

Mohawk Valley Elementary School District

Report 2 of 2

Initial Followup of Performance Audit Report 25-213

The November 2025 Mohawk Valley Elementary School District performance audit found that the District compensated some employees contrary to USFR requirements and/or employment agreement terms, including improperly paying \$31,000 to 4 employees that may be considered improper bonuses under State law; additionally, it did not follow some cash-handling, purchasing, and conflict-of-interest requirements and allowed some users excessive access to accounting system functions. We made **14** recommendations to the District and **3** recommendations to the District's Governing Board (Board).

District's status in implementing 14 recommendations

Implementation status	Number of recommendations
 Implemented	4 recommendations
 In process	8 recommendations
 Not implemented	2 recommendations

Board's status in implementing 3 recommendations

Implementation status	Number of recommendations
 Implemented	1 recommendation
 Partially implemented	1 recommendation
 No longer applicable	1 recommendation

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

Recommendations to the District

Finding 1: District improperly paid 4 employees \$31,000 in additional compensation contrary to USFR requirements, and the payments may have violated State law and contributed to the District's increased financial risk

1. Ensure that any modification to employees' employment terms, such as pay or duty changes, are appropriately documented in employment agreements and approved in advance of the work being performed.

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

Our review of 5 judgmentally selected employees' fiscal year 2026 pay found that the District ensured that modifications to employment terms, such as pay or duty changes, were appropriately documented and approved in advance of the work being performed. However, as discussed in recommendation 5, we found that the District did not consistently ensure that payments were made in accordance with employment agreement terms and its policies and procedures.

Finding 2: Some District staff and Board members did not comply with certain State conflict-of-interest requirements and recommended practices, increasing the risk that undisclosed substantial interests could affect their official conduct

2. Enforce its existing conflict-of-interest policies for Board members and employees by requiring Board members and employees on their annual conflict-of-interest disclosure forms to fully describe any substantial interests they or their relatives may have in any contract, sale, purchase, or service to the District or District decisions, or attesting that no conflicts exist, if applicable.

► Status: **Not implemented.**

Our review of all conflict-of-interest disclosure forms for the District's 7 Board members and 4 business office employees for fiscal year 2026 found that the District did not consistently ensure that Board members and/or employees fully described the substantial interests they disclosed.¹ For 10 of the 11 disclosure forms we reviewed, Board members or employees fully described substantial interests or attested that no conflicts existed, as applicable. However, we found that 1 Board member disclosed a substantial interest involving their spouse but only listed their spouse's name without fully describing the nature of the substantial interest. In fiscal year 2026, the Board member's spouse served as a substitute teacher for the District, but the Board member failed to disclose relevant details of the substantial interest, such as their spouse's title, role, responsibilities, and/or compensation. Further, the Board member improperly voted

¹ The District has a 5-member Governing Board. In January 2025, 2 District Board members were replaced by newly appointed Board members.

on matters related to their substantial interest, as explained in recommendation 3.² District officials reported the District updated its conflict-of-interest disclosure forms and review and remediation procedures at the beginning of fiscal year 2027. However, due to the timing of the District's updates made after we conducted our work, we will assess the District's efforts to implement this recommendation at the 24-month followup.

3. Update its conflict-of-interest policies and establish and implement written procedures to include a documented process for reviewing and remediating disclosed conflicts of interest, including a process to help Board members identify meeting agenda items involving their interests, to ensure that Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

► Status: **Implementation in process.**

Although the District developed and its Board approved updated conflict-of-interest procedures in March 2026, additional efforts are needed to ensure Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest. Specifically, although the District's procedures include processes for reviewing all conflict-of-interest disclosure forms and District officials reported they conducted such a review, they did not document the review.

Additionally, the District's procedures lack a process for remediating disclosed substantial interests, and in fiscal year 2026, we found that 1 Board member improperly participated in matters related to their disclosed substantial interest. As discussed in recommendation 2, a Board member's spouse served as a substitute teacher for the District in fiscal year 2026, which is allowed by State law for certain school districts.³ However, in such circumstances, State law requires the Board member to refrain from voting on matters related to substitute teachers, and State conflict-of-interest laws require the Board member to avoid participating in any manner in matters relating to their substantial interests. Contrary to these requirements, the Board member improperly voted on matters related to their substantial interest by voting on various agenda items related to substitute teachers, such as an item to approve the list of District substitute teachers and/or payroll vouchers including payments to their spouse during at least 4 fiscal year 2026 Board meetings.

