

Mountain Institute Career and Technical Education District

24-Month Followup of Performance Audit Report 24-208

The June 2024 Mountain Institute Career and Technical Education District performance audit found that the District spent \$3 million on career and technical education (CTE) programs in fiscal year 2022 but had not established critical accounting and IT controls to prevent errors, fraud, and data loss; lacked policies governing \$2.4 million in accumulated fund balances; and did not collect, validate, and use key CTE program outcome data to demonstrate how it effectively prepared students for high-need occupations. We made **19** recommendations to the District.

District's status in implementing 19 recommendations

Implementation status	Number of recommendations
☒ Implemented	9 recommendations
☒ Implemented in a different manner	1 recommendation
☐ Partially implemented	5 recommendations
☒ Not implemented	4 recommendations

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on the District's efforts to implement the recommendations from the June 2024 report.

Recommendations to the District

Finding 1: District did not comply with important cash-handling, purchasing, and payroll requirements, putting the District at an increased risk of errors, fraud, and unauthorized purchases

1. The District should develop and implement written cash-handling policies and procedures in accordance with USFR requirements, which should include separating responsibilities for cash collection, deposit, and review among more than 1 employee and regularly accounting for all sequential, prenumbered receipts.

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

The District developed and implemented cash-handling policies and procedures for cash collection, deposit, and review in December 2024 and updated its business operations manual in February 2025. The cash-handling policies and procedures separate cash-handling responsibilities among more than 1 employee, and our April 2025 review of all 6 cash deposits from December 2024 and January 2025 found that the District followed its updated policies and procedures.

2. The District should require the regular reconciliation of cash receipts to cash deposits.

▶ Status: **Implemented at 24 months.**

As reported in the prior followup, the District developed and implemented a reconciliation process to reconcile cash receipts to its bank deposits. Since the prior followup, the District reported it also developed and implemented a monthly reconciliation process to reconcile cash deposits it made directly to the County Treasurer. Our review of the District's June and July 2026 bank and County cash reconciliations found that the District reconciled cash receipts to all 10 cash deposits, totaling over \$7,000.

3. The District should separate responsibilities for credit cards among more than 1 employee so that no employee can make purchases, reconcile purchases receipts to credit card statements, and review the transactions for appropriateness without another employee's independent review and approval.

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

We reviewed all 18 District credit card purchases on the District's December 2024 credit card statement and found that all 18 credit card purchases were approved by an employee other than the purchaser. Additionally, 2 employees were responsible for reconciling and reviewing the transactions for appropriateness, and our review found that all 18 transactions had been reviewed and reconciled, and we did not identify any improper transactions.

4. The District should require an independent review and approval of its purchases prior to the purchase being made.
- ▶ Status: **Implemented at 6 months.**
- Our review of 10 judgmentally selected District purchases from fiscal year 2025 totaling approximately \$19,000 found that the District required an independent review and approval of purchases prior to the purchases being made for all 10 purchases we reviewed.
5. The District should identify and correct all overpayments made to employees from fiscal year 2022 to the present, including the overpayments we identified.
- ▶ Status: **Not implemented.**
- As reported in the prior followup, in April 2025, the District's Governing Board (Board) voted in a public meeting to not correct the overpayments totaling \$3,619 the District made to the 3 District employees we identified during the performance audit. Further, the District could not provide documentation supporting its determination that the District had not made any additional overpayments to employees since fiscal year 2022.
6. The District should develop and implement formal, written payroll policies and procedures in accordance with USFR requirements, which should include a process for regularly reconciling payroll distribution amounts to governing board-approved employee contracts.
- ▶ Status: **Implemented at 12 months.**
- The District developed and implemented written payroll policies and procedures in December 2024 and updated its business operations manual in February 2025. Additionally, the District developed a process in January 2025 to reconcile payroll distribution amounts to Board-approved employee contracts quarterly. Our July 2025 review found that the District followed its process and reconciled payroll distribution amounts to Board-approved employee contracts in January and April 2025.
7. The District should immediately stop prorating and paying in advance for contracted workdays that do not fall within a regular pay period.
- ▶ Status: **Implemented in a different manner at 24 months.**
- As we reported in the prior followup, the District has continued prorating and paying in advance for contracted workdays that do not fall within a regular pay period. However, the District developed a process in December 2024 to review employees' pay with the County before a full-time employee separates from District employment to ensure they were paid accurately. Additionally, the District updated its related procedures in July 2026 to include detailed steps to conduct final-employee-pay reviews with the County that should help address the issues we identified during the audit.

