



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

September 30, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Sonoita Elementary School District

Daniel Erickson, Superintendent
Sonoita Elementary School District

We have issued an initial followup report on Sonoita Elementary School District's efforts to implement the recommendations made to it in the October 2025 performance audit (see report 25-211). The performance audit and followup work were performed by the independent CPA firm Walker & Armstrong, LLP, under contract with the Arizona Auditor General.

The October 2025 report made 15 recommendations to the District and, as of this initial followup report, 4 recommendations have been implemented, 8 are in process, and 3 were not implemented. Walker & Armstrong, LLP, will perform a second followup review at 24 months to assess the District's progress implementing the 11 recommendations that remain outstanding.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Sonoita Elementary School District

Initial Follow-Up of Report 25-211

The October 2025 Sonoita Elementary School District (District) performance audit found that the District had lower spending in most operational areas and its student assessment scores exceeded peer and State averages, but the District lacked some internal controls related to cash handling and expenditures; did not comply with IT security requirements; and failed to oversee transportation services, resulting in increased risks to public monies, sensitive computerized data, and student safety. We made **15** recommendations to the District.

District’s status in implementing 15 recommendations

Implementation status	Number of recommendations
✓ Implemented	4 recommendations
🔄 In process	8 recommendations
⊘ Not implemented	3 recommendations

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

Recommendations

Finding 1: District lacked important internal controls over cash and some purchases and did not follow requirements in other areas, increasing the risk for errors, misuse and fraud

The District should:

1. Develop and implement policies and procedures for cash receipts and disbursements that include: limiting access to the accounting system or implementing a review process to detect improper transactions or errors; reconciling deposits to cash receipts; requiring 2 individuals to open mail and prepare/sign a log of cash receipts; separating duties related to accounting system access, check signing, and bank reconciliation; and requiring dual authorization for bank transfers.

Status: Implementation in process.

The District has developed and implemented many of the policies and procedures called for in this recommendation, but continued efforts are needed to fully resolve concerns related to check signing and bank transfer authorizations. Our June 2026 review found that the District's policy requires it to follow the *Uniform System of Financial Records for Arizona School Districts* (USFR).¹ Additionally, the District had developed procedures for reconciling deposits to cash receipts, requiring 2 individuals to open mail and prepare a cash receipts log, and separating duties for bank reconciliations. The District also separated duties related to accounting information system (AIS) access, where possible, and developed processes to monitor for and detect improper transactions or errors in areas where duties could not be separated (see recommendation 6, pages 4 and 5, for more information on the District's AIS user access).

To evaluate the District's implementation of these policies and procedures, we observed cash-handling activities including the District's processes for opening the mail, receipting and recording payments, preparing and making deposits, and verifying that all monies are properly accounted for. We found that the processes we observed conformed to the District's new policies and procedures and met USFR requirements.

We also found that the District had taken steps to separate responsibilities for bank reconciliations. Our October 2025 performance audit report found that the District's business manager, who had administrator-level access to the AIS and was an authorized bank account signer, prepared the bank reconciliations. The District has since separated duties for its bank reconciliation process by having its administrative assistant prepare monthly bank reconciliations and the District's business assistant perform a secondary review. The District's business manager then verifies that the reconciliations are accurate and approves them. We reviewed the District's revised process and bank reconciliations for December 2025 and March 2026 and found that the District followed its updated process, which provides adequate separation of duties.

However, as of our June 2026 review, the District reported that it was still developing processes to require dual authorization for bank transfers and implementing review procedures for