The Board member voted to approve these items by voting to approve each meeting's consent agenda, which is typically used to approve routine items. In 1 instance, the Board member disclosed their substantial interest during the meeting and indicated they would refrain from participating in matters related to their substantial interest. However, in the instance we reviewed where this occurred, the Board did not remove the items related to the Board member's substantial interest from the consent agenda, nor separately vote on these items to allow the conflicted Board member to refrain from participating in the vote. As a result and contrary to State law, the Board member

² A.R.S. §15-421(E) permits small school districts to employ a substitute teacher who is related to a board member as immediate family and who has had the same household of residence within the preceding 4 years. However, the board member who is related to the substitute teacher is required to recuse themselves from voting on any matter relating to substitute teachers.

³ A.R.S. §15-421(E).

improperly participated in matters related to their substantial interest and increased the risk that their official conduct and approvals may have been improperly influenced by their substantial interest.

District officials stated the District updated its review and remediation procedures, including a process to help Board members identify meeting agenda items involving their interests, at the beginning of fiscal year 2027. However, due to the timing of the District's updates made after we conducted our work, we will assess the District's efforts to implement this recommendation at the 24-month followup.

4. Require and document attendance for periodic training on its conflict-of-interest requirements, processes, and disclosure forms to its Board members and employees that include information about how the State's and District's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

► Status: **Implementation in process.**

The District developed an annual conflict-of-interest training for Board members and employees, but additional work is needed to require and document training attendance and ensure the training includes all relevant information. Specifically, we reviewed fiscal year 2026 conflict of-interest training documentation and found that 25 of 36 employees and 4 of 5 Board members completed the training. Additionally, although the District's training addresses how the State's conflict-of-interest requirements relate to Board members' unique responsibilities, it does not include details related to employees' unique programs, functions, or responsibilities. Moreover, the District's training does not include information related to District-specific conflict-of-interest requirements, processes, and disclosure forms. District officials reported they plan to update their conflict-of-interest training to include all relevant information and ensure all Board members and employees complete the training by January 2027. We will assess the District's efforts to implement this recommendation at the 24-month followup.

Finding 3: District did not comply with important requirements in various areas, resulting in miscalculated and improper payments to employees and an increased risk of loss, theft, or fraud

5. Pay employees accurately and in accordance with employment agreement terms by developing and implementing policies and procedures to ensure payments meet USFR requirements, including obtaining appropriate prior approval; retaining all required supporting documentation; and accurately calculating payment amounts.

► Status: **Implementation in process.**

In November 2025, the District developed and its Board approved policies and procedures to ensure employees are paid accurately, but we found that the District did not consistently follow its procedures. The District's policies and procedures include requirements related to obtaining prior approval, retaining required supporting documentation, and accurately calculating payment amounts. As discussed in

recommendation 1, we found that the District ensured that modifications to employment terms, such as pay or duty changes, were appropriately documented and approved in advance of the work being performed. However, we judgmentally selected and reviewed a sample of 5 employees' payments related to their primary job duties and identified nearly \$3,000 in unsupported payments, including overtime and extra hours that lacked required approvals. By doing so, the District continues to increase the risk of unauthorized or improper payments to employees. District officials stated they plan to review and update their payroll procedures to ensure all payments are appropriately supported by fiscal year 2028. We will assess the District's efforts to implement this recommendation at the 24-month followup.

6. Once developed, train all appropriate staff on the District's payroll procedures to follow USFR requirements and District policy.

► Status: **Implementation in process.**

The District has made some efforts to train District staff related to general payroll requirements, but additional steps are needed to ensure all appropriate staff follow the District's payroll policies and procedures and USFR requirements. In December 2025 the District's payroll clerk attended a payroll training provided by a third-party vendor. However, the training was not specific to the District's payroll policies and procedures, and the employee who attended the training is no longer with the District. District officials indicated they are in the process of training their new payroll clerk on payroll requirements and the District's policies and procedures. We will assess the District's efforts to implement this recommendation at the 24-month followup.