Finding 2: District's lack of key outcome data prevents it from demonstrating how the \$3 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

8. The District should develop and implement consistent data-collection protocols for all CTE programs to demonstrate compliance with statutory and Arizona Department of Education (ADE) requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

► Status: **Partially implemented at 24 months.**

The District has taken steps to develop and implement consistent data-collection protocols across its central and satellite CTE programs. Specifically, the District reported it hosts quarterly meetings with its member districts to share techniques and best practices for data collection and reporting. Additionally, the District developed and implemented a data-collection schedule to ensure it and its member districts consistently collect and report outcome data. Although the District has developed validation protocols for student certification attainment data collected by its member districts, the District lacks similar validation protocols for post-graduation job-placement data it and its member districts collect.

During our followup review in August 2026, we reviewed the District's fiscal years 2024 and 2025 outcome data, which the District reported was the most recent data available. We found that the District appeared to accurately report certifications earned by central and satellite program students to ADE but appeared to report inaccurate information about central and satellite students' postgraduate job placements. Specifically, we found that 9 of 41 fiscal year 2024 related job placements the District reported to ADE appeared to inaccurately represent that students were using skills gained in its CTE programs. For example, 1 survey response the District received indicated the student was placed in a hospitality job with duties unrelated to the automotive technologies program the student completed.

If the District had implemented data-validation procedures, such as reviewing job-placement information reported by member districts for reasonability, it likely would have identified these errors before reporting the information to ADE. Without consistent data-validation protocols for all its CTE programs and outcome measures, the District continues to lack critical information necessary to demonstrate that its programs are effective in meeting their statutory purpose of preparing students for high-need occupations.

9. The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies, and use the results of its evaluations to make changes to its programs to ensure they are meeting their statutory purpose of preparing students for high-need occupations.

► Status: **Not implemented.**

As explained in recommendation 8, the District has not developed consistent data-validation protocols for its CTE programs and continues to not validate some program outcome data to ensure it is complete and accurate. As reported in the prior followup, the District plans to evaluate each CTE program's effectiveness by assessing student-enrollment data, technical-skills-assessment scores, program-completion rates, certifications earned, and job-placement data. However, by lacking processes for consistently validating program outcome data, the District's planned approach for evaluating its programs may result in inaccurate information about its CTE programs' effectiveness.

Finding 3: District accumulated \$2.4 million in fund balances by end of fiscal year 2022 but did not have a policy regarding amount to be maintained in its general fund or its intended purpose

10. The District should implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.

► Status: **Partially implemented at 24 months.**

The District's general fund balance varied between fiscal years 2022 and 2025, but it did not drop below the \$2.4 million reported in the June 2024 performance audit, and at the end of fiscal year 2025, it had grown to \$3.6 million. The District established an updated budget balance carryforward plan in June 2026, and the Board reviews this plan twice a year and sets the percentages of carryforward fund balance to be used for key District priorities.

However, contrary to GFOA recommended practices, the District's budget balance carryforward plan does not set a target general fund balance nor specify a minimum or maximum fund balance amount. As such, the District has not addressed how it will use monies in excess of any maximum amount or how it will replenish the fund balance if it falls below a minimum amount. Additionally, without targeted minimum and maximum limits, the District is unable to determine how much of its fund balance it can spend on CTE programs each year to limit unnecessary fund balance growth while maintaining adequate reserves.

District officials reported that they do not intend to incorporate minimum or maximum fund balance amounts into their plan as they anticipate it would be difficult to stay within such limits while continuing current capital investments.

11. The District should develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

► Status: **Not implemented.**

As discussed in recommendation 10, District officials reported that they do not intend to incorporate minimum or maximum fund balance amounts into the District's budget balance carryforward plan. Accordingly, the District is unable to determine how much of its fund balance it can spend on its CTE programs each year to limit unnecessary fund balance growth while maintaining adequate reserves.

