise reconciled through a documented secondary process.

15. Require documentation for each affected purchase order to include, at a minimum, the original purchase order number and authorized amount, the reason the invoice could not be applied to the purchase order, management authorization, reference to the original purchase order in AZ360, payments made through APP, payments processed outside the APP, and the remaining purchase order balance.

16. Periodically reconcile affected purchase orders to AZ360 payment activity and take appropriate action to correct, amend, or close purchase orders when balances are inaccurate.

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

# CHAPTER 5

## ASDB made 2 purchases without required purchase orders, reducing assurance that these purchases were approved before public monies were obligated

### State purchasing requirements and guidance distinguish purchases that require purchase orders from payments that may be made without them

For purchases of goods and services subject to the Arizona Procurement Code, ASDB is required to comply with applicable State procurement requirements.[31] State accounting guidance further provides that, as applicable, expenditures must comply with the Procurement Code.[32]

State accounting and purchasing guidance recognizes that not all payments require purchase orders. For example, payments such as rent, some utilities, purchasing card settlements, interagency transfers, and employee compensation or reimbursements may be processed without purchase orders.[33] By contrast, purchases of goods or services from outside vendors that are processed through the State purchasing system, such as on-contract purchases, off-contract purchases, purchases initiated through approved requisitions, and purchases made through spot bids, formal solicitations, or open requisitions, generally require purchase orders.[34]

Therefore, when a purchase order is required under applicable State purchasing requirements, ASDB should establish and approve the purchase order before obtaining the goods or services. Doing so helps ensure the purchase is reviewed, approved, and documented before ASDB obligates public monies.

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[31] A.R.S. §41-2501(B).

[32] Arizona Department of Administration, General Accounting Office, *State of Arizona Accounting Manual* (SAAM) 0510, Internal Controls.

[33] Arizona Department of Administration, General Accounting Office, *State of Arizona Accounting Manual* (SAAM) 6510, Payment Initiation in APP / ProcureAZ.

[34] Arizona Department of Administration, General Accounting Office, Purchasing & Accounts Payable – FY25; Arizona State Procurement Office, Procure-to-Pay guidance.

**How this issue differs from Chapter 4**

Chapter 4 discusses purchases for which ASDB had established purchase orders, but system errors prevented payment from reducing the affected purchase order balances.

This chapter discusses 2 purchases for which ASDB did not establish required purchase orders before obtaining the goods or services. As a result, these purchases did not receive the prior review and approval through the purchase order process before ASDB obligated public monies.

### ASDB made 2 purchases totaling $26,680 without required purchase orders

As part of our expenditure testing, we reviewed 1,611 purchase transactions for compliance with applicable purchase order requirements. We identified 2 reportable exceptions, totaling $26,680, as seen in Table 7, in which ASDB obtained goods or services before establishing required purchase orders. These 2 exceptions represented approximately 0.1 percent of the purchase transactions we reviewed for purchase order compliance.

**Table 7**
**Purchases without required purchase orders during fiscal years 2022 through 2024**

| Vendor | Warrant Issue Date | Amount | Purpose |
|---|---|---|---|
| Utah State University | 6/15/2023 | $8,500 | Training |
| Toltec Elementary District 22 | 6/30/2023 | $18,180 | Transportation for students |
| **Total** | | **$26,680** | |

Note: Amounts may not total due to rounding.
Source: FSS analysis of ASDB fiscal years 2022 through 2024 warrant register, accounts payable detail, invoices, and purchase order transaction detail; and discussions with ASDB staff.

### Post-purchase review did not provide the same assurance as prior purchase order approval

Based on our review of the invoices, payment records, and discussions with ASDB staff, the departments obtained the goods or services without the required purchase order, then submitted the invoices to ASDB's accounting department for payment. The accounting staff informed the departments that the purchases did not follow ASDB's purchase order requirements. However, because ASDB had already received the goods or services and incurred the related obligations, accounting staff verified receipt with the departments and processed the payments. This review occurred after ASDB had obtained the goods or services and therefore did not provide the same assurance as prior review, approval, and documentation through the purchase order process.

**ASDB's process did not include procedures for staff and/or supervisors to confirm whether a purchase order was required**

These exceptions occurred because ASDB's purchasing process did not include procedures outlining steps and requirements for staff or their supervisors to confirm whether a purchase order was required before obtaining goods or services from the vendors. As a result, ASDB relied on its payment review process to identify and review the transactions after the purchases had already occurred.

**Recommendations to ASDB**

17. Develop, implement, and enforce procedures to ensure purchases requiring purchase orders are routed for approval before the purchases are made.
18. When ASDB staff identifies that a required purchase order was not established before a purchase was made, require documented supervisory review before payment to verify receipt of the goods or services, document why the purchase order was not established, and determine whether corrective action is warranted.

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

# CHAPTER 6

## ASDB did not always ensure Board meeting records were complete or made available within required time frames, reducing transparency and the completeness of Board records

### ASDB did not always comply with State open meeting law requirements for timely and complete meeting records, and did not implement Attorney General guidance related to executive session documentation

State open meeting law requires public bodies including the ASDB Board to provide written minutes or a recording of all meetings and to make the minutes or recording available for public inspection 3 working days after the meeting. State open meeting law also requires meeting minutes to include certain information, including the meeting location.[35] Our review of 10 ASDB Board meetings held from January 11, 2024 through April 2, 2026 found that the Board complied with most of the open meeting law requirements we reviewed, including public notice and agenda requirements, meeting conduct, and minutes and records requirements. However, ASDB did not always ensure Board meeting records included required information or were made available for public inspection within required time frames. Specifically:

- Our review of the January 11, 2024 Board meeting found that the written minutes did not include the meeting location, as required. Because ASDB maintained a digital recording of this meeting, we reviewed the recording to determine whether the meeting location had been stated during the meeting but omitted from the written minutes. However, the location was not stated in the recording. As a result, ASDB's records for this meeting did not include the required location information.
- Our review of ASDB's April 2, 2026 Board special meeting and work study session found that ASDB did not make the work study session record available within the required time frame. Specifically, ASDB posted draft written minutes for the April 2, 2026 special Board meeting on April 7, 2026, within 3 working days. However, ASDB did not post the audio recording for the April 2, 2026 work study session until May 5, 2026, more than a month after the meeting. ASDB also posted written minutes for the work study session on May 5, 2026. ASDB reported that it created audio recordings of Board work study sessions in lieu of taking written minutes. Therefore, the public did

[35] A.R.S. §38-431.01.

not have access to the record of the April 2, 2026 work study session within the time frame required by State open meeting law.

In addition, although not required, the Arizona Attorney General's Office recommends that agencies maintain an audio or video recording, or a transcript, of executive sessions.[36] ASDB did not do so for the 6 meetings we reviewed that included an executive session, reducing the completeness of the Board's records and its ability to respond to future questions or challenges regarding executive session discussions.

**ASDB lacked review, posting, and documentation processes to help ensure Board minutes were timely and complete, and executive sessions were appropriately documented**

ASDB did not have an adequate review process to ensure Board meeting minutes included all required information before they were finalized. As a result, the omission of the meeting location in 1 meeting's records was not identified and corrected before the records were completed.

ASDB also did not consistently follow its meeting-record posting practice for work study sessions. Although ASDB reported that it audio records Board work study sessions in lieu of taking written minutes, it did not ensure the work study session recording was made available within the time frame required by State open meeting law.

In addition, ASDB reported that it relies on written minutes for executive sessions because it considers written minutes sufficient to comply with State open meeting law. However, ASDB had not established a policy or standard practice for creating and retaining an audio or video recording, or transcript, of executive sessions, consistent with Arizona Attorney General's Office recommended practices.

**Recommendations to ASDB**

19. Develop and implement written procedures, including a checklist, for preparing, reviewing, and making Board meeting minutes and recordings available for public inspection within the required time frames. The procedures should address all Board meeting types, including regular meetings, special meetings, and work study sessions, and require ASDB to verify that meeting records include all required information before records are finalized.

[36] Arizona Attorney General's Office, *Arizona Agency Handbook, Revised 2018*. Chapter 7, item 7.8.3.

20. Develop and implement a process for creating and retaining an audio or video recording, or transcript, of executive sessions, consistent with Arizona Attorney General's Office recommended practices.

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

# CHAPTER 7

## ASDB's policy allowed it to purchase goods and services from Board members without public competitive bidding, contrary to statute, increasing the risk that ASDB did not obtain the best value for public monies and failing to protect against favoritism and self-dealing

**ASDB's policy allowed it to purchase goods and services from Board members without public competitive bidding, contrary to statute**

A.R.S. §38-503(C) states that a public officer or employee of a public agency, including ASDB, may not supply equipment, material, supplies, or services to the public agency unless the transaction is made pursuant to an award or contract resulting from public competitive bidding. However, ASDB's policy allowed it to make purchases from Board members through methods other than public competitive bidding. Specifically, ASDB policy established thresholds for Board member-as-vendor transactions that allowed ASDB to make direct purchases of goods and services not on State contract up to $4,999 per transaction, required written price quotations for transactions from $5,000 to $49,999, and required public competitive bidding only for purchases over $50,000.[37]

Prior to fiscal year 2023, ASDB did not have a practice of collecting conflict-of-interest disclosure forms from Board members. As a result, we were unable to determine whether any Board members had substantial interests in entities that provided goods or services to ASDB during fiscal year 2022. For fiscal years 2023 through 2025, every Board member submitted a conflict-of-interest disclosure form for each fiscal year in which the Board member served, and none disclosed a conflict of interest.

For fiscal years 2022 through 2025, we also reviewed Arizona Corporation Commission records and other publicly available information to identify businesses potentially affiliated with Board members. We also searched ASDB's warrant register for Board member names and identified business names and commonly used abbreviations. Our work did not identify purchases for Board members or the affiliated entities identified through these procedures.

[37] ASDB, Policy: BCB, Section B: ASDB Board Governance and Operations, Purchases from ASDB Board Members (Updated September 11, 2025 and established in 2006).

**ASDB's policy increased the risk that it would not obtain the best value for public monies and lacked protections against favoritism and self-dealing**

Public competitive bidding helps promote transparency, open competition, and accountability by allowing public agencies to compare prices and demonstrate that purchases are made in the public interest. Because ASDB's policy allowed procurement methods other than public competitive bidding for certain Board member-as-vendor transactions, ASDB was at an increased risk of not obtaining the best value for public monies. In addition, because Board member-as-vendor transactions involve an inherent conflict-of-interest risk, allowing these transactions outside the statutory public competitive bidding process increased the risk of favoritism, self-dealing, or the appearance of improper influence.

**ASDB lacked an adequate process for legal review of policy provisions based on statutory requirements**

ASDB did not sufficiently review this section of its policy for consistency with Arizona statutes before adopting or maintaining it, including whether its threshold-based procurement methods for Board member-as-vendor transactions were permissible under A.R.S. §38-503(C).

In addition, ASDB did not have an adequate process requiring policy provisions that implement or interpret statutory requirements to be reviewed for legal sufficiency before adoption or revision. Such a process could include consulting with its Attorney General representative for policy provisions that implement or interpret statutory requirements, because the Attorney General serves as legal advisor to State departments and renders legal services as required.[38]

**Recommendations to ASDB**

21. Revise the Board member-as-vendor policy to align with A.R.S. §38-503(C), including removing purchasing thresholds that allow procurement methods other than public competitive bidding unless a statutory exception applies.
22. Establish a process requiring legal review of future policy provisions that are based on or intended to implement statutory requirements before adoption or revision.
23. Provide Board members and relevant staff with updated guidance and training on the statutory requirements governing Board member-as-vendor transactions.

[38] A.R.S. §41-192(A)(1).

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

# CHAPTER 8

## ASDB began implementing conflict-of-interest safeguards and a self-audit process in 2025 to help ensure compliance with State requirements

### State conflict-of-interest requirements provide a framework for disclosing, documenting, and addressing possible conflicts of interest

The State's conflict-of-interest requirements exist to remove or limit the possibility that personal interests could influence a public agency employee's or public officer's official conduct. Specifically, statute requires employees of public agencies and public officers, including Board members, to avoid conflicts of interest that might influence or affect their official conduct.[39] These laws require employees and public officers to disclose substantial financial or decision-making interests in a public agency's official records, either through a signed document or the agency's official minutes. Statute further requires that employees and public officers who have disclosed conflicts refrain from participating in matters related to the disclosed interests. To help ensure compliance with these requirements, the Arizona Department of Administration's (ADOA) State Personnel System employee handbook and conflict-of-interest disclosure form require State employees to disclose any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and anytime there is a change.[40] The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no." Although Board members are not subject to the ADOA's State Personnel System employee handbook, the ADOA disclosure form represents a best-practice model that can be used to help ensure Board members disclose potential conflicts and comply with State conflict-of-interest requirements. Finally, A.R.S. §38-509 requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest and to make this file available for public inspection.

### ASDB was in the process of implementing conflict-of-interest policies and procedures to support compliance with State requirements

In calendar year 2025, ASDB began implementing conflict-of-interest policies and procedures designed to help ensure employees and Board members disclose and address

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[39] A.R.S. §38-503. *Attorney General's Agency Handbook 8.2.1*.
[40] Arizona Department of Administration, *State Personnel System Employee Handbook*.

potential conflicts of interest in response to recommendations from the Arizona Auditor General's 2022 ASDB performance audit and sunset review.[41] To assess ASDB's implementation of these recommendations, we interviewed ASDB staff, reviewed its conflict-of-interest policy, disclosure forms, training documentation, special disclosure file, and self-audit documentation.

ASDB's process requires employees to complete a conflict-of-interest disclosure form upon hire and when circumstances change, and Board members to complete one upon appointment, annually, and when circumstances change. The disclosure form includes an affirmative "no" statement for employees and Board members to attest that they do not have any potential conflicts of interest, if applicable. Disclosed conflicts are reviewed by ASDB human resources staff. Employees and Board members with identified conflicts are required to take appropriate action, such as recusing themselves from related decision-making or resolving the conflicting role. ASDB also requires employees and Board members to complete annual conflict-of-interest training through its SafeSchools platform, including training on State requirements, ASDB's disclosure process, and completion of the disclosure form. ASDB also maintains conflict-of-interest documentation in a special disclosure file available for public inspection, as required by statute.

We reviewed 23 employee disclosure forms and 24 Board member forms dated November 1, 2023 through August 14, 2025 to assess whether required forms were completed, potential conflicts were disclosed or an affirmative statement that no conflicts existed was provided, and the forms were maintained in accordance with ASDB's process. We found no exceptions among the forms reviewed.

Finally, ASDB has established an annual self-audit of its conflict-of-interest documentation to monitor compliance with its policy and process. The self-audit includes reviewing whether required disclosure forms were completed, disclosed conflicts were reviewed and addressed, and required documentation was maintained. ASDB was conducting its first annual self-audit at the time of our review. Therefore, although our review of ASDB's policies and procedures and 23 employee and 24 Board member disclosure forms found that ASDB was carrying out its disclosure process as designed, the self-audit process had not yet been completed through a full monitoring cycle. ASDB was therefore in the process of implementing the Auditor General's 2022 conflict-of-interest recommendations. Accordingly, we make no recommendations in this chapter.

[41] See Arizona Auditor General report 22-109 *Arizona State Schools for the Deaf and the Blind—Performance Audit and Sunset Review*.

# CHAPTER 9

## ASDB implemented the Auditor General's 2022 recommendation by establishing and using a process to periodically review Itinerant Services Program fees and voucher reimbursement amounts

### Periodic review helps ASDB determine whether Itinerant Services Program fees and voucher reimbursement amounts remain appropriate

The Auditor General's 2022 performance audit and sunset review of ASDB recommended that ASDB develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amount.[42] Specifically, the recommendation called for ASDB to analyze the costs of the processes and services the Itinerant Services Program provides, compare those costs to associated fees, determine appropriate fees and reimbursement amounts, and revise its fees and reimbursement amounts accordingly.