7. Timely deposit cash in accordance with USFR requirements and District policy by developing and implementing procedures to ensure all cash collected is deposited within a week of collection, or more frequently when amounts are significant.

► Status: **Implementation in process.**

In March 2026, the District developed and its Board approved procedures requiring it to deposit all cash collected within 7 days, but we found that the District did not consistently follow its procedures. Our review of the District's April 2026 cash deposits totaling more than \$31,000 found that the District deposited more than \$2,700 between 8 and 13 days after receipt, contrary to its procedures. Further, the District did not prepare evidence of receipt for 4 transactions totaling more than \$23,000, contrary to USFR requirements and District policies and procedures. Accordingly, we could not determine when the District collected the cash nor whether the District timely deposited it. Based on the documentation the District maintained, such as copies of checks it received, we were able to confirm that the District deposited all of the more than \$31,000 in cash transactions we reviewed. However, by not consistently preparing evidence of receipt and timely depositing monies, the District increases the risk that monies may be lost or stolen without detection. District officials reported they plan to ensure evidence of receipt is prepared for all cash transactions and all cash collected

is deposited within 7 days in accordance with District procedures by October 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

8. Pay for purchases only after obtaining evidence of receipt, as required by the USFR, by updating its purchasing policies and procedures to require employees to verify that all purchases have been received and billings are accurate prior to payment.

► Status: **Implementation in process.**

In November 2025, the District updated and its Board approved purchasing procedures requiring employees to verify that all goods have been received and billings are accurate prior to issuing payment to vendors. However, the District's procedures were insufficient to ensure all purchases, including purchased services, were received, and the District did not ensure employees consistently followed its updated purchasing procedures. Specifically, the District's procedures do not require employees to verify that the District received purchased services and billings are accurate prior to issuing payment to vendors. Additionally, we judgmentally selected and reviewed 8 accounts payable transactions occurring between February and April 2026 and found that the District issued payment for 4 purchases without obtaining required evidence that the District had received the goods or services and without ensuring that the billings were accurate prior to payment. District officials reported the District updated its purchasing procedures, including a process to ensure all purchased services were received, and they have worked to ensure that employees consistently follow established procedures at the beginning of fiscal year 2027. However, due to the timing of the District's updates made after we conducted our work, we will assess the District's efforts to implement this recommendation at the 24-month followup.

9. Once updated, train all appropriate staff on the District's purchase-receiving procedures to follow USFR and District policy requirements.

► Status: **Implementation in process.**

Although the District conducted staff training on its updated purchase-receiving procedures in February 2026, as discussed in recommendation 8, the District's procedures are insufficient because they do not require employees to verify that the District received purchased services. Additionally, the District did not train all relevant staff, contrary to its policy requiring training for all staff who receive purchases on the District's behalf. Specifically, our review of 8 accounts payable purchases occurring between February and April 2026 found that neither of the 2 employees who received the 8 purchases had been trained on the District's receiving procedures. District officials stated the District updated its training to include requirements for verifying services were received and trained all employees on the receiving procedures at the beginning of fiscal year 2027. However, due to the timing of the District's updates made after we conducted our work, we will assess the District's efforts to implement this recommendation at the 24-month followup.

- 10.** Comply with A.R.S. §15-421(D) by immediately discontinuing the practice of hiring and/or compensating any current Board member for any position.

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

The District indicated it discontinued its practice of hiring and/or compensating any current Board members for any position in accordance with A.R.S. §15-421(D). We reviewed the District's fiscal year 2026 detailed accounting data as of May 2026 and did not identify any improper compensation to any Board members.

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

- 11.** Limit employees' access in the accounting system to only those accounting functions needed to perform their job duties.

► Status: **Not implemented.**

Our July 2026 review of accounting system user access for the District's 3 active users found that 2 users continued to have more access than necessary to perform their job duties. These users' access allowed them the ability to initiate and complete payroll or purchasing transactions without another employee reviewing and approving the transactions. During the performance audit, we brought the 2 District users with excessive access to District officials' attention, but District officials have not taken action to address their excessive system access since that time. Additionally, the District had not implemented any compensating controls, such as additional reviews of accounting system activities, to mitigate the risks associated with excessive system access. By failing to limit accounting system access to only what employees need to perform their job duties and/or implement compensating controls to mitigate the risks associated with excessive system access, the District increased its risk of errors and fraud. District officials indicated they would review and update accounting system users' access by October 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 12.** Assign separate nonadministrative accounts to employees with administrator-level access to the District's network to perform their day-to-day activities.

