ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND
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September 14, 2026

Forensic Strategic Solutions
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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.