This type of review is important because the Itinerant Services Program is funded through both fee-for-service payments from participating schools and voucher monies from the Arizona Department of Education. Periodically comparing program revenues to the costs of providing services helps ASDB determine whether its fees and reimbursement amounts remain aligned with program costs.

### ASDB established and used a process to review Itinerant Services Program financial activity and determine whether fees or voucher reimbursement amounts should be revised

We were asked to assess ASDB's progress in implementing this recommendation. To do so, we reviewed ASDB's documented review process, its January 2025 financial analysis, and the actions it took in response to that analysis.

ASDB used its process in January 2025 to review Itinerant Services Program financial activity from July 2019 through December 2024. The review considered program revenues and costs, Cooperative Services Fund balances, fee-for-service rates, and voucher reimbursement amounts. Based on its review, ASDB concluded that its fee-for-service and membership fee

[42] See Arizona Auditor General Report 22-109 A Performance Audit and Sunset Review of the Arizona State Schools for the Deaf and the Blind.

structures required additional refinement to better align with service delivery costs and the needs of participating schools. ASDB began developing revisions to its fee-for-service and membership structures, with final internal review set for August 2026 and an implementation targeted for the 2027-28 school year.

**Table 8**

**Cooperative services fund balances as of January 17, 2025**

| 2022 (actual) | 2023 (actual) | 2024 (actual) | 2025 (estimated) |
|---:|---:|---:|---:|
| $8,702,521 | $10,667,324 | $13,126,715 | $11,881,131 |

[1] As reported in ASDB January 2025 Itinerant Services Program analysis. FSS did not audit or independently verify the reported financial information or calculate the Cooperative Services Fund balances.

ASDB's review found that the Cooperative Services Fund balance had increased during the period reviewed and evaluated whether voucher reimbursement amounts should be revised (see Introduction at page 7 for discussion on voucher revenue and reimbursements). Based on this review, ASDB increased the voucher reimbursement amounts paid to participating schools beginning in fiscal year 2026. Specifically, ASDB increased the reimbursement amount from $1,500 to $7,500 for students with hearing impairments or visual impairments who did not require a braillist, deaf mentor, or interpreter, and from $1,500 to $9,000 for students with multiple disabilities and severe sensory impairments who did not require a braillist, deaf mentor, or interpreter.

ASDB established the increased reimbursement amounts to participating schools as a temporary 2-year measure and scheduled another comprehensive review for January 2027. ASDB reported that the next review will reassess the reimbursement amounts based on program costs, Cooperative Services Fund balances, and available instructional voucher funding.

Our review found that ASDB's January 2025 analysis considered the financial information and funding arrangements identified in the Auditor General's 2022 recommendation and that ASDB used the results of its analysis to revise its voucher reimbursement amounts. However, we did not independently calculate the amounts that ASDB should reimburse or determine whether the $7,500 and $9,000 amounts were the precise amounts necessary to align program revenues and costs. In addition, because the revised amounts became effective in fiscal year 2026 and postimplementation financial information was not yet available, we could not determine whether the revised amounts had reduced the Cooperative Services Fund balance or brought program revenues and costs into closer alignment.

Based on ASDB's documented review process, completion of its January 2025 review, resulting revisions to its voucher reimbursement amounts to participating schools, and scheduled January 2027 reassessment, ASDB established and used a process to periodically review Itinerant Services Program fees and voucher reimbursement amounts. Accordingly, we do not have a recommendation related to this area.

# CHAPTER 10

## ASDB lacked sufficient records to demonstrate the number of children aged Birth-to-3 to whom it provided services, increasing the risk it provides incomplete or inaccurate information for State budgeting and oversight

### ASDB should maintain records sufficient to support the number of children it reports as receiving Birth-to-3 services

Arizona statute requires State agencies to make and maintain adequate documentation of essential transactions and preserve records necessary to provide accurate knowledge of official activities supported by State monies.[43] As discussed in the Introduction, see pages 1 through 10, ASDB provides services to sensory-impaired infants and toddlers from birth through age 3 throughout the State.

ASDB's Birth-to-3 services are provided as part of the federal Individuals with Disabilities Education Act (IDEA) Part C early intervention program for infants and toddlers with disabilities from birth until age 3. In Arizona, the Arizona Early Intervention Program (AzEIP) administers the statewide Part C system. ASDB participates in this system by providing specialized early intervention services to eligible children with hearing and/or visual impairments as part of the child's early intervention team. These services are provided in the child's natural environment, such as the home, rather than through enrollment in an ASDB school-based program. AzEIP maintains Part C program information in an IT system called I-TEAMS, while ASDB maintains additional program and service information for its own operational and reporting needs, including information maintained in its student information system.

ASDB reported that it provides information on the number of Birth-to-3 children it serves monthly to the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) and includes these counts in the total enrollment information it provides as part of the State budget process. Although AzEIP administers the Part C system and Birth-to-3 funding is not determined based on the number of children ASDB serves, reliable service counts provide State decision-makers information about the number of children ASDB reports serving through the program.

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[43] A.R.S. §41-151.14(A)(2) and A.R.S. §39-121.01(B)–(C).

**ASDB could not provide records sufficient to demonstrate the reported count of children served in its Birth-to-3 program were accurate**

As part of our analysis of students and children served during fiscal years 2022 through 2024, we used student information system data ASDB provided to identify children receiving Birth-to-3 services. This data identified substantially more children than the approximately 550 children ASDB reported serving annually.

After receiving our draft report, ASDB informed us that the student information system data was not the source it used to support its reported Birth-to-3 counts and provided additional program information from I-TEAMS. However, the I-TEAMS data also did not reconcile to ASDB's reported counts. Further, ASDB could not demonstrate how it used I-TEAMS together with its program and service records to identify children receiving Birth-to-3 services or to derive the counts it reported.

Because the records ASDB provided were not sufficient to support its reported Birth-to-3 counts, the counts presented in this report are ASDB-reported amounts that we could not independently validate.

**ASDB's inability to demonstrate the accuracy of its Birth-to-3 counts increases the risk that State decision-makers lack complete and accurate information about the scope of ASDB's Birth-to-3 program when considering program activity and resource needs**

Although ASDB's funding for Birth-to-3 services is not determined based on the number of children served, ASDB provides Birth-to-3 counts to JLBC and OSPB and includes them in total enrollment information provided as part of the State budget process. Because ASDB could not provide support for these counts, it could not demonstrate that information provided to State budget and oversight entities accurately reflected the number of children receiving Birth-to-3 services. As a result, State decision-makers may lack complete and accurate information about the scope of ASDB's Birth-to-3 program when considering program activity and resource needs.

**ASDB lacked documented procedures for determining, validating, and reporting Birth-to-3 counts**

ASDB had not established a documented methodology for determining its reported Birth-to-3 population. Specifically, ASDB had not defined when a child should be included in or removed from the reported count; documented how information from I-TEAMS, its student information systems, and other program and service records should be used to determine counts of children served; assigned responsibility for preparing and validating the counts; or required reconciliation to supporting program and service records and reviewed for completeness and accuracy.

Additionally, ASDB staff reported that I-TEAMS did not provide all of the reporting functionality ASDB needed to determine its Birth-to-3 counts, so ASDB maintained supplemental Birth-to-3 information in its student information systems and other program records. However, ASDB's student information systems were designed around school years, while the Birth-to-3 program operates continuously throughout the year as children enter and leave the program. As a result, ASDB experienced backlogs in updating program information and relied on information maintained across multiple systems and records to determine its reported Birth-to-3 population.

**Recommendations to ASDB**

24. Develop and implement written procedures for maintaining and reporting Birth-to-3 service information. These procedures should identify how I-TEAMS and ASDB-maintained program and service records will be used to determine reported Birth-to-3 counts; establish criteria for including and removing children from reported counts; assign responsibility for preparing, validating, and reporting the information; and ensure staff responsible for using or reporting the counts have access to sufficient supporting information.
25. Develop and implement procedures requiring Birth-to-3 counts to be reconciled to I-TEAMS and other supporting program and service records and reviewed for completeness and accuracy before the information is used for internal or external reporting. Differences identified through the reconciliation should be investigated and resolved or documented as appropriate, and the reconciliation and management review should be documented and retained.
26. Review Birth-to-3 counts previously reported to JLBC, OSPB, and other entities and, to the extent supported by available records, determine whether corrections or clarifications are warranted.

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

# SUMMARY OF RECOMMENDATIONS

## FSS makes 26 recommendations to ASDB

ASDB should:

1. Reconcile and correct converted enrollment data. This should include comparing legacy information system, new information system, voucher data, fee-for-service billing records, Medicaid records, and supporting service records to identify and correct discrepancies.

2. Develop and implement written procedures for reconciling and validating converted data before it is used. These procedures should require documented management review and resolution of discrepancies identified during data conversions and ongoing monitoring to identify and correct any remaining conversion-related data issues.

3. Develop and implement written procedures for maintaining accurate enrollment records after system conversion. These procedures should require timely updates to student names, student identification numbers, school attended, enrollment start and leave dates, service status, and other information used for billing, collection, refund, reconciliation, and reporting.

4. Require periodic management review of enrollment records used for service-related revenue. This review should include reconciling enrollment records to supporting service records and resolving discrepancies before the records are used for voucher reporting, fee-for-service billing, Medicaid claims, refunds, or other financial reporting.

5. Develop and implement written billing, collection, refund, and reconciliation procedures for voucher, fee-for-service, and Medicaid revenue. These procedures should establish responsibilities for preparing billings and claims, tracking receipts, documenting adjustments, monitoring outstanding balances, identifying potential refunds, and reconciling reported, billed, collected, refunded, and outstanding amounts.

6. Implement a reliable system or tool for generating and maintaining fee-for-service invoices. The system or tool should maintain a complete invoice record, include student identification information needed to match invoices to enrollment and service records, support tracking of payments and outstanding balances, and provide an audit trail for invoice creation, changes, adjustments, and management review.

# SUMMARY OF RECOMMENDATIONS

7. Establish separate monitoring procedures for each service-related revenue source. These procedures should include self-audits comparing voucher payments requested and received to enrollment records, fee-for-service invoices issued and paid to services provided, and Medicaid billing to enrollment records, available Medicaid eligibility records, student service documentation, and year-to-year billing activity.

8. Immediately work with its Medicaid biller to review denied claims identified as correctable and other inconsistent Medicaid billing activity. ASDB should determine whether denied claims remain eligible for resubmission, reconsideration, dispute or other corrective action; promptly pursue all allowable reimbursements; and document the final disposition and root cause of each denied claim or billing gap, including amounts that can no longer be recovered.

9. Develop and implement ongoing Medicaid claims-monitoring and contractor-oversight procedures. These procedures should require periodic review of claims disposition reports; timely identification and resolution of denied claims and billing gaps; documented responsibilities and deadlines for ASDB and its Medicaid biller; analysis of denial causes and trends; and management review of claims submitted, denied, corrected, resubmitted, and paid. ASDB should also evaluate and, as appropriate, revise its Medicaid billing contract to include measurable performance and reporting requirements, denial resolution time frames, and remedies when the biller does not meet contractual requirements.

10. Review and resolve identified uncollected revenue, unpaid invoices, overpayments, duplicate payments, and potential refunds. This review should determine whether additional collection, correction, refund, immediate reimbursement, or other corrective action is warranted and should be documented and reviewed by management.

11. Ensure incentive pay and stipend pay are processed only after required approvals are obtained and supporting documentation is received and retained.

12. Develop and implement procedures requiring supervisory or management review of incentive pay and stipend pay before processing, including assigning responsibility for the review, and documenting that the review was completed.

# SUMMARY OF RECOMMENDATIONS

13. Review the identified exceptions and determine whether corrective action is warranted, including recovery of unsupported, ineligible, or overpaid amounts, as appropriate.

14. Develop and implement written procedures for purchase orders affected by system errors to require that invoice payments are accurately reflected in the purchase order balance or, if that is not possible, that the affected balance is corrected, amended, closed, or otherwise reconciled through a documented secondary process.

15. Require documentation for each affected purchase order to include, at a minimum, the original purchase order number and authorized amount, the reason the invoice could not be applied to the purchase order, management authorization, reference to the original purchase order in AZ360, payments made through APP, payments processed outside the APP, and the remaining purchase order balance.

16. Periodically reconcile affected purchase orders to AZ360 payment activity and take appropriate action to correct, amend, or close purchase orders when balances are inaccurate.

17. Develop, implement, and enforce procedures to ensure purchases requiring purchase orders are routed for approval before the purchases are made.

18. When ASDB staff identifies that a required purchase order was not established before a purchase was made, require documented supervisory review before payment to verify receipt of the goods or services, document why the purchase order was not established, and determine whether corrective action is warranted.

19. Develop and implement written procedures, including a checklist, for preparing, reviewing, and making Board meeting minutes and recordings available for public inspection within the required time frames. The procedures should address all Board meeting types, including regular meetings, special meetings, and work study sessions, and require ASDB to verify that meeting records include all required information before records are finalized.

20. Develop and implement a process for creating and retaining an audio or video recording, or transcript, of executive sessions, consistent with Arizona Attorney General's Office recommended practices.

# SUMMARY OF RECOMMENDATIONS

21. Revise the Board member-as-vendor policy to align with A.R.S. §38-503(C), including removing purchasing thresholds that allow procurement methods other than public competitive bidding unless a statutory exception applies.

22. Establish a process requiring legal review of future policy provisions that are based on or intended to implement statutory requirements before adoption or revision.

23. Provide Board members and relevant staff with updated guidance and training on the statutory requirements governing Board member-as-vendor transactions.

24. Develop and implement written procedures for maintaining and reporting Birth-to-3 service information. These procedures should identify how I-TEAMS and ASDB-maintained program and service records will be used to determine reported Birth-to-3 counts; establish criteria for including and removing children from reported counts; assign responsibility for preparing, validating, and reporting the information; and ensure staff responsible for using or reporting the counts have access to sufficient supporting information.

25. Develop and implement procedures requiring Birth-to-3 counts to be reconciled to I-TEAMS and other supporting program and service records and reviewed for completeness and accuracy before the information is used for internal or external reporting. Differences identified through the reconciliation should be investigated and resolved or documented as appropriate, and the reconciliation and management review should be documented and retained.

26. Review Birth-to-3 counts previously reported to JLBC, OSPB, and other entities and, to the extent supported by available records, determine whether corrections or clarifications are warranted.

# APPENDIX A

**Service-related revenue billing and collection inaccuracies**

This appendix provides additional detail on the service-related revenue billing and collection inaccuracies discussed in Tables 4 and 5, including uncollected revenue and potential refunds to ADE and participating schools.

**Table 9**

**ASDB's uncollected service-related revenue during fiscal years 2022 through 2024 including underlying details by entity or participating school**

| | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|
| **Vouchers**[1] | | | | |
| Arizona Department of Education | $233,537 | $1,272,726 | $442,960 | $1,949,222 |
| **Total vouchers** | **$233,537** | **$1,272,726** | **$442,960** | **$1,949,222** |
| **Fee-for-service (failed to bill)**[2] | | | | |
| ASU Prep | - | 3,645 | - | 3,645 |
| Avondale ESD | - | - | 3,080 | 3,080 |
| Basis Scottsdale | 4,359 | - | - | 4,359 |
| Benson USD | - | 148 | - | 148 |
| Cartwright ESD | 68 | - | - | 68 |
| Cave Creek USD | - | 4,680 | - | 4,680 |
| Colorado River Union High School | - | - | 5,770 | 5,770 |
| Florence USD | - | 4,455 | - | 4,455 |
| Imagine Schools | - | 8,069 | - | 8,069 |
| Imagine Supersitition | 7,665 | - | - | 7,665 |
| LaVeen ESD | - | - | 2,212 | 2,212 |
| Maricopa USD | - | 5,161 | - | 5,161 |
| Mesa | - | - | 2,802 | 2,802 |
| Mohave Accelerated Learning | 728 | - | - | 728 |
| Payson USD | 3,080 | - | - | 3,080 |
| Pendergast ESD | - | 897 | - | 897 |
| Prescott USD | - | - | 2,970 | 2,970 |
| Region 1 | - | 1,282 | - | 1,282 |
| Region 2 | 4,956 | - | 9,776 | 14,732 |
| Roosevelt ESD | - | 2,789 | - | 2,789 |
| Show Low USD | 5,529 | - | - | 5,529 |
| Vail USD | - | 5,770 | - | 5,770 |
| Whiteriver ESD | 1,362 | 5,770 | - | 7,132 |
| **Total fee-for-service (failed to bill)** | **$27,749** | **$42,665** | **$26,609** | **$97,022** |
| **Fee-for-service and membership fees (failed to collect)**[3] | | | | |
| Amphitheater Unified School District | 149 | - | - | 149 |
| Bowie Unified District | 2,400 | - | - | 2,400 |
| Carpe Diem Collegiate High School | 300 | - | - | 300 |
| Catalina Foothills Unified School District | 1,050 | - | - | 1,050 |

**Table 9 continued**

| | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|
| Harvest Power Community Development Group | - | - | 1,916 | 1,916 |
| Hopi Junior Senior High School | - | - | 998 | 998 |
| Imagine Charter Elementary at Camelback Inc. | - | - | 300 | 300 |
| Laveen Elementary School District | 1,050 | - | - | 1,050 |
| Liberty Elementary School District | 800 | - | - | 800 |
| Maricopa Unified School District | - | - | 150 | 150 |
| Murphy Elementary School District | - | - | 550 | 550 |
| Osborn Elementary District | 800 | - | - | 800 |
| Patagonia Union High School | - | 1,346 | - | 1,346 |
| Pinon Unified School District | - | - | 550 | 550 |
| San Carlos Unified School District | - | 5,866 | - | 5,866 |
| Sierra Vista Unified School District | - | - | 800 | 800 |
| Williams Unified School District | 550 | - | - | 550 |
| Williams Unified School District | - | - | 550 | 550 |
| Wilson Elementary School | - | 633 | - | 633 |
| Window Rock Unified School District | 800 | - | - | 800 |
| **Total fee-for-service and membership fees (failed to collect)** | **$7,899** | **$7,845** | **$5,815** | **$21,559** |
| **Membership fees (failed to bill)[3]** | | | | |
| Carpe Diem Collegiate High School | 300 | - | - | 300 |
| Imagine Prep Surprise Inc | 550 | - | - | 550 |
| **Total membership fees (failed to bill)** | **$850** | **$-** | **$-** | **$850** |
| **Total uncollected voucher and fee-for-service revenue** | **$ 270,035** | **$ 1,323,235** | **$ 475,384** | **$ 2,068,654** |
| **Medicaid reimbursements[4]** | | | | |
| **Medicaid denied claims categorized as correctable that ASDB did not resubmit.** | | | | **$ 2,582,230** |

Note: Amounts may not total due to rounding.

[1]Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.

[2]Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; and discussions with ASDB staff.

[3]Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data, fee-for-service invoices and payment receipts detail, Itinerant Services Program membership fee invoices and payment receipts detail; and discussions with ASDB staff.

[4]Source: FSS analysis of ASDB fiscal years 2022 through 2024 Medicaid claims disposition data from SEAS Education. The Medicaid claims disposition date is not available by year or by location.

# APPENDIX A

**Table 10**

**Potential refunds to ADE and participating schools resulting from ASDB's billing and collection inaccuracies during fiscal years 2022 through 2024 including underlying details by entity or participating school**

| | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|
| **Vouchers[1]** | | | | |
| Arizona Department of Education | $44,463 | $30,239 | $317,394 | $392,097 |
| **Total vouchers** | **$44,463** | **$30,239** | **$317,394** | **$392,097** |
| **Fee-for-service[1]** | | | | |
| Avondale USD | 5,705 | - | - | 5,705 |
| Chino Valley | - | - | 2,702 | 2,702 |
| Litchfield USD | 11,539 | - | - | 11,539 |
| Morenci USD | - | - | 3,366 | 3,366 |
| Tolleson Union HSD | - | - | 3,080 | 3,080 |
| **Total fee-for-service** | **$17,244** | **-** | **$9,148** | **$26,392** |
| **Fee-for-service and membership fees[2]** | | | | |
| ASU Preparatory Academy | 3,526 | - | - | 3,526 |
| Chino Valley | - | - | 17,699 | 17,699 |
| Heber-Overgaard Unified School District | 116 | - | - | 116 |
| Leeman Academy of Excellence | - | - | 5,770 | 5,770 |
| Leman Academy of Excellence | 5,321 | - | - | 5,321 |
| Murphy Elementary School District | - | 800 | - | 800 |
| Tempe Elementary School District | - | 1,050 | - | 1,050 |
| Vail USD | - | 3,033 | - | 3,033 |
| Valley Union High School | - | - | 150 | 150 |
| **Total fee-for-service and membership fees** | **$8,963** | **$4,883** | **$23,619** | **$37,464** |
| **Total potential refunds** | **$70,670** | **$35,123** | **$350,160** | **$455,953** |

Note: Amounts may not total due to rounding.

[1]Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.

[2]Source: FSS analysis of ASDB fiscal years 2022 through 2024 fee-for-service invoices and payment receipts detail, and Itinerant Services Program membership fee invoices and payment receipts detail; and discussion with ASDB staff.

# APPENDIX B

**Service-related revenue**

This appendix provides additional information on ASDB's service-related revenue for services provided during fiscal years 2022 through 2024, including amounts by revenue source and ASDB location or program.

# APPENDIX B

**Table 11**

**ASDB's service-related revenue by source for services provided during fiscal years 2022 through 2024**

| | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|
| **Collected service-related revenue[1]** | | | | |
| Vouchers[2] | $27,543,984 | $28,340,944 | $28,015,638 | $83,900,566 |
| Fee-for-service[3] | 2,874,912 | 2,957,632 | 2,855,755 | 8,688,300 |
| Membership fees[4] | 115,290 | 133,400 | 124,250 | 372,940 |
| Medicaid[5] | 263,645 | 308,402 | 414,370 | 986,417 |
| **Total collected service-related revenue** | **$30,797,831** | **$31,740,379** | **$31,410,013** | **$93,948,222** |
| **Uncollected service-related revenue** | | | | |
| Vouchers[2] | 233,537 | 1,272,726 | 442,960 | 1,949,222 |
| Fee-for-service (failed to bill)[3] | 27,749 | 42,665 | 26,609 | 97,022 |
| Fee-for-service (failed to collect)[6] | 2,549 | 7,845 | 2,365 | 12,759 |
| Membership fees (failed to collect)[6] | 5,350 | - | 3,450 | 8,800 |
| Membership fees (failed to bill)[4] | 850 | - | - | 850 |
| **Total uncollected service-related revenue** | **$270,035** | **$1,323,235** | **$475,384** | **$2,068,654** |
| **Potential refunds due to ADE and participating schools** | | | | |
| Vouchers[7] | (44,463) | (30,239) | (317,394) | (392,097) |
| Fee-for-service - overlapping time periods[7] | (17,244) | - | (9,148) | (26,392) |
| Fee-for-service - overpaid invoices[8] | (8,963) | (3,033) | (23,469) | (35,464) |
| Membership fees - overpaid invoices[8] | - | (1,850) | (150) | (2,000) |
| **Total potential refunds due to ADE and participating schools** | **$(70,670)** | **$(35,123)** | **$(350,160)** | **$(455,953)** |
| **Total service-related revenue** | **$30,997,195** | **$33,028,491** | **$31,535,236** | **$95,560,923** |
| **Medicaid reimbursements[9]** | | | | |
| **Medicaid denied claims categorized as correctable that ASDB did not resubmit.** | | | | **$2,582,230** |

Note: Amounts may not total due to rounding.

**The following footnotes apply to Table 11 and to the subsequent Table 11 sub-tables.**

[1] Our analysis included services ASDB provided during fiscal years 2022 through 2024. In determining amounts collected and outstanding for those services, we considered payments received through the completion of our audit work, including payments received after June 30, 2024, for services provided during the audit period.

[2] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.

[3] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; and discussions with ASDB staff.

[4] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data, Itinerant Services Program membership fee invoices and payment receipts detail; and discussions with ASDB staff.

[5] Source: FSS analysis of ASDB Medicaid payment detail by student.

**Table 11 continued**

[6] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data, fee-for-service invoices and payment receipts detail, Itinerant Services Program membership fee invoices and payment receipts detail; and discussions with ASDB staff.

[7] Source: FSS analysis of ASDB fiscal years 2022 through 2024 student information system enrollment data and fee-for-service invoices and payment receipts detail; voucher payment detail from the Arizona Department of Education for fiscal years 2022 through 2024; and discussions with ASDB staff.

[8] Source: FSS analysis of ASDB fiscal years 2022 through 2024 fee-for-service invoices and payment receipts detail, and Itinerant Services Program membership fee invoices and payment receipts detail; and discussion with ASDB staff.

[9] Source: FSS analysis of ASDB fiscal years 2022 through 2024 Medicaid claims disposition data from SEAS Education. Medicaid claims disposition data is not available by year or location.

[10] Applicable to table 11.1. ASDB received payments for periods when students were not enrolled. Refer to Chapter 2, page 20-21 and Appendix A Table 10, page a-4.

# APPENDIX B

**Table 11.1**

**ASDB's service-related revenue by location for services provided during fiscal year 2022**

| | Phoenix | Tucson | Itinerant | Early Learning Program | Not Enrolled[10] | Total |
|---|---|---|---|---|---|---|
| **Collected service-related revenue** | | | | | | |
| Vouchers[1] | $6,660,577 | $3,203,876 | $13,987,005 | $3,667,036 | $25,488 | $27,543,984 |
| Fee-for-service[2] | - | - | 2,857,668 | - | 17,244 | 2,874,912 |
| Membership fees[3] | - | - | 115,290 | - | - | 115,290 |
| Medicaid[4] | 101,427 | 94,054 | - | 68,164 | - | 263,645 |
| **Total collected service-related revenue** | **$6,762,004** | **$3,297,930** | **$16,959,963** | **$3,735,201** | **$42,733** | **$30,797,831** |
| **Uncollected service-related revenue** | | | | | | |
| Vouchers[1] | 98,499 | - | 107,205 | 27,833 | - | 233,537 |
| Fee-for-service (failed to bill)[2] | - | - | 27,749 | - | - | 27,749 |
| Fee-for-service (failed to collect)[5] | - | - | 2,549 | - | - | 2,549 |
| Membership fees (failed to collect)[5] | - | - | 5,350 | - | - | 5,350 |
| Membership fees (failed to bill)[3] | - | - | 850 | - | - | 850 |
| **Total uncollected service-related revenue** | **$98,499** | **$-** | **$143,703** | **$27,833** | **$-** | **$270,035** |
| **Potential refunds due to ADE and participating schools** | | | | | | |
| Vouchers[6] | - | - | (18,975) | - | (25,488) | (44,463) |
| Fee-for-service - overlapping time periods[6] | - | - | - | - | (17,244) | (17,244) |
| Fee-for-service - overpaid invoices[7] | - | - | (8,963) | - | - | (8,963) |
| Membership fees - overpaid invoices[7] | - | - | - | - | - | - |
| **Total potential refunds due to ADE and participating schools** | **$-** | **$-** | **$(27,937)** | **$-** | **$(42,733)** | **$(70,670)** |
| **Total service-related revenue** | **$6,860,503** | **$3,297,930** | **$17,075,729** | **$3,763,034** | **$-** | **$30,997,195** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 11, pages b-2 and b-3.**

**Table 11.2**

**ASDB's service-related revenue by location for services provided during fiscal year 2023**

| | Phoenix | Tucson | Itinerant | Early Learning Program | Total |
|---|---|---|---|---|---|
| **Collected service-related revenue** | | | | | |
| Vouchers[1] | $7,131,608 | $3,657,446 | $14,991,590 | $2,560,300 | $28,340,944 |
| Fee-for-service[2] | - | - | 2,957,632 | - | 2,957,632 |
| Membership fees[3] | - | - | 133,400 | - | 133,400 |
| Medicaid[4] | 151,452 | 135,681 | - | 21,269 | 308,402 |
| **Total collected service-related revenue** | **$7,283,060** | **$3,793,127** | **$18,082,622** | **$2,581,569** | **$31,740,379** |
| **Uncollected service-related revenue** | | | | | |
| Vouchers[1] | 83,124 | - | 1,151,733 | 37,868 | 1,272,726 |
| Fee-for-service (failed to bill)[2] | - | - | 42,665 | - | 42,665 |
| Fee-for-service (failed to collect)[5] | - | - | 7,845 | - | 7,845 |
| Membership sees (failed to collect)[5] | - | - | - | - | - |
| Membership fees (failed to bill)[3] | - | - | - | - | - |
| **Total uncollected service-related revenue** | **$83,124** | **$-** | **$1,202,243** | **$37,868** | **$1,323,235** |
| **Potential refunds due to ADE and participating schools** | | | | | |
| Vouchers[6] | - | - | (30,239) | - | (30,239) |
| Fee-for-service - overlapping time periods[6] | - | - | - | - | - |
| Fee-for-service - overpaid invoices[7] | - | - | (3,033) | - | (3,033) |
| Membership sees - overpaid invoices[7] | - | - | (1,850) | - | (1,850) |
| **Total potential refunds due to ADE and participating schools** | **$-** | **$-** | **$(35,123)** | **$-** | **$(35,123)** |
| **Total service-related revenue** | **$7,366,184** | **$3,793,127** | **$19,249,743** | **$2,619,437** | **$33,028,491** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 11, pages b-2 and b-3.**

**Table 11.3**

**ASDB's service-related revenue by location for services provided during fiscal year 2024**

| | Phoenix | Tucson | Itinerant | Early Learning Program | Total |
|---|---|---|---|---|---|
| **Collected service-related revenue** | | | | | |
| Vouchers[1] | $6,684,431 | $3,940,519 | $13,850,156 | $3,540,532 | $28,015,638 |
| Fee-for-service[2] | - | - | 2,855,755 | - | 2,855,755 |
| Membership fees[3] | - | - | 124,250 | - | 124,250 |
| Medicaid[4] | 147,209 | 200,234 | 520 | 66,406 | 414,370 |
| **Total collected service-related revenue** | **$6,831,641** | **$4,140,753** | **$16,830,681** | **$3,606,939** | **$31,410,013** |
| **Uncollected service-related revenue** | | | | | |
| Vouchers[1] | 28,513 | - | 408,587 | 5,861 | 442,960 |
| Fee-for-service (failed to bill)[2] | - | - | 26,609 | - | 26,609 |
| Fee-for-service (failed to collect)[5] | - | - | 2,365 | - | 2,365 |
| Membership fees (failed to collect)[5] | - | - | 3,450 | - | 3,450 |
| Membership fees (failed to bill)[3] | - | - | - | - | - |
| **Total uncollected service-related revenue** | **$28,513** | **$-** | **$441,010** | **$5,861** | **$475,384** |
| **Potential refunds due to ADE and participating schools** | | | | | |
| Vouchers[6] | - | - | (317,394) | - | (317,394) |
| Fee-for-service - overlapping time periods[6] | - | - | (9,148) | - | (9,148) |
| Fee-for-service - overpaid invoices[7] | - | - | (23,469) | - | (23,469) |
| Membership fees - overpaid invoices[7] | - | - | (150) | - | (150) |
| **Total potential refunds due to ADE and participating schools** | **$-** | **$-** | **$(350,160)** | **$-** | **$(350,160)** |
| **Total service-related revenue** | **$6,860,153** | **$4,140,753** | **$16,921,530** | **$3,612,799** | **$31,535,236** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 11, pages b-2 and b-3.**

# APPENDIX C

**ASDB expenditures**

This appendix provides additional information on ASDB's expenditures during fiscal years 2022 through 2024, including expenditures by type and ASDB location or program.