Finding 4: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

12. The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

► Status: **Implemented at 24 months.**

Our August 2026 review of the District's current IGAs with its member districts found that the District had updated all 7 member districts' IGAs to require member districts to provide the required CTED supplanting worksheet rather than the outdated USFR Memorandum 219. The updated IGAs require member districts to complete and submit the CTED supplanting worksheet to the District by January 15 annually. Additionally, all 7 updated IGAs have been approved by the respective member districts' governing boards and the District's Board.

13. The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to ADE and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

► Status: **Partially implemented at 24 months.**

Prior to the District updating the IGAs with its 7 member districts, the District developed a quality and compliance schedule for fiscal year 2026 that required its member districts to complete and submit the required CTED supplanting worksheet to the

District by December 1, 2025. Further, the District's current IGAs with its member districts indicate that the District may temporarily or permanently withhold funding from member districts that fail to complete and submit the required CTED supplanting worksheet by the District's deadline.

Our August 2026 review of the fiscal year 2025 CTED supplanting worksheets found that all 7 member districts submitted the required worksheets to the District before December 1, 2025. However, similar to what we reported in the prior followup, all 7 member districts submitted the worksheets to the District superintendent, not to the District's Board, as required by statute.¹ Additionally, the District continues to lack a formal process to ensure that the Board receives the worksheets and did not provide any evidence during the followup that the Board had received and/or reviewed the fiscal year 2025 worksheets. District officials reported the District will develop and implement a policy by October 2026 to ensure member districts provide the CTED supplanting worksheets to the District's Board, as required by statute.

- 14.** The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

► Status: **Partially implemented at 24 months.**

Since the prior followup, the District updated its IGAs with its member districts to allow the District to withhold funding from member districts if it identifies evidence of supplanting. Our August 2026 review of all 7 member districts' fiscal year 2025 supplanting worksheets found that 1 member district's worksheet showed it had potentially supplanted its CTE spending in fiscal year 2025. District officials indicated the member district appeared to have supplanted CTE monies because of high teacher turnover during the fiscal year, which resulted in lower salary costs. The District did not withhold funds from the member district as allowed by its IGA. However, the District did not document its rationale and determination to not withhold funds from the member district and did not bring this information to its Board for discussion or formal action. Accordingly, it was unclear whether the Board was aware of and/or agreed with the District superintendent's decision to not withhold funding from the member district.

¹ Arizona Revised Statutes §15-393(D)(7).

Finding 5: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information and data loss

- 15.** The District should immediately disable or remove all network accounts associated with terminated employees.

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

Our February 2025 review of the District's network accounts found that the District removed all network accounts associated with terminated employees.

- 16.** The District should establish and implement written policies and procedures to ensure terminated employees' network access is promptly removed.

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

The District established and implemented written technology policies and procedures in December 2024 to ensure terminated employees' network access is promptly removed. Further, as stated in recommendation 15, our February 2025 review found that the District removed all network accounts associated with terminated employees.

- 17.** The District should implement and enforce strong authentication controls that align with USFR standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Our March 2025 review found that the District had implemented and enforced authentication controls aligned with the USFR and credible industry standards for the critical IT system that had lacked this control during the audit.

- 18.** The District should develop and implement policy and procedures to review the District's authentication controls against USFR standards at least annually.

▶ Status: **Not implemented.**

As reported in the prior followup, the District has not developed nor implemented policy and procedures to review the District's authentication controls against USFR standards at least annually. The District reported it is working with its IT vendor to develop policy and procedures by November 2026.

- 19.** The District should establish and implement a District policy to conduct mandatory employee security awareness training upon hire and at least annually thereafter.

▶ Status: **Partially implemented at 24 months.**

Since the prior followup, the District established a policy to conduct mandatory employee security awareness training upon hire and annually thereafter. For fiscal year 2027, the District began using an online training platform to host its security awareness training. As of August 2026, District officials reported that not all District staff had completed the required IT security awareness training but would do so by September 2026.