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

Our May 2026 review found that the District removed all employee administrator-level access to the District's network.

- 13.** Update and implement its process to assign new employees appropriate accounting system and network access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees only have the system access necessary to perform their job duties.

► Status: **Implementation in process.**

In November 2025, the District updated and its Board approved procedures for managing employee access to its accounting system and network, but additional work is needed to ensure employees only have the system access necessary to perform their job duties. The District's updated procedures include processes for assigning new employees system access, changing employees' access if their assigned duties change, and annually reviewing users' access. However, we found that the District had not completed periodic reviews of users' access to help ensure employees only have the system access necessary to perform their job duties. Further, as discussed in recommendation 11, 2 District employees continued to have excessive accounting system access. District officials stated they plan to review and update accounting system users' access by October 2026. We will assess the District's efforts to implement this recommendation at the 24-month followup.

- 14.** Work with the County and vendor to review and limit the access of external accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If external users' access cannot be limited due to the responsibilities they perform for the District, the District should implement effective compensating controls, such as a process for regularly reviewing external user activity logs to assess the appropriateness of user activities and documenting these reviews, to limit risks of unauthorized access, errors, and fraud.

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

The District reviewed and limited accounting system access for County users to only those functions needed to support the District and so that no single County user can initiate and complete a transaction without independent review and approval. Additionally, the District consulted with its vendor and determined that vendor users' access could not be limited due to the responsibilities they perform for the District. As such, the District implemented a process for regularly reviewing external user activity logs to assess the appropriateness of its vendor's system activities. Our review found that the District has completed monthly reviews of external users' activity to ensure it was authorized and appropriate. The District's reviews did not identify any inappropriate external user activity.

Recommendations to the Board

Finding 1: District improperly paid 4 employees \$31,000 in additional compensation contrary to USFR requirements, and the payments may have violated State law and contributed to the District's increased financial risk

1. Work with legal counsel, as needed, to determine whether it had the legal authority to pay the additional compensation to its employees and document its determination and the rationale supporting its determination.

► Status: **Partially implemented at 6 months.**

During the District's February 2026 Board meeting, the Board voted unanimously to affirm that it had the legal authority to pay the additional compensation to District employees. We reviewed the Board's determination and the rationale supporting its determination that it reported to the Arizona Attorney General's Office. Our review of the Board's rationale supporting its determination found that although it determined it had the legal authority to pay the additional compensation, it did not consider whether the Board also had the legal authority to approve and pay the additional compensation after the employees had already completed the work. This consideration is relevant because the additional compensation we identified during the audit was paid to employees despite the compensation not being included in the employees' contracts and not being approved in advance of the work the employees performed.

If the Board updates its determination and/or rationale supporting its determination or if the Arizona Attorney General takes further action in response to the Board's determination, we will reevaluate the District's status in implementing this recommendation at a future followup.

2. Upon determining whether it had the legal authority to pay the additional compensation, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

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

In March 2026, the Board reported its determination and rationale supporting its determination to the Arizona Attorney General's Office. As of September 2026, the District had not received a response from the Arizona Attorney General's Office.

If the Board updates its determination and/or rationale supporting its determination regarding its legal authority to pay the additional compensation to employees discussed in Board recommendation 1 or if the Arizona Attorney General takes further action in response to the Board's determination, we will reevaluate the District's status in implementing this recommendation at a future followup.

3. If the Board determines it did not have the legal authority to pay the additional compensation, determine its ability to recover the monies and take steps to recover the monies, as appropriate.

▶ Status: **No longer applicable.**

As discussed in Board recommendation 1, the Board determined that it had the legal authority to pay the additional compensation to its employees, but its determination and rationale supporting its determination did not address some key details regarding the circumstances under which it paid the additional compensation to its employees.

If the Board updates its determination and/or rationale supporting its determination regarding its legal authority to pay the additional compensation to employees discussed in Board recommendation 1 or if the Arizona Attorney General takes further action in response to the Board's determination, we will reevaluate the District's status in implementing this recommendation at a future followup.