**Table 12**
**ASDB's total expenditures during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Personal services [2] | $29,877,240 | $32,227,527 | $34,192,632 |
| Employee related expenditures [3] | 12,190,606 | 13,850,349 | 13,820,036 |
| Other operating expenditures [4] | 6,407,518 | 8,289,102 | 8,577,886 |
| Professional & outside services [5] | 5,164,328 | 5,536,196 | 8,620,004 |
| Non-capital resources [6] | 725,874 | 909,051 | 821,131 |
| Capital equipment [7] | 469,463 | 515,826 | 743,587 |
| Transfers-out [8] | 602,682 | 866,000 | - |
| Food [9] | 49,889 | 92,054 | 888,089 |
| Travel in-state[10] | 136,417 | 151,726 | 293,839 |
| Capital outlay[11] | 186,396 | 69,873 | - |
| Travel out-of-state[12] | (4,257) | 52,209 | 112,639 |
| Aid To organizations & individuals[13] | 14,705 | (12,391) | - |
| **Total expenditures** | **$55,820,860** | **$62,547,522** | **$68,069,844** |
| Total students[14] | 2,365 | 2,318 | 2,186 |
| Total expenditures by student | $23,603 | $26,983 | $31,139 |

Note: Amounts may not total due to rounding.

**The following footnotes apply to Table 12 and to the subsequent Table 12 sub-tables.**

[1] Source: FSS analysis of ASDB general ledger data for fiscal years 2022 through 2024.

[2] Personal services consist of employee compensation including leave compensation and exception compensation which includes stipend and incentive pay. Personal services increased from FY2022 through FY2024. ASDB attributed the FY2023 increase to the State's implementation of a 10% base salary adjustment and expanded Proposition 301 stipend distributions following legislative amendments to the Classroom Site Fund statute, A.R.S §15-977, enacted by Laws 2021, Ch. 67, §1 (S.B. 1139), which broadened the allowable uses of Classroom Site Fund monies to include student support services. These increases occurred despite reductions in staffing levels across certain instructional and support positions. FY2024 expenditures increased further due to growth in filled positions and FTEs, agency-implemented salary adjustments, and modifications to teacher, interpreter, and related-services salary schedules that extended longevity-based step increases from 20 to 25 years.

[3] Employee related expenditures consist of insurance, retirement, and other employee related expenditures. Employee related expenditures increased in FY2023 due to higher FICA taxes, employer-paid medical insurance, workers' compensation premiums, retirement contributions, Statewide Information Technology Planning assessments, and Retiree Accumulated Sick Leave (RASL) allocations. These increases were partially offset by lower long-term disability premiums, unemployment insurance, and other state taxes and fees. FY2024 remained relatively stable, as increases in FICA, workers' compensation, retirement contributions, and statewide technology assessments were largely offset by lower employer-paid medical insurance costs and reduced RASL allocations.

**Table 12 continued**

[4] Other operating expenditures consist of various expenditures such as rent, utilities, supplies, insurance, payments for internal services (consisting of payments to ADOT) and repair and maintenance expenditures. Other operating expenditures increased during the period due to higher technology services, routine repairs and maintenance, operating supplies, and contracted translation and interpreting services required to maintain statutory accessibility compliance for student and agency support. FY2023 decreases in miscellaneous operating expenses are the result of cleanup of prior year balances. FY2024 expenditures increased further due primarily to higher transportation fleet repair, maintenance, and fuel costs.

[5] Professional and outside services consist primarily of contracted specialized student transportation; nursing and medical services; school psychology and behavioral services; specialized early education providers, including the Foundation for Blind Children (FBC); therapy and other related services, including physical therapy, occupational therapy, speech-language pathology, orientation and mobility, and sign language interpreting; legal services; and temporary agency services. Although reclassifying contracted food service costs for Food beginning in June 2023 reduced this category, Professional and Outside Services increased by approximately $3.1 million from FY2023 to FY2024. ASDB attributed the increase to higher costs associated with fulfilling its local education agency (LEA) responsibilities under the Individuals with Disabilities Education Act (IDEA) and State law, including greater reliance on third-party transportation because of driver shortages, specialized vehicle needs, longer routes, and increased vendor rates; contracted 1:1 nursing for medically fragile students and contracted nursing to fill vacancies at the Tucson Campus Student Health Center; contracted therapies and interpreting services used to address staffing shortages and meet students; individualized education program (IEP) requirements; and revised contract structures and higher per-pupil and service rates for FBS's specialized early education programs.

[6] Non-Capital Resources increased in FY2023 due primarily to purchases of student Chromebook devices funded through the Federal Communications Commission's Emergency Connectivity Fund (ECF). FY2024 expenditures declined because those technology purchases did not recur, although the decrease was partially offset by increased furniture purchases.

[7] Capital equipment increased during FY2023 and FY2024 due to technology Infrastructure and fleet replacement expenditures. FY2023 expenditures included telecommunications equipment supporting the Tucson Campus copper cabling project and security bus camera systems for the Phoenix Campus. In addition, fleet vehicles authorized for FY2023 were not received until FY2024 because of delivery delays. As a result, FY2024 included both delayed FY2023 vehicle purchases and the regular FY2024 fleet replacement order, increasing fleet-related expenditures. Additional telecommunications equipment purchases for the ongoing Tucson Campus copper cabling project also contributed to the FY2024 increase.

[8] Transfers Out increased in FY2023 due to transfers to the General Services Division (GSD) for food service equipment at both campuses, classroom notification systems, and campus security upgrades. No Transfers Out occurred in FY2024.

[9] Food expenditures increased by approximately $796,000 from FY2023 to FY2024, primarily because ASDB began reclassifying contracted food service costs from Professional and Outside Services to Food in June 2023. As a result, FY2023 included 1 month of reclassified costs, whereas FY2024 included a full 12 months. FY2024 also reflected the full-year effect of an ASDB-authorized vendor contract price increase effective April 1, 2023. Food expenditures also included routine purchases supporting the National School Lunch Program, School Breakfast Program, and Tucson residential program.

[10] In-state travel increased during FY2023 and FY2024 after ASDB lifted its general and operational travel moratorium in FY2023. ASDB attributed the increases to the phased return of in-state activities, mandatory staff development, regional student travel - including interscholastic athletic competitions and regional sporting events - and State-wide conferences supporting its Early Learning, Deaf Education, and Itinerant Services programs. Multi-day in-state professional development conferences and student athletic travel resumed more fully in FY2024, increasing lodging and per diem expenditures.

[11] FY2022 expenditures related to new flooring at the Phoenix and Tucson campuses and asbestos remediation. FY2023 expenditures primarily related to playground upgrades. No Capital outlay expenditures were incurred in FY2024.

[12] FY2022 reflects a reconciliation of Tucson Campus local accounts that cleared prior-budget-year reimbursements. Out-of-state travel increased during FY2023 and FY2024 after ASDB lifted its general and operational travel moratorium in FY2023. ASDB attributed the increases to the return of out-of-state student athletic competitions and essential professional development activities requiring airfare and lodging. ASDB reported that its moratorium on nonessential out-of-state professional development remains in effect.

**Table 12 continued**

[13] Amounts reported in FY2022 and FY2023 were attributable to learning materials and physical education supplies initially charged to the incorrect expenditure class. The expenditures were subsequently reclassified to Other operating expenditures during FY2023, and no expenditures were recorded in this category during FY2024.
[14] Refer to Table 1 on page 5.
[15] Applicable to Table 12.5, 12.6, 12.7, and 12.8, to avoid double counting, students enrolled at multiple locations were assigned to the location in which they were enrolled for the greatest number of days during the fiscal year.

[16] Applicable to Table 12.8 expense per student is not presented for the Birth to 3/ELP location because the combined student count includes a large Birth to 3 population that receives a lower level of services, while most expenses relate to ELP services. Using the combined student population would produce a misleading cost-per-student measure.

[17] Applicable to Table 12.2, 12.3, and 12.4, admin includes agency-wide expenditures that are not attributable to a single campus or program, similar to district-level expenditures in a school district. Expenditures attributable to ASDB's individual campuses and programs are reported separately as Phoenix, Tucson, Itinerant Services, and Birth to 3/ELP. These location categories may also include administrative and support expenditures attributable to the respective campus or program. Accordingly, the Admin category should not be interpreted as equivalent to the administrative spending category reported for Arizona school districts.

# APPENDIX C

**Table 12.1**

**ASDB's detailed total expenditures during fiscal years 2022 through 2024**[1]

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services**[2] | | | |
| Basic compensation | $26,213,359 | $28,354,579 | $29,907,778 |
| Exception compensation | 1,152,036 | 1,464,107 | 1,868,739 |
| Leave compensation | 2,511,845 | 2,408,842 | 2,416,116 |
| **Employee related expenditures**[3] | | | |
| Employee related expenditures | 2,180,638 | 2,366,920 | 2,512,469 |
| Insurance | 6,281,884 | 7,482,774 | 7,077,338 |
| Other employee related expenditures | 245,292 | 330,037 | 324,778 |
| Retirement plan payments (employer portion) | 3,482,791 | 3,670,619 | 3,905,451 |
| **Other operating expenditures**[4] | | | |
| Advertising | 6,471 | 3,662 | 5,741 |
| Conference, education & training | 53,729 | 77,953 | 152,482 |
| Information technology services | 856,052 | 1,122,097 | 1,069,206 |
| Insurance & related charges | 459,235 | 426,444 | 410,600 |
| Interest payments | 130 | 118 | 625 |
| Miscellaneous operating | 107,628 | 128,714 | 193,267 |
| Operating supplies | 676,518 | 983,733 | 1,018,811 |
| Payments for internal services | 503,796 | 524,295 | 548,314 |
| Postage & delivery | 74,829 | 322,684 | 202,584 |
| Printing & photography | 6,709 | 2,539 | 11,264 |
| Rental expenditures | 594,938 | 555,926 | 539,398 |
| Repair & maintenance | 2,059,677 | 3,035,872 | 3,303,414 |
| Resale supplies | 138 | - | - |
| Utilities | 1,007,668 | 1,105,065 | 1,122,179 |
| **Professionals & outside services**[5] | | | |
| Education & training | 696,785 | 664,855 | 525,538 |
| Hospital & medical services | 304,469 | 400,219 | 1,533,448 |
| Legal services | 172,496 | 172,559 | 178,000 |
| Other professional & outside services | 3,816,943 | 4,187,260 | 6,330,039 |
| Temporary agency services | 173,635 | 111,303 | 52,979 |
| **Non-capital resources**[6] | | | |
| Computer equipment - to be expensed | 273,585 | 698,016 | 365,249 |

**Table 12.1 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Furniture and furnishings - to be expensed | 11,641 | 79,089 | 129,688 |
| Non-capitalized intangible resources | 30,261 | 16,127 | 88,353 |
| Other equipment - to be expensed | 406,155 | 114,311 | 234,782 |
| Telecommunications equipment - to be expensed | - | 1,507 | 3,059 |
| Vehicles - to be expensed | 4,232 | - | - |
| **Capital equipment**[7] | | | |
| Capitalized intangible assets | 1,988 | 8,561 | (12,537) |
| Computer equipment | - | - | 13,338 |
| Furniture and furnishings | 11,111 | 1,355 | - |
| Other capital assets | - | 99,451 | (92,783) |
| Other equipment | 81,422 | 136,057 | 45,611 |
| Telecommunications equipment | - | 239,090 | 92,667 |
| Vehicles | 374,942 | 31,312 | 697,290 |
| **Transfers-out**[8] | | | |
| Transfers-out | 602,682 | 866,000 | - |
| **Food**[9] | | | |
| Food | 49,889 | 92,054 | 888,089 |
| **Travel in-state**[10] | | | |
| Travel in-state | 136,417 | 151,726 | 293,839 |
| **Capital outlay**[11] | | | |
| Buildings & building improvements | 47,772 | (17,970) | - |
| Improvements other than buildings, highways & bridges | 110,345 | (1,515) | - |
| Infrastructure | 28,279 | 89,358 | - |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | (4,257) | 52,209 | 112,639 |
| **Aid to organizations & individuals**[13] | | | |
| Aid to or on behalf of individuals | 14,705 | (12,391) | - |
| **Total expenditures** | **$55,820,860** | **$62,547,522** | **$68,069,844** |
| Total students | 2,365 | 2,318 | 2,186 |
| Total expenditures by student | $23,603 | $26,983 | $31,139 |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.2**

**ASDB's total expenditures by location during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Admin[17] | $8,610,253 | $10,537,380 | $13,177,410 |
| Phoenix | 12,173,533 | 14,338,895 | 14,404,306 |
| ELP & Birth to 3 | 6,746,995 | 7,803,619 | 9,875,640 |
| Itinerant Services | 15,252,839 | 15,989,006 | 15,868,491 |
| Tucson | 13,037,240 | 13,878,622 | 14,743,997 |
| **Total expenditures** | **$55,820,860** | **$62,547,522** | **$68,069,844** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.3**

**ASDB's total expenditures by type and location during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services[2]** | | | |
| Admin[17] | $4,749,904 | $6,251,754 | $7,073,298 |
| Phoenix | 6,148,422 | 6,355,342 | 6,438,721 |
| ELP & Birth to 3 | 3,437,255 | 3,723,064 | 4,006,174 |
| Itinerant Services | 8,892,989 | 9,045,022 | 9,435,522 |
| Tucson | 6,648,670 | 6,852,346 | 7,238,918 |
| **Employee related expenditures[3]** | | | |
| Admin[17] | 1,857,606 | 2,624,279 | 2,830,752 |
| Phoenix | 2,415,799 | 2,658,796 | 2,545,924 |
| ELP & Birth to 3 | 1,347,405 | 1,567,945 | 1,558,797 |
| Itinerant Services | 3,665,116 | 3,935,844 | 3,885,965 |
| Tucson | 2,904,679 | 3,063,486 | 2,998,599 |
| **Other operating expenditures[4]** | | | |
| Admin[17] | 756,942 | 215,230 | 1,074,237 |
| Phoenix | 1,541,848 | 2,309,538 | 2,389,367 |
| ELP & Birth to 3 | 222,711 | 551,048 | 333,640 |
| Itinerant Services | 1,430,872 | 2,261,484 | 1,712,781 |
| Tucson | 2,455,146 | 2,951,802 | 3,067,861 |
| **Professionals & outside services[5]** | | | |
| Admin[17] | 536,670 | 627,607 | 1,005,436 |
| Phoenix | 1,461,077 | 2,115,287 | 2,281,326 |
| ELP & Birth to 3 | 1,708,094 | 1,783,984 | 4,003,810 |
| Itinerant Services | 884,907 | 616,138 | 511,045 |
| Tucson | 573,579 | 393,181 | 818,387 |
| **Non-capital resources[6]** | | | |
| Admin[17] | 165,684 | 616,455 | 309,157 |
| Phoenix | 65,998 | 51,977 | 115,277 |
| ELP & Birth to 3 | 3,843 | 16,892 | 20,486 |
| Itinerant Services | 326,001 | 43,734 | 200,337 |
| Tucson | 164,348 | 179,992 | 175,875 |
| **Capital equipment[7]** | | | |
| Admin[17] | 397,459 | 264,107 | 795,641 |

**Table 12.3 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Phoenix | 27,271 | 107,731 | (24,002) |
| ELP & Birth to 3 | (20,318) | 48,597 | (15,541) |
| Itinerant services | 8,827 | 34,231 | 7,471 |
| Tucson | 56,224 | 61,160 | (19,982) |
| **Transfers-out**[8] | | | |
| Admin[17] | - | - | - |
| Phoenix | 427,682 | 691,000 | - |
| ELP & Birth to 3 | - | - | - |
| Itinerant Services | - | - | - |
| Tucson | 175,000 | 175,000 | - |
| **Food**[9] | | | |
| Admin[17] | 1,514 | 2,345 | 1,948 |
| Phoenix | 1,834 | 43,790 | 499,693 |
| ELP & Birth to 3 | 1,438 | 3,439 | 3,390 |
| Itinerant Services | 521 | 144 | 75 |
| Tucson | 44,583 | 42,335 | 382,983 |
| **Travel in-state**[10] | | | |
| Admin[17] | 34,934 | 43,982 | 75,986 |
| Phoenix | 26,177 | 3,590 | 20,112 |
| ELP & Birth to 3 | 16,740 | 27,704 | 47,205 |
| Itinerant Services | 43,608 | 50,573 | 109,014 |
| Tucson | 14,958 | 25,877 | 41,521 |
| **Capital outlay**[11] | | | |
| Admin[17] | 109,587 | (109,587) | - |
| Phoenix | 47,772 | (2,286) | 96,004 |
| ELP & Birth to 3 | 28,279 | 73,674 | (96,004) |
| Tucson | 758 | 108,072 | - |
| **Travel out-of-state**[12] | | | |
| Admin[17] | - | 1,208 | 10,956 |
| Phoenix | (683) | 13,652 | 41,884 |
| ELP & Birth to 3 | - | 7,273 | 13,682 |
| Itinerant Services | - | 1,836 | 6,282 |
| Tucson | (3,574) | 28,239 | 39,836 |

**Table 12.3 continued**

| | 2022 | 2023 | 2024 |
|---|---:|---:|---:|
| **Aid to organizations & individuals**[13] | | | |
| Admin[17] | (47) | - | - |
| Phoenix | 10,335 | (9,522) | - |
| ELP & Birth to 3 | 1,548 | - | - |
| Tucson | 2,869 | (2,869) | - |
| **Total expenditures** | **$55,820,860** | **$62,547,522** | **$68,069,844** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.4**

**ASDB's administrative expenditure detail during fiscal years 2022 through 2024[1, 17]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services**[2] | | | |
| Basic compensation | $4,167,756 | $5,369,022 | $5,977,221 |
| Exception compensation | 37,823 | 47,113 | 56,161 |
| Leave compensation | 544,325 | 835,619 | 1,039,916 |
| **Employee related expenditures**[3] | | | |
| Employee related expenditures | 343,740 | 456,487 | 515,998 |
| Insurance | 928,271 | 1,403,996 | 1,436,169 |
| Other Employee related expenditures | 39,462 | 60,805 | 69,675 |
| Retirement plan payments (employer portion) | 546,134 | 702,992 | 808,910 |
| **Other operating expenditures**[4] | | | |
| Advertising | 5,693 | 3,662 | 5,741 |
| Conference, education & training | 10,401 | 16,798 | 14,251 |
| Information technology services | 158,685 | 226,220 | 489,479 |
| Insurance & related charges | 40,000 | - | (8,200) |
| Interest payments | - | 26 | 486 |
| Miscellaneous operating | 54,027 | (571,630) | 74,923 |
| Operating supplies | 90,468 | 101,186 | 91,184 |
| Payments for internal services | 29,169 | 4,269 | 12,843 |
| Postage & delivery | 52,823 | 56,664 | 39,198 |
| Printing & photography | 783 | 1,563 | 1,591 |
| Rental expenditures | 922 | (670) | - |
| Repair & maintenance | 287,604 | 377,143 | 352,741 |
| Resale supplies | 38 | - | - |
| Utilities | 26,330 | - | - |
| **Professionals & outside services**[5] | | | |
| Education & training | 2,094 | 12,875 | 5,749 |
| Hospital & medical services | 68,283 | 280,781 | (48,279) |
| Legal services | 72,296 | 72,359 | 77,800 |
| Other professional & outside services | 393,998 | 229,258 | 925,794 |
| Temporary agency services | - | 32,335 | 44,372 |
| **Non-capital resources**[6] | | | |
| Computer equipment - to be expensed | 30,894 | 538,722 | 200,216 |
| Furniture and furnishings - to be expensed | 3,610 | 8,261 | 19,142 |

**Table 12.4 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Non-capitalized intangible resources | 28,963 | 11,836 | 63,749 |
| Other equipment - to be expensed | 97,985 | 57,636 | 26,050 |
| Vehicles - to be expensed | 4,232 | - | - |
| **Capital equipment**[7] | | | |
| Capitalized intangible assets | 1,988 | (3,976) | - |
| Other capital assets | - | - | - |
| Other equipment | 211 | 17,999 | 5,684 |
| Telecommunications Equipment | - | 239,090 | 92,667 |
| Vehicles | 395,260 | 10,994 | 697,290 |
| **Transfers-out**[8] | | | |
| Transfers-out | - | - | - |
| **Food**[9] | | | |
| Food | 1,514 | 2,345 | 1,948 |
| **Travel in-state**[10] | | | |
| Travel in-state | 34,934 | 43,982 | 75,986 |
| **Capital outlay**[11] | | | |
| Improvements other than buildings, highways & bridges | 109,587 | (109,587) | - |
| Infrastructure | - | - | - |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | - | 1,208 | 10,956 |
| **Aid to organizations & individuals**[13] | | | |
| Aid to or on behalf of individuals | (47) | - | - |
| **Total expenditures - Administrative** | **$8,610,253** | **$10,537,380** | **$13,177,410** |
| Total students | 2,365 | 2,318 | 2,186 |
| Total administrative expenditures by student | $3,641 | $4,546 | $6,028 |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.5**

**ASDB's Phoenix campus expenditure detail during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services[2]** | | | |
| Basic compensation | $5,312,883 | $5,537,359 | $5,478,628 |
| Exception compensation | 329,379 | 393,285 | 598,044 |
| Leave compensation | 506,160 | 424,699 | 362,049 |
| **Employee related expenditures[3]** | | | |
| Employee related expenditures | 451,989 | 469,675 | 475,705 |
| Insurance | 1,225,697 | 1,405,503 | 1,277,730 |
| Other Employee related expenditures | 50,012 | 61,452 | 64,096 |
| Retirement plan payments (employer portion) | 688,101 | 722,165 | 728,393 |
| **Other operating expenditures[4]** | | | |
| Advertising | 564 | - | - |
| Conference, education & training | 14,850 | 18,242 | 36,820 |
| Information technology services | 221,504 | 231,634 | 326,707 |
| Insurance & related charges | 77,845 | 88,650 | 86,090 |
| Interest payments | - | - | 128 |
| Miscellaneous operating | 8,868 | 320,802 | 55,276 |
| Operating supplies | 151,868 | 218,633 | 244,222 |
| Payments for internal services | 105,382 | 137,073 | 131,485 |
| Postage & delivery | 8,093 | 9,688 | 10,139 |
| Printing & photography | 768 | 682 | 9,006 |
| Rental expenditures | 47,318 | 44,017 | 42,264 |
| Repair & maintenance | 627,246 | 929,478 | 1,119,310 |
| Utilities | 277,541 | 310,638 | 327,921 |
| **Professionals & outside services[5]** | | | |
| Education & training | 39,519 | 37,855 | 26,197 |
| Hospital & medical services | 84,892 | 36,759 | 484,902 |
| Legal services | 19,548 | 20,419 | 20,597 |
| Other professional & outside services | 1,317,119 | 2,020,255 | 1,749,630 |
| **Non-capital resources[6]** | | | |
| Computer equipment - to be expensed | 14,473 | 16,374 | 55,081 |
| Furniture and furnishings - to be expensed | 7,704 | 16,922 | 13,981 |
| Non-capitalized intangible resources | - | 325 | 4,265 |

**Table 12.5 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Other equipment - to be expensed | 43,822 | 16,849 | 41,949 |
| Telecommunications equipment - to be expensed | - | 1,507 | - |
| **Capital equipment**[7] | | | |
| Furniture and furnishings | 11,111 | 1,355 | - |
| Other capital assets | - | 99,451 | (92,783) |
| Other equipment | 16,160 | 6,924 | 68,781 |
| Vehicles | - | - | - |
| **Transfers-out**[8] | | | |
| Transfers-out | 427,682 | 691,000 | - |
| **Food**[9] | | | |
| Food | 1,834 | 43,790 | 499,693 |
| **Travel in-state**[10] | | | |
| Travel in-state | 26,177 | 3,590 | 20,112 |
| **Capital outlay**[11] | | | |
| Buildings & building improvements | 47,772 | (17,970) | - |
| Infrastructure | - | 15,684 | 96,004 |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | (683) | 13,652 | 41,884 |
| **Aid to organizations & individuals**[13] | | | |
| Aid to or on behalf of individuals | 10,335 | (9,522) | - |
| **Total expenditures - Phoenix** | **$12,173,533** | **$14,338,895** | **$14,404,306** |
| Total students - Phoenix[15] | 255 | 250 | 227 |
| Total Phoenix expenditures by Phoenix student | $47,739 | $57,356 | $63,455 |
| Administrative expenditures by student – Table 12.4 | 3,641 | 4,546 | 6,028 |
| **Total expenditure by Phoenix student** | **$51,380** | **$61,902** | **$69,483** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.6**

**ASDB's Tucson campus expenditure detail during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services[2]** | | | |
| Basic compensation | $5,696,643 | $5,966,065 | $6,323,290 |
| Exception compensation | 276,272 | 388,293 | 556,365 |
| Leave compensation | 675,755 | 497,987 | 359,262 |
| **Employee related expenditures[3]** | | | |
| Employee related expenditures | 482,658 | 501,971 | 531,310 |
| Insurance | 1,593,201 | 1,701,094 | 1,597,455 |
| Other Employee related expenditures | 54,125 | 83,351 | 55,744 |
| Retirement plan payments (employer portion) | 774,695 | 777,070 | 814,090 |
| **Other operating expenditures[4]** | | | |
| Advertising | 214 | - | - |
| Conference, education & training | 18,637 | 33,193 | 84,861 |
| Information technology services | 337,253 | 260,239 | 323,073 |
| Insurance & related charges | 68,290 | 72,658 | 71,361 |
| Miscellaneous operating | 25,083 | 14,790 | 42,281 |
| Operating supplies | 222,213 | 292,226 | 269,001 |
| Payments for internal services | 104,232 | 105,194 | 90,933 |
| Postage & delivery | 10,159 | 9,015 | 12,591 |
| Printing & photography | 514 | 295 | 207 |
| Rental expenditures | 32,338 | 43,264 | 37,862 |
| Repair & maintenance | 932,379 | 1,326,501 | 1,341,434 |
| Resale supplies | 38 | - | - |
| Utilities | 703,797 | 794,427 | 794,259 |
| **Professionals & outside services[5]** | | | |
| Education & training | 2,648 | 38,777 | 58,210 |
| Hospital & medical services | 151,295 | 82,455 | 574,747 |
| Legal services | 16,037 | 17,050 | 17,074 |
| Other professional & outside services | 403,600 | 254,898 | 168,357 |
| **Non-capital resources[6]** | | | |
| Computer equipment - to be expensed | 61,560 | 115,200 | 66,588 |
| Furniture and furnishings - to be expensed | - | 41,884 | 32,879 |
| Non-capitalized intangible resources | 1,200 | 1,937 | 22,049 |

**Table 12.6 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Other equipment - to be expensed | 101,589 | 20,972 | 54,358 |
| **Capital equipment**[7] | | | |
| Capitalized intangible assets | - | 12,537 | (12,537) |
| Computer equipment | - | - | 600 |
| Furniture and furnishings | - | - | - |
| Other equipment | 56,224 | 48,623 | (8,046) |
| **Transfers-out**[8] | | | |
| Transfers-out | 175,000 | 175,000 | - |
| **Food**[9] | | | |
| Food | 44,583 | 42,335 | 382,983 |
| **Travel in-state**[10] | | | |
| Travel in-state | 14,958 | 25,877 | 41,521 |
| **Capital outlay**[11] | | | |
| Improvements other than Buildings, highways & bridges | 758 | 108,072 | - |
| Infrastructure | - | - | - |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | (3,574) | 28,239 | 39,836 |
| **Aid to organizations & individuals**[13] | | | |
| Aid to or on behalf of individuals | 2,869 | (2,869) | - |
| **Total expenditures - Tucson** | **$13,037,240** | **$13,878,622** | **$14,743,997** |
| Total students - Tucson[15] | 122 | 123 | 128 |
| Total Tucson expenditures by Tucson student | $106,863 | $112,834 | $115,187 |
| Total Administrative expenditure by student – Table 12.4 | 3,641 | 4,546 | 6,028 |
| **Total expenditure by Tucson student** | **$110,503** | **$117,380** | **$121,215** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.7**

**ASDB's Itinerant Services Program expenditure detail during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services[2]** | | | |
| Basic compensation | $7,933,973 | $8,176,716 | $8,520,658 |
| Exception compensation | 335,559 | 382,658 | 436,183 |
| Leave compensation | 623,457 | 485,647 | 478,681 |
| **Employee related expenditures[3]** | | | |
| Employee related expenditures | 651,178 | 664,599 | 693,721 |
| Insurance | 1,872,770 | 2,156,841 | 2,013,082 |
| Other Employee related expenditures | 73,281 | 88,509 | 94,959 |
| Retirement plan payments (employer portion) | 1,067,887 | 1,025,895 | 1,084,203 |
| **Other operating expenditures[4]** | | | |
| Conference, education & training | 8,613 | 8,303 | 12,417 |
| Information technology services | 100,220 | 279,677 | (9,992) |
| Insurance & related charges | 247,623 | 239,076 | 233,587 |
| Interest payments | 130 | 38 | - |
| Miscellaneous operating | 4,452 | 191,075 | 6,825 |
| Operating supplies | 153,667 | 303,678 | 300,629 |
| Payments for internal services | 210,339 | 235,559 | 245,479 |
| Postage & delivery | 2,933 | 247,122 | 139,099 |
| Printing & photography | 4,645 | - | 319 |
| Rental expenditures | 514,359 | 451,843 | 432,001 |
| Repair & maintenance | 183,892 | 305,112 | 352,417 |
| **Professionals & outside services[5]** | | | |
| Education & training | 650,501 | 549,039 | 419,693 |
| Hospital & medical services | - | - | (9,447) |
| Legal services | 58,588 | 56,565 | 55,887 |
| Other professional & outside services | 2,184 | 9,653 | 44,067 |
| Temporary agency services | 173,635 | 881 | 846 |
| **Non-capital resources[6]** | | | |
| Computer equipment - to be expensed | 162,816 | 11,395 | 40,012 |
| Furniture and furnishings - to be expensed | 327 | 11,560 | 63,037 |
| Non-capitalized intangible resources | 99 | 1,925 | (1,235) |
| Other equipment - to be expensed | 162,759 | 18,854 | 97,016 |
| Telecommunications equipment - to be expensed | - | - | 1,507 |

**Table 12.7 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Capital equipment**[7] | | | |
| Furniture and furnishings | - | - | - |
| Other equipment | 8,827 | 34,231 | 7,471 |
| **Transfers-out**[8] | | | |
| Transfers-out | - | - | - |
| **Food**[9] | | | |
| Food | 521 | 144 | 75 |
| **Travel in-state**[10] | | | |
| Travel in-state | 43,608 | 50,573 | 109,014 |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | - | 1,836 | 6,282 |
| **Total expenditures - Itinerant** | **$15,252,839** | **$15,989,006** | **$15,868,491** |
| Total students - Itinerant[15] | 1,248 | 1,284 | 1,140 |
| Total Itinerant expenditures by Itinerant student | $12,222 | $12,452 | $13,920 |
| Total Administrative expenditures by Itinerant student – Table 12.4 | 3,641 | 4,546 | 6,028 |
| **Total expenditures by Itinerant student** | **$15,863** | **$16,998** | **$19,948** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

**Table 12.8**

**ASDB's Birth to 3 and ELP expenditure detail during fiscal years 2022 through 2024[1]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Personal services[2]** | | | |
| Basic compensation | $3,102,104 | $3,305,417 | $3,607,981 |
| Exception compensation | 173,003 | 252,757 | 221,986 |
| Leave compensation | 162,148 | 164,889 | 176,207 |
| **Employee related expenditures[3]** | | | |
| Employee related expenditures | 251,073 | 274,188 | 295,735 |
| Insurance | 661,945 | 815,340 | 752,903 |
| Other Employee related expenditures | 28,412 | 35,919 | 40,304 |
| Retirement plan payments (employer portion) | 405,975 | 442,498 | 469,856 |
| **Other operating expenditures[4]** | | | |
| Conference, education & training | 1,229 | 1,417 | 4,134 |
| Information technology services | 38,389 | 124,327 | (60,061) |
| Insurance & related charges | 25,477 | 26,061 | 27,762 |
| Interest payments | - | 53 | 12 |
| Miscellaneous operating | 15,200 | 173,677 | 13,962 |
| Operating supplies | 58,303 | 68,009 | 113,775 |
| Payments for internal services | 54,673 | 42,199 | 67,574 |
| Postage & delivery | 821 | 195 | 1,557 |
| Printing & photography | | | 141 |
| Rental expenditures | - | 17,473 | 27,271 |
| Repair & maintenance | 28,557 | 97,637 | 137,513 |
| Resale supplies | 62 | - | - |
| **Professionals & outside services[5]** | | | |
| Education & training | 2,023 | 26,310 | 15,689 |
| Hospital & medical services | - | 225 | 531,526 |
| Legal services | 6,028 | 6,166 | 6,642 |
| Other professional & outside services | 1,700,043 | 1,673,196 | 3,442,192 |
| Temporary agency services | - | 78,087 | 7,760 |
| **Non-capital resources[6]** | | | |
| Computer equipment - to be expensed | 3,843 | 16,325 | 3,351 |
| Furniture and furnishings - to be expensed | - | 462 | 649 |
| Non-capitalized intangible resources | - | 105 | (476) |

**Table 12.8 continued**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Other equipment - to be expensed | - | - | 15,410 |
| Telecommunications equipment - to be expensed | - | - | 1,552 |
| **Capital equipment**[7] | | | |
| Computer equipment | - | - | 12,738 |
| Other equipment | - | 28,279 | (28,279) |
| Vehicles | (20,318) | 20,318 | - |
| **Transfers-out**[8] | | | |
| Transfers-out | - | - | - |
| **Food**[9] | | | |
| Food | 1,438 | 3,439 | 3,390 |
| **Travel in-state**[10] | | | |
| Travel in-state | 16,740 | 27,704 | 47,205 |
| **Capital outlay**[11] | | | |
| Infrastructure | 28,279 | 73,674 | (96,004) |
| **Travel out-of-state**[12] | | | |
| Travel out-of-state | - | 7,273 | 13,682 |
| **Aid to organizations & individuals**[13] | | | |
| Aid to or on behalf of individuals | 1,548 | - | - |
| **Total Birth to 3 and ELP expenses** | **$6,746,995** | **$7,803,619** | **$9,875,640** |
| Birth to 3 students | 571 | 555 | 553 |
| ELP students | 169 | 106 | 138 |
| Total Birth to 3 & ELP students[15, 16] | 740 | 661 | 691 |

Note: Amounts may not total due to rounding.

**See footnotes at Table 12, pages c-2 through c-4.**

# APPENDIX D

**ASDB operational and nonoperational spending using USFR classifications**

This appendix presents ASDB's expenditures using operational and nonoperational spending classifications generally consistent with the Uniform System and Financial Records for Arizona School Districts (USFR). Because ASDB is a State agency, is not required to follow the USFR, and provides specialized services, its spending information is not directly comparable to spending information reported for Arizona public school districts.

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# APPENDIX D

**Table 13**

**ASDB's operational and nonoperational spending during fiscal years 2022 through 2024[1,11]**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Operational spending[2]** | | | |
| **Classroom spending** | | | |
| Instruction[4] | $22,939,294 | $23,275,036 | $26,933,467 |
| Student support[5] | 11,155,359 | 11,006,474 | 10,896,070 |
| Instruction support[6] | 707,327 | 914,669 | 1,092,987 |
| **Subtotal classroom spending** | $34,801,981 | $35,196,179 | $38,922,524 |
| **Nonclassroom spending** | | | |
| Administration[7] | 7,957,605 | 8,803,326 | 5,781,825 |
| Plant operations[8] | 4,394,338 | 4,845,729 | 4,931,854 |
| Food service[9] | 429,591 | 1,019,317 | 707,090 |
| Transportation[10] | 4,001,569 | 5,763,873 | 7,776,422 |
| State-wide deaf & blind programs[3] | 2,445,502 | 4,944,935 | 5,283,406 |
| Unallocated Agency-wide[16] | - | - | 2,556,530 |
| **Subtotal nonclassroom spending** | $19,228,605 | $25,377,180 | $27,037,128 |
| **Subtotal operational spending** | **$54,030,586** | **$60,573,358** | **$65,959,651** |
| **Nonoperational spending** | | | |
| Land and buildings[17] | 505,916 | 447,486 | 450,123 |
| Equipment | 1,284,358 | 1,526,678 | 1,660,632 |
| **Subtotal nonoperational spending** | **$1,790,275** | **$1,974,164** | **$2,110,755** |
| **Total spending** | **$55,820,860** | **$62,547,522** | **$68,070,407** |
| **Total students[12]** | **2,365** | **2,318** | **2,186** |
| Operational spending per student | $22,846 | $26,132 | $30,174 |
| Nonoperational spending per student | 757 | 852 | 966 |
| **Total spending per student** | **$23,603** | **$26,983** | **$31,139** |
| **Teachers[13,14]** | **246** | **239** | **238** |
| **Average teacher salary[13,15]** | **$ 69,427** | **$ 70,933** | **$ 68,895** |

Note: Amounts may not total due to rounding.

**The following footnotes apply to Table 13 and to the subsequent Table 13 sub-tables.**

**Table 13 continued**

[1] As a State agency, ASDB is not required to follow the Uniform System of Financial Records for Arizona School Districts (USFR), which includes a uniform chart of accounts for Arizona school districts that provides a complete and full accounting system. Therefore, ASDB does not always identify spending by category consistent with Arizona school districts' account classifications. The USFR was developed by the Arizona Auditor General and ADE and prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, and various other compliance requirements. Because ASDB does not follow the USFR and the specialized nature of the services ASDB provides, ASDB's spending information is not always comparable to the spending information for Arizona public school districts reported in Arizona School District Spending report.

[2] Operational spending includes costs ASDB incurred for its day-to-day operations but does not include costs to acquire capital assets, such as purchasing or leasing land, buildings, and equipment.

[3] State-wide spending includes costs that cannot be tied to a specific campus or program and is classified by ASDB as agency-wide spending, such as spending on agency support staff and operations. Refer to Tables 13.1 through 13.3 and Appendix C Table 12.4.

[4] Instruction spending includes teacher and other instructional staff salaries and benefits, travel, supplies, equipment, and related services.

[5] Student support spending includes therapy and other support staff salaries and benefits, travel, supplies, equipment, and related services for activities that assess and improve student well-being.

[6] Instruction support spending includes teacher training, curriculum development, salaries for deaf mentors, aides, brailist technicians, library and media specialists. .

[7] Administration spending includes salaries and benefits for directors, principals, assistant principals, administrative assistants, and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other costs related to these services.

[8] Plant operations spending includes staff salaries and benefits and related costs to keep facilities and equipment operational, including costs for heating, cooling, lighting, and property insurance. Plant operations spending also includes the cost to operate a dormitory at the Tucson campus.

[9] Food service spending includes staff salaries and benefits, supplies, and costs for contracted food services.

[10] Transportation spending includes salaries and benefits for transportation staff and contracted transportation services, as well as costs for maintaining buses and transporting students to and from school and school activities.

[11] Source: FSS analysis of ASDB expense transaction detail and ASDB-provided information.

[12] Source: Refer to Table 2 on page 5.

[13] Source: FSS analysis of ASDB payroll transaction detail and discussions with ASDB staff.

[14] Source: Count of staff ASDB identified as serving in teacher and supervising teacher roles. Because many staff serve multiple locations, staff counts are not presented by location.

[15] Average annual earnings associated with teaching duties, excluding compensation for additional duties, such as stipends, incentive pay, and other nonregular earnings, for staff ASDB identified as serving in teacher and supervising teacher roles.

[16] Unallocated agency-wide spending includes costs that cannot be allocated to a specific campus or program site and is classified by ASDB as agency-wide spending, and include spending related to Medicaid and various grants.

[17] Land & Building spending includes the costs to lease dedicated property and office or program space specifically for Itinerant and Birth to 3 programs. Refer to Tables through 13.3.

# APPENDIX D

**Table 13.1**

**ASDB operational and nonoperational spending[1,11]**

**Fiscal year 2022**

| | Phoenix Campus | Tucson Campus | Itinerant Services | Birth-to-3 (ELP) | Preschool (ELP) | State-wide[3] | Total |
|---|---|---|---|---|---|---|---|
| **Operational spending[2]** | | | | | | | |
| **Classroom spending** | | | | | | | |
| Instruction[4] | $4,241,439 | $3,710,212 | $8,967,341 | $3,028,795 | $2,991,507 | $- | $22,939,294 |
| Student support[5] | 2,789,106 | 3,547,580 | 4,474,299 | 220,652 | 123,722 | - | 11,155,359 |
| Instruction support[6] | 141,431 | 122,841 | 27,134 | 151 | 73,715 | 342,056 | 707,327 |
| **Subtotal classroom spending** | $7,171,976 | $7,380,633 | $13,468,774 | $3,249,598 | $3,188,944 | $342,056 | $34,801,981 |
| **Nonclassroom spending** | | | | | | | |
| Administration[7] | 608,019 | 462,548 | 785,080 | 126,193 | 164,113 | 5,811,652 | 7,957,605 |
| Plant operations[8] | 1,745,903 | 2,648,434 | - | - | - | - | 4,394,338 |
| Food service[9] | 274,710 | 154,881 | - | - | - | - | 429,591 |
| Transportation[10] | 2,232,336 | 1,576,526 | 149,799 | 17,370 | 17,252 | 8,287 | 4,001,569 |
| State-wide deaf & blind programs[3] | - | - | - | - | - | 2,445,502 | 2,445,502 |
| Unallocated Agency-wide[16] | - | - | - | - | - | - | - |
| **Subtotal nonclassroom spending** | $4,860,969 | $4,842,389 | $934,879 | $143,563 | $181,366 | $8,265,440 | $19,228,605 |
| **Subtotal operational spending** | **$12,032,945** | **$12,223,022** | **$14,403,653** | **$3,393,161** | **$3,370,309** | **$8,607,496** | **$54,030,586** |
| **Nonoperational spending** | | | | | | | |
| Land and buildings[17] | - | - | 505,916 | - | - | - | 505,916 |
| Equipment | 140,588 | 252,910 | 343,270 | - | 3,843 | 543,747 | 1,284,358 |
| **Subtotal nonoperational spending** | **$140,588** | **$252,910** | **$849,187** | **$-** | **$3,843** | **$543,747** | **$1,790,275** |
| **Total Spending** | **$12,173,533** | **$12,475,933** | **$15,252,839** | **$3,393,161** | **$3,374,153** | **$9,151,243** | **$55,820,860** |
| **Total Students[12]** | **255** | **122** | **1,248** | **571** | **169** | - | **2,365** |
| Operational spending per student | $47,188 | $100,189 | $11,541 | $5,942 | $19,943 | - | $22,846 |
| Nonoperational spending per student | 551 | 2,073 | 680 | - | 23 | - | 757 |
| **Total spending per student** | **$47,739** | **$102,262** | **$12,222** | **$5,942** | **$19,965** | **$-** | **$23,603** |
| **Teachers[13,14]** | | | | | | | **246** |
| **Average teacher salary[13,15]** | | | | | | | **$ 69,427** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 13, page d-4.**

**Table 13.2**

**ASDB operational and nonoperational spending[1,11]**

**Fiscal year 2023**

| | Phoenix Campus | Tucson Campus | Itinerant Services | Birth-to-3 (ELP) | Preschool (ELP) | State-wide[3] | Total |
|---|---|---|---|---|---|---|---|
| **Operational spending[2]** | | | | | | | |
| **Classroom spending** | | | | | | | |
| Instruction[4] | $4,680,720 | $3,762,096 | $8,200,236 | $3,446,199 | $3,089,483 | $96,302 | $23,275,036 |
| Student support[5] | 3,160,671 | 1,160,593 | 6,152,036 | 257,967 | 275,207 | - | 11,006,474 |
| Instruction support[6] | 158,233 | 96,089 | 20,309 | 596 | 72,976 | 566,465 | 914,669 |
| **Subtotal classroom spending** | $7,999,624 | $5,018,777 | $14,372,581 | $3,704,763 | $3,437,667 | $662,768 | $35,196,179 |
| **Nonclassroom spending** | | | | | | | |
| Administration[7] | 502,024 | 410,853 | 919,682 | 129,792 | 172,891 | 6,668,085 | 8,803,326 |
| Plant operations[8] | 1,955,648 | 2,865,801 | - | - | - | 24,280 | 4,845,729 |
| Food service[9] | 660,877 | 358,440 | - | - | - | - | 1,019,317 |
| Transportation[10] | 3,023,637 | 2,300,763 | 166,935 | 11,841 | 263,704 | (3,008) | 5,763,873 |
| State-wide deaf & blind programs[3] | - | - | - | - | - | 4,944,935 | 4,944,935 |
| Unallocated Agency-wide[16] | - | - | - | - | - | - | - |
| **Subtotal nonclassroom spending** | $6,142,186 | $5,935,857 | $1,086,617 | $141,633 | $436,595 | $11,634,292 | $25,377,180 |
| **Subtotal operational spending** | **$14,141,809** | **$10,954,635** | **$15,459,198** | **$3,846,396** | **$3,874,261** | **$12,297,060** | **$60,573,358** |
| **Nonoperational spending** | | | | | | | |
| Land and buildings[17] | - | - | 430,013 | 17,473 | - | - | 447,486 |
| Equipment | 197,086 | 208,423 | 99,795 | - | 16,892 | 1,004,482 | 1,526,678 |
| **Subtotal nonoperational spending** | **$197,086** | **$208,423** | **$529,808** | **$17,473** | **$16,892** | **$1,004,482** | **$1,974,164** |
| **Total Spending** | **$14,338,895** | **$11,163,057** | **$15,989,006** | **$3,863,868** | **$3,891,153** | **$13,301,542** | **$62,547,522** |
| **Total Students[12]** | **250** | **123** | **1,284** | **555** | **106** | - | **2,318** |
| Operational spending per student | $56,567 | $89,062 | $12,040 | $6,930 | $36,550 | - | $26,132 |
| Nonoperational spending per student | 788 | 1,694 | 413 | 31 | 159 | - | 852 |
| **Total spending per student** | **$57,356** | **$90,757** | **$12,452** | **$6,962** | **$36,709** | **-** | **$26,983** |
| **Teachers[13,14]** | | | | | | | **239** |
| **Average teacher salary[13,15]** | | | | | | | **$70,933** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 13, page d-4.**

**Table 13.3**

**ASDB operational and nonoperational spending[1,11]**

**Fiscal year 2024**

| | Phoenix Campus | Tucson Campus | Itinerant Services | Birth-to-3 (ELP) | Preschool (ELP) | State-wide[3] | Total |
|---|---|---|---|---|---|---|---|
| **Operational spending[2]** | | | | | | | |
| **Classroom spending** | | | | | | | |
| Instruction[4] | $5,017,502 | $4,763,123 | $9,716,351 | $2,731,287 | $4,703,460 | $1,744 | $26,933,467 |
| Student support[5] | 2,826,928 | 3,638,623 | 4,278,968 | 59,482 | 48,111 | 43,957 | 10,896,070 |
| Instruction support[6] | 170,557 | 224,433 | 38,451 | 2,256 | 54,087 | 603,204 | 1,092,987 |
| **Subtotal classroom spending** | $8,014,987 | $8,626,179 | $14,033,771 | $2,793,024 | $4,805,658 | $648,905 | $38,922,524 |
| **Nonclassroom spending** | | | | | | | |
| Administration[7] | 1,397 | 46,754 | (44,794) | 88,424 | (6,199) | 5,696,242 | 5,781,825 |
| Plant operations[8] | 2,007,360 | 2,757,285 | - | - | - | 167,210 | 4,931,854 |
| Food service[9] | 408,658 | 298,432 | - | - | - | - | 707,090 |
| Transportation[10] | 3,363,927 | 2,448,804 | 192,164 | 22,112 | 1,742,110 | 7,304 | 7,776,422 |
| State-wide deaf & blind programs[3] | 60,143 | 68,439 | 1,047,542 | - | 31,605 | 4,075,677 | 5,283,406 |
| Unallocated Agency-wide[16] | 408,217 | 304,349 | - | - | 366,689 | 1,477,274 | 2,556,530 |
| **Subtotal nonclassroom spending** | $6,249,703 | $5,924,064 | $1,194,912 | $110,536 | $2,134,206 | $11,423,707 | $27,037,128 |
| **Subtotal operational spending** | **$14,264,690** | **$14,550,243** | **$15,228,683** | **$2,903,560** | **$6,939,864** | **$12,072,612** | **$65,959,651** |
| **Nonoperational spending** | | | | | | | |
| Land and buildings[17] | 100 | - | 423,608 | 26,416 | - | - | 450,123 |
| Equipment | 140,078 | 193,755 | 216,201 | 3,238 | 2,562 | 1,104,798 | 1,660,632 |
| **Subtotal nonoperational spending** | **$140,178** | **$193,755** | **$639,808** | **$29,654** | **$2,562** | **$1,104,798** | **$2,110,755** |
| **Total Spending** | **$14,404,868** | **$14,743,997** | **$15,868,491** | **$2,933,214** | **$6,942,426** | **$13,177,410** | **$68,070,407** |
| | | | | | | | |
| **Total Students[12]** | **227** | **128** | **1,140** | **553** | **138** | **-** | **2,186** |
| Operational spending per student | $62,840 | $113,674 | $13,358 | $5,251 | $50,289 | - | $30,174 |
| Nonoperational spending per student | 618 | 1,514 | 561 | 54 | 19 | - | 966 |
| **Total spending per student** | **$63,458** | **$115,187** | **$13,920** | **$5,304** | **$50,307** | **$-** | **$31,139** |
| **Teachers[13,14]** | | | | | | | **238** |
| **Average teacher salary[13,15]** | | | | | | | **$68,895** |

Note: Amounts may not total due to rounding.

**See footnotes at Table 13, pages d-2 through d-4.**

# APPENDIX E

## Scope and methodology

On behalf of the Arizona Auditor General, Forensic Strategic Solutions (FSS) has completed a forensic audit of the Arizona State Schools for the Deaf and the Blind (ASDB) pursuant to a December 10, 2024, resolution of the Joint Legislative Audit Committee (JLAC). The forensic audit primarily addressed ASDB's financial activity for fiscal years 2022 through 2024. When necessary to address the audit objectives and assess actions taken after the audit period, or obtain additional information related to matters identified during our review, we also reviewed selected records and activities through the completion of our audit work.

We used various methods to address the audit's objectives. These methods included reviewing applicable State statutes, federal laws, administrative requirements, and program guidance; Arizona Auditor General report 22-109, *Arizona State Schools for the Deaf and the Blind – Performance Audit and Sunset Review*; Arizona Department of Administration accounting, payroll, personnel, purchasing, and procurement policies and guidance, including the State of Arizona Accounting Manual; the Arizona Attorney General's Agency Handbook; and applicable requirements and guidance from the Arizona Department of Education and the Arizona Health Care Cost Containment System. We also reviewed ASDB policies and procedures, cooperative agreements, contracts, Board meeting records, conflict-of-interest records, training and self-audit documentation, student and service records, and financial and accounting records, as well as records provided by ASDB's Medicaid billing and program administrators. In addition, we reviewed relevant publicly available records and interviewed ASDB personnel and personnel from agencies and other organizations involved in or supporting the activities reviewed.

In addition, we used the following specific methods to meet the audit objectives:

- **To determine whether ASDB properly identified, billed, collected, recorded, deposited, and reconciled service-related revenue during fiscal years 2022 through 2024,** we obtained and analyzed student enrollment records, voucher payment data from the Arizona Department of Education, fee-for-service billing and collection records, Medicaid claims and reimbursement data, general ledger transaction detail, cash receipt, deposit, and accounts receivable records, and related student and accounting documentation. We electronically compared the complete populations of enrollment, voucher, fee-for-service, and Medicaid records at the individual student level to evaluate whether students received services during the audit period, whether those services were eligible to generate revenue, and whether the related revenue was identified, billed, collected, and recorded. We compared each student's enrollment and service information to related voucher payments, fee-for-service billings, collections, outstanding receivables, deposit records, and general ledger activity to determine whether amounts due were properly supported, accurately calculated, appropriately recorded, deposited, and reconciled.

When our population-level analyses identified missing, inconsistent, or otherwise unusual activity, we reviewed supporting enrollment, service, billing, collection, deposit, and accounting documentation.

Because ASDB transitioned student information systems during the audit period, no single student information source contained sufficiently complete information for our analyses. Accordingly, we consolidated and reconciled student enrollment and service information from multiple data sources, including enrollment, voucher, fee-for-service, and Medicaid records.

For Medicaid revenue, we obtained and analyzed claims ASDB submitted for services provided during fiscal years 2022 through 2024, related reimbursement activity, and associated accounting records. We compared submitted claims to reimbursement and accounting records and analyzed the claims population for unusual or inconsistent activity. Our Medicaid procedures were limited to claims submitted by ASDB and the related billing activity. We did not determine whether ASDB identified and billed all Medicaid-eligible services and, therefore, did not quantify potential Medicaid revenue associated with services that may have been eligible for reimbursement but were not submitted for billing.

- **To determine whether payroll expenditures were properly authorized, supported, allocated, and paid in accordance with applicable requirements during fiscal years 2022 through 2024**, we obtained and analyzed payroll transaction detail, employee master records, personnel files, payroll authorization records, and general ledger transaction detail. We electronically analyzed the complete populations of payroll transactions and employee master records at the individual employee level to develop an overall understanding of payroll activity, employee compensation, payroll allocations, and compensation trends.

We also analyzed the complete population of payroll transactions to identify unusual transactions, unexpected compensation variances, and other conditions warranting additional review. Our population-level analyses included evaluating compensation trends, overtime activity, supplemental compensation, duplicate payments, off-cycle payroll activity, payments issued before hire or after termination, unexpected changes in compensation, and payroll allocations.

When our analyses identified missing, inconsistent, or otherwise unusual activity, we reviewed personnel files, payroll authorization records, approvals, and other supporting documentation.

In addition, we reviewed employees whose services formed the basis for Medicaid reimbursement claims to determine whether they were authorized to perform the services for which ASDB sought Medicaid reimbursement.

- **To determine whether non-payroll expenditures for goods and services were properly procured, authorized, supported, approved, allowable, and paid in accordance with applicable requirements during fiscal years 2022 through 2024**, we obtained and analyzed accounts payable detail, purchase order data, vendor master data, warrant register data, vendor invoices, general ledger transaction detail, procurement records, contracts, payment documentation, and related accounting records.

  We electronically analyzed the complete populations of accounts payable transactions, purchase orders, vendor master records, warrant register transactions, and general ledger transactions to develop an overall understanding of purchasing activity, vendor activity, procurement practices, payment activity, and spending trends.

  We also analyzed the complete population of non-payroll expenditures for goods and services to identify unusual transactions, unexpected spending patterns, duplicate payments, split purchases, round-dollar transactions, non-payroll payments to employees, unusual vendor activity, transactions lacking expected procurement attributes, and other conditions warranting additional review.

  When our population-level analyses identified missing, inconsistent, or otherwise unusual activity, we reviewed invoices, purchase orders, contracts, approvals, procurement records, payment documentation, and other supporting records to determine whether expenditures were properly procured, authorized, supported, approved, allowable, and paid.

- **To assess ASDB's compliance with State Open Meeting Law,** we reviewed meeting notices, agendas, written minutes, available audio or video recordings, and record-posting dates for 10 Board meetings held from January 11, 2024, through April 2, 2026. Our review included attending the September 11, 2025 Board meeting in person. We assessed whether ASDB provided required public notices and agendas, conducted the meetings consistently with applicable requirements, included required information in its meeting records, and made written minutes or recordings available for public inspection within required time frames. We also reviewed ASDB's documentation for the 6 meetings that included executive sessions.

- **To evaluate the extent to which ASDB established safeguards against possible conflicts of interest,** we reviewed employee and Board member conflict-of-interest disclosure forms, the special file, and documentation supporting ASDB's processes for collecting, reviewing, retaining, and addressing the forms, as well as its conflict-of-interest training and initial self-audit.

  We compared ASDB's policy governing purchases from Board members to applicable State requirements. We also reviewed publicly available records, including Arizona Corporation Commission business-entity records, to identify businesses and other entities affiliated with Board members and compared this information to ASDB's vendor and accounts payable records to identify purchases involving Board members or affiliated entities.

- **To determine whether ASDB implemented the Auditor General's 2022 recommendation to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amounts,** we reviewed the Auditor General's 2022 performance audit and sunset review and ASDB documentation and analyses supporting its Itinerant Services Program financial review and fee-setting process.

  We assessed whether ASDB's review included analyzing program revenues and costs, evaluating Cooperative Services Fund balances, comparing program costs to fees and voucher reimbursement amounts, determining whether those amounts should be revised, and making revisions when appropriate. We also reviewed documentation supporting changes ASDB made to voucher reimbursement amounts.

- **To determine whether ASDB could support its reported Birth-to-3 counts for fiscal years 2022 through 2024,** we compared the counts to student information system data and additional Birth-to-3 program records ASDB provided, including information from I-TEAMS. We also reviewed how Birth-to-3 information was maintained and communicated among program, information technology, and Business Services staff; interviewed ASDB staff about the processes used to maintain, validate, and report the counts; and reviewed whether written procedures existed for these activities. The records ASDB provided did not reconcile to the reported counts and were not sufficiently complete and reliable for us to independently validate the number of children receiving Birth-to-3 services. Accordingly, the Birth-to-3 counts presented in this report are ASDB-reported amounts.

This forensic audit was not a financial statement audit. Although we analyzed financial and accounting records to address the audit objectives, we did not audit ASDB's financial statements or perform procedures for the purpose of expressing an opinion on whether those statements were fairly presented in accordance with applicable financial reporting standards. Accordingly, we do not express an opinion or provide assurance on ASDB's financial statements.

Our consideration of internal controls, including applicable information system processes, was limited to the procedures necessary to address the audit objectives. Where applicable, we reviewed ASDB's policies and procedures, assessed compliance with selected requirements, and performed tests of relevant transactions and records. We did not conduct an audit of ASDB's internal controls or express an opinion on the effectiveness of those controls. We reported identified process and control deficiencies in the applicable report chapters.

We electronically analyzed complete populations of financial activity and used risk-based criteria to identify transactions, employees, vendors, and other activity warranting additional review. We performed detailed procedures on selected higher-risk or unusual activity to obtain sufficient evidence to support our findings and conclusions. Because these selections were risk-based and not statistically representative, the results were not intended to be projected to the entire population.

When relying on data provided by ASDB or other entities, we performed procedures to assess whether the data was sufficiently complete, accurate, and reliable for the applicable audit purpose. Except for the limitations described in this appendix and the report, we determined that the data used was sufficiently reliable for our audit purposes.

We conducted this forensic audit in accordance with the CFE Code of Professional Standards issued by the Association of Certified Fraud Examiners. We believe the evidence obtained provides a reasonable basis for the findings and conclusions presented in this forensic audit report.

We express our appreciation to ASDB Superintendent Annette Reichman, ASDB staff, and personnel from the State agencies and other organizations that provided information, records, and assistance throughout the forensic audit.

**The subsequent pages were written by ASDB to provide a response to each of the findings and to indicate its intention regarding implementation of the recommendations resulting from the forensic audit conducted by Forensic Strategic Solutions.**

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September 14, 2026

Forensic Strategic Solutions
5184 Caldwell Mill Rd Ste 204 Box 228
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Phone: 205.397.2126

Subject: Official Response to the Forensic Audit of the Arizona State Schools for the Deaf and the Blind (ASDB) – Fiscal Years 2022, 2023, and 2024

Dear Forensic Strategic Solutions Audit Team,

Thank you for providing the preliminary findings, recommendations, and draft report from the forensic audit of the Arizona State Schools for the Deaf and the Blind (ASDB) for Fiscal Years 2022, 2023, and 2024, conducted by the Forensic Strategic Solutions audit team.

We appreciate the thoroughness, professionalism, and objective approach demonstrated by the Forensic Strategic Solutions team throughout this review. In accordance with your established protocol, ASDB has utilized the response template provided to document the agency's official position. Enclosed is ASDB's completed response.

ASDB leadership is committed to strengthening governance, internal controls, fiscal accountability, and operational effectiveness. We have carefully reviewed the audit findings and recommendations, and our responses reflect our commitment to addressing identified concerns and establishing sustainable processes that promote accountability and continuous improvement.

Should you or your team require additional clarification, please contact me directly at annette.reichman@asdb.az.gov.

Thank you for your diligence and professionalism throughout the forensic audit process.

Sincerely,

Annette Reichman

Annette Reichman
Superintendent
Arizona State Schools for the Deaf and the Blind

Cc: ASDB Board of Directors

## Forensic Audit Recommendations and ASDB Responses

**Chapter 2**: ASDB did not reliably bill, collect, and reconcile service-related revenue for services provided during fiscal years 2022 through 2024, reducing monies available to support its operations and contributing to its financial problems.

ASDB response: The finding is agreed to

Response explanation: ASDB will implement formal standard operating procedures for billing, collecting, and reconciling service-related revenues. Business Services will maintain a central tracking system to ensure timely invoicing of school districts and partner agencies, perform monthly accounts receivable reconciliations against AZ360, and actively enforce delinquent account collection protocols to maximize operational revenue recovery.

**Recommendation 1:** Reconcile and correct converted enrollment data. This should include comparing legacy information system, new information system, voucher data, fee-for-service billing records, Medicaid records, and supporting service records to identify and correct discrepancies.

ASDB response: The audit recommendation will be implemented

Response explanation: Business Services will collaborate with the Information Technology (IT) data team and registrars to ensure student data converted from the legacy system (PowerSchool) to the current student information system (Synergy) is thoroughly reconciled. To resolve discrepancies, the agency will cross-reference student enrollment records against Arizona Department of Education (ADE) voucher claims, fee-for-service billings, Medicaid reimbursement logs, and staff caseloads. Corrective adjustments will be made, and written data-reconciliation procedures will be established for ongoing enrollment validation and continuous monitoring.

**Recommendation 2:** Develop and implement written procedures for reconciling and validating converted data before it is used. These procedures should require documented management review and resolution of discrepancies identified during data conversions and ongoing monitoring to identify and correct any remaining conversion-related data issues.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will document the process to reconcile converted data between the legacy student information system and the new student information system. We will identify and correct any remaining conversion-related data issues. Additionally, written procedures will be established requiring mandatory reconciliation, documented management review, and formal sign-offs prior to transitioning or using converted data for operational, reporting, or billing purposes.

**Recommendation 3:** Develop and implement written procedures for maintaining accurate enrollment records after system conversion. These procedures should require timely updates to student names, student identification numbers, school attended, enrollment start and leave dates, service status, and other information used for billing, collection, refund, reconciliation, and reporting.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures requiring real-time updates for student demographic details, State IDs, enrollment start/end dates, and service statuses. To ensure immediate compliance, Business Services and IT will implement interim manual reconciliation controls. Concurrently, ASDB is developing and deploying a new billing software platform designed to automate district account tracking, streamline multi-system reconciliations, and identify billing discrepancies or required district refunds.

**Recommendation 4:** Require periodic management review of enrollment records used for service-related revenue. This review should include reconciling enrollment records to supporting service records and resolving discrepancies before the records are used for voucher reporting, fee-for-service billing, Medicaid claims, refunds, or other financial reporting.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures requiring monthly reconciliations between the staff caseloads and enrollment data prior to processing the fee for service invoices and voucher claims. This process will verify students are actively receiving services, identify enrolled students who are missing required documentation in the student information system, and ensure only students receiving verified services are submitted for billing, voucher funding, and Medicaid reporting.

**Recommendation 5:** Develop and implement written billing, collection, refund, and reconciliation procedures for voucher, fee-for-service, and Medicaid revenue. These procedures should establish responsibilities for preparing billings and claims, tracking receipts, documenting adjustments, monitoring outstanding balances, identifying potential refunds, and reconciling reported, billed, collected, refunded, and outstanding amounts.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures for all billing, collection, refund, and reconciliation activities. These procedures will be implemented and as each corrective action plan is completed and the new billing software is in place, ASDB will update these procedures to incorporate updated software workflows and reporting functions.

**Recommendation 6:** Implement a reliable system or tool for generating and maintaining fee-for-service invoices. The system or tool should maintain a complete invoice record, include student identification information needed to match invoices to enrollment and service records, support tracking of payments and outstanding balances, and provide an audit trail for invoice creation, changes, adjustments, and management review.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB is currently working with a software developer to create a new billing software for the fee for service and membership invoicing. The scope of work includes invoice generation, payment tracking, and outstanding balance monitoring. We will have student identification numbers and names on the billing for better tracking and reconciliation. Additionally, the software will track the membership start and expiration dates to enforce accurate and timely billing. Prior to full software deployment, Business Services will utilize interim tracking mechanisms to maintain billing oversight.

**Recommendation 7:** Establish separate monitoring procedures for each service-related revenue source. These procedures should include self-audits comparing voucher payments requested and received to enrollment records, fee-for-service invoices issued and paid to services provided, and Medicaid billing to enrollment records, available Medicaid eligibility records, student service documentation, and year-to-year billing activity.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB has already implemented a reconciliation process for auditing the student enrollment with the voucher payments. The variances are shared with the registrars and the outreach directors to provide an explanation, correct data errors, or follow up with the school district. Furthermore, the fee for service invoices are reconciled with the enrollment data to make sure the dates are correct and the students were actually provided services. Medicaid is addressed in more detail in the next response explanation.

**Recommendation 8:** Immediately work with its Medicaid biller to review denied claims identified as correctable and other inconsistent Medicaid billing activity. ASDB should determine whether denied claims remain eligible for resubmission, reconsideration, dispute or other corrective action; promptly pursue all allowable reimbursements; and document the final disposition and root cause of each denied claim or billing gap, including amounts that can no longer be recovered.

ASDB response: The audit recommendation will be implemented

Response explanation: In FY2024, ASDB's Medicaid Administrative Claiming (MAC) representative and Business Services team began working closely with its third-party Medicaid biller provider (SEAS/PCG) to review monthly claim disposition reports for denied claims that are identified as correctable, address provider qualification gaps, verify student eligibility terms, ensure approvals are on file prior to submission deadlines, and maximize recoverable revenues. A recent review with the vendor in August 2026 indicates that a significant portion of the identified denials (such as Code 50 transportation claims totaling

$1.8M across FY2022 – FY2024) were subject to automated monthly recycling by PCG once corresponding direct services were paid. SEAS flags these claims as correctable because if a paid claim comes through to match against the transportation, it becomes an eligible claim; however, this does not guarantee it will result in a valid reimbursement. ASDB will establish formal internal tracking to complement SEAS's monthly review cycle, ensuring that root causes within ASDB's control - such as provider credentialing, missing prior approvals, and enrollment status changes - are promptly addressed so all eligible, allowable claims are successfully processed.

**Recommendation 9:** Develop and implement ongoing Medicaid claims-monitoring and contractor-oversight procedures. These procedures should require periodic review of claims disposition reports; timely identification and resolution of denied claims and billing gaps; documented responsibilities and deadlines for ASDB and its Medicaid biller; analysis of denial causes and trends; and management review of claims submitted, denied, corrected, resubmitted, and paid. ASDB should also evaluate and, as appropriate, revise its Medicaid billing contract to include measurable performance and reporting requirements, denial resolution time frames, and remedies when the biller does not meet contractual requirements.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures for ongoing Medicaid claims monitoring and vendor oversight. Additionally, the MAC Representative and Business Services team will meet with the Medicaid biller to review the claim disposition reports on a monthly basis and ensure corrections are made as required on denied claims.

**Recommendation 10:** Review and resolve identified uncollected revenue, unpaid invoices, overpayments, duplicate payments, and potential refunds. This review should determine whether additional collection, correction, refund, immediate reimbursement, or other corrective action is warranted and should be documented and reviewed by management.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB has implemented additional review processes to evaluate the uncollected revenues and overpayments cited in the audit. Reconciliation results are shared with the registrars and outreach directors to investigate discrepancies, confirm service records, and collect necessary feedback. Based on this review, corrections are made in the financial records to pursue all valid outstanding receivables and issue refunds or credits where overpayments occurred.

## **Chapter 3**: ASDB did not consistently ensure payroll expenditures for incentive pay and stipend pay were properly documented, supported, reviewed for eligibility, and paid in accordance with applicable requirements, increasing the risk of unsupported payroll expenditures and reduced accountability over public funds.

ASDB response: The finding is agreed to

Response explanation: ASDB will implement formal written procedures and standardized documentation requirements for all stipend and incentive pay expenditures. Prior to payment release, HR and Payroll will require completed eligibility checklists, supporting documentation, and formal administrative sign-offs.

**Recommendation 11:** Ensure incentive pay and stipend pay are processed only after required approvals are obtained and supporting documentation is received and retained.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will ensure all supplemental, stipend, and incentive payments are supported by updated, board-approved written policies. In June 2025 the state transitioned to AZ360 HRM and payroll system from the former payroll system HRIS. The state's AZ360 payroll system requires approvals for all supplemental, stipend and incentive payments. Furthermore, ASDB will require supporting documentation to be uploaded as attachments in AZ360 prior to processing approval.

**Recommendation 12:** Develop and implement procedures requiring supervisory or management review of incentive pay and stipend pay before processing, including assigning responsibility for the review, and documenting that the review was completed.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will implement a standardized supervisory review process for all supplemental, stipend, and incentive payments to verify employee eligibility, program compliance, and payment accuracy prior to payroll processing. Furthermore, ASDB will require supporting documentation to be uploaded as required attachments in AZ360 before final approval and disbursement.

**Recommendation 13:** Review the identified exceptions and determine whether corrective action is warranted, including recovery of unsupported, ineligible, or overpaid amounts, as appropriate.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will review all the exceptions provided by FFS, including the detailed transaction records, staff identifiers, and payment dates as noted in the audit. Once that information is reviewed, we can confirm payment accuracy and determine recovery options for any verified overpayments, accounting for employment status and applicable legal recovery frameworks. ASDB will formally document the final review findings and recovery determinations for every cited exception.

**Chapter 4**: Purchase order system errors caused inaccurate purchase order balances, increasing the risk that ASDB could spend above approved purchase order amounts

ASDB response: The finding is agreed to

Response explanation: ASDB will enforce routine system reconciliations between the Arizona Procurement Portal (APP) and AZ360 to eliminate purchase order balance errors. The Business Services team will regularly monitor open purchase orders using a secondary tracking system, correct encumbrance discrepancies, and close resolved transactions in a timely manner to prevent expenditures from exceeding authorized purchase order limits.

**Recommendation 14:** Develop and implement written procedures for purchase orders affected by system errors to require that invoice payments are accurately reflected in the purchase order balance or, if that is not possible, that the affected balance is corrected, amended, closed, or otherwise reconciled through a documented secondary process.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures to track all purchase orders affected by system errors that must be processed for payment in AZ360. This tracking mechanism will document the nature of the system error, require verified proof of receipt of goods or services, and enforce documented supervisory approval prior to processing payment. Additionally, ASDB will ensure open purchase balances in the e-procurement system (APP) are manually adjusted, closed, or reconciled.

**Recommendation 15:** Require documentation for each affected purchase order to include, at a minimum, the original purchase order number and authorized amount, the reason the invoice could not be applied to the purchase order, management authorization, reference to the original purchase order in AZ360, payments made through APP, payments processed outside the APP, and the remaining purchase order balance.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish written procedures governing the review and payment of invoices affected by system errors in the Arizona Procurement Portal (APP). A tracking mechanism will be developed to include detailing original purchase order amounts, system error rationale, documented approval prior to processing payment, true remaining balances, and ensuring complete documentation is on file.

**Recommendation 16:** Periodically reconcile affected purchase orders to AZ360 payment activity and take appropriate action to correct, amend, or close purchase orders when balances are inaccurate.

ASDB response: The audit recommendation will be implemented

Response explanation: Using the secondary tracking mechanism, ASDB's Business Services team will regularly monitor affected purchase orders against AZ360 for accuracy. Open items will be systematically reviewed between APP purchase order balances and AZ360 disbursement activity. This will include making necessary adjustments to ensure proper encumbrance balances, error resolution, and timely closure of completed transactions.

**Chapter 5**: ASDB made 2 purchases without required purchase orders, reducing assurance that these purchases were approved before public monies were obligated.

ASDB response: The finding is  agreed to

Response explanation: ASDB will reinforce procedures requiring approved purchase orders prior to incurring financial obligations. To address unauthorized purchases, ASDB will require justification for after-the-fact purchases documenting the necessity, authorization, and budget approval for any non-compliant purchase. Procurement will monitor non-compliance patterns and conduct mandatory refresher training across agency departments.

**Recommendation 17:** Develop, implement, and enforce procedures to ensure purchases requiring purchase orders are routed for approval before the purchases are made.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will enforce compliance with state procurement guidelines by reinforcing the requirement that purchase orders must be approved prior to ordering goods or services. In the event an unauthorized or after-the-fact purchase occurs, documentation will be required prior to payment processing. This documentation will detail what was purchased, who authorized it, the justification for why a purchase order was not obtained in advance, and the required budget approver's signature.  This documentation will be attached to the payment record in AZ360.

**Recommendation 18:** When ASDB staff identifies that a required purchase order was not established before a purchase was made, require documented supervisory review before payment to verify receipt of the goods or services, document why the purchase order was not established, and determine whether corrective action is warranted.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will strengthen administrative oversight to monitor and reduce non-compliant purchases across all campuses and divisions. When a purchase occurs without prior authorization, staff will be required to submit documentation detailing the purchase description, authorizing personnel, justification for bypassing standard procurement, and budget approver signatures. Business Services will track these exceptions, review non-compliance trends, conduct refresher procurement training for repeat non-compliant departments, and chronic non-compliance will be escalated to Executive Leadership for appropriate administrative review and corrective action.

**Chapter 6**: ASDB did not always ensure Board meeting records were complete or made available within required time frames, reducing transparency and the completeness of Board records.

ASDB response: The finding is agreed to

Response explanation: The Superintendent and the Executive Assistant to the ASDB Board of Directors take responsibility for ensuring Board meeting materials are uploaded onto Diligent Community within three (3) business days.

**Recommendation 19:** Develop and implement written procedures, including a checklist, for preparing, reviewing, and making Board meeting minutes and recordings available for public inspection within the required time frames. The procedures should address all Board meeting types, including regular meetings, special meetings, and work study sessions, and require ASDB to verify that meeting records include all required information before records are finalized.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will update our written procedures and implement a checklist for preparing, reviewing, and publishing Board meeting minutes or audio/video recordings to ensure they are made available on the ASDB website for all Board meeting types (including work study sessions) within three business days following each meeting, in full compliance with Arizona Open Meeting Law (A.R.S. § 38-431.01).

**Recommendation 20:** Develop and implement a process for creating and retaining an audio or video recording, or transcript, of executive sessions, consistent with Arizona Attorney General's Office recommended practices.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will update our written procedures to ensure audio or video recordings of all Board executive sessions are created, securely stored, and retained in accordance with statutory guidelines and the Arizona Attorney General's Office recommended practices.

**Chapter 7**: ASDB's policy allowed it to purchase goods and services from Board members without public competitive bidding, contrary to statute, increasing the risk that ASDB did not obtain the best value for public monies and failing to protect against favoritism and self-dealing.

ASDB response: The finding is agreed to

Response explanation: ASDB does not purchase goods and services from members of ASDB Board of Directors. ASDB also recognizes the necessity of the ASDB Board of Directors approving the alignment of policy with statutory requirements, in order to prevent use of public monies for favoritism and self-dealing.

**Recommendation 21:** Revise the Board member-as-vendor policy to align with A.R.S. §38-503(C), including removing purchasing thresholds that allow procurement methods other than public competitive bidding unless a statutory exception applies.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will revise its Board member-as-vendor policy and governing procurement procedures to ensure full alignment with A.R.S. § 38-503(C). The policy will be amended to remove any internal purchasing dollar thresholds that previously allowed non-competitive procurement methods for purchases involving Board members or their affiliated businesses. Going forward, ASDB will mandate formal public competitive bidding for any transaction involving a Board member, regardless of dollar amount, unless a specific statutory exception explicitly applies and is formally documented. Updated policy language will be introduced to the ASDB Board by the November 2026 Board meeting.

**Recommendation 22:** Establish a process requiring legal review of future policy provisions that are based on or intended to implement statutory requirements before adoption or revision.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB currently utilizes legal review through the Arizona Attorney General's Office for agency policy revisions. To ensure statutory provisions are consistently vetted prior to Board presentation, ASDB will formalize and update its existing policy revision workflow into written procedures. This will institute a mandatory compliance checkpoint requiring documented legal review and sign-off for any proposed policy draft, revision, or statutory implementation before it is placed on the Board agenda for adoption.

**Recommendation 23:** Provide Board members and relevant staff with updated guidance and training on the statutory requirements governing Board member-as-vendor transactions.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will provide training and updated guidance on statutory Board member-as-vendor requirements to all Board members. Updated conflict-of-interest guidance and public competitive bidding rules under A.R.S. § 38-503(C) will be incorporated into annual Board training cycles and new member orientation materials.

## **Chapter 10**: ASDB lacked sufficient records to demonstrate the number of children aged Birth-to-3 to whom it provided services, increasing the risk it provides incomplete or inaccurate information for State budgeting and oversight.

ASDB response: The finding is agreed to

Response explanation: ASDB will strengthen administrative oversight to monitor the data moving from I-TEAMS to the ASDB-maintained program to ensure accuracy in its reporting. The Agency recognizes the critical importance of maintaining complete, verifiable records for the Birth-to-3 program to support State budgeting and oversight, and is committed to improving its data management practices to eliminate risk and ensure full accurate reporting.

**Recommendation 24:** Develop and implement written procedures for maintaining and reporting Birth-to-3 service information. These procedures should identify how I-TEAMS and ASDB-maintained program and service records will be used to determine reported Birth-to-3 counts; establish criteria for including and removing children from reported counts; assign responsibility for preparing, validating, and reporting the information; and ensure staff responsible for using or reporting the counts have access to sufficient supporting information.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will establish and implement written policies and procedures to govern the collection, maintenance, and reporting of Birth-to-3 service data. These procedures will outline clear criteria for inclusion and removal of children in reported counts, define the operational integration between I-TEAMS and ASDB program records, assign staff reporting responsibilities, and ensure personnel have access to full supporting documentation.

**Recommendation 25:** Develop and implement procedures requiring Birth-to-3 counts to be reconciled to I-TEAMS and other supporting program and service records and reviewed for completeness and accuracy before the information is used for internal or external reporting. Differences identified through the reconciliation should be investigated and resolved or documented as appropriate, and the reconciliation and management review should be documented and retained.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB will implement formal reconciliation protocols between ASDB program/service records and I-TEAMS prior to issuing internal or external reports. Designated personnel will investigate and resolve any identified discrepancies, and documentation of the reconciliation and supervisory review will be formally retained for audit trail compliance.

**Recommendation 26:** Review Birth-to-3 counts previously reported to JLBC, OSPB, and other entities and, to the extent supported by available records, determine whether corrections or clarifications are warranted.

ASDB response: The audit recommendation will be implemented

Response explanation: ASDB concurs with the intent to provide accurate data to JLBC, OSPB, and oversight entities. However, complete historical verification of counts previously tracked in PowerSchool is not feasible due to data reliability limitations in the legacy system. Following ASDB's transition to Synergy SIS, the Agency will review and validate data strictly within Synergy to the extent records permit and will establish processes to ensure all future Birth-to-3 reporting is complete and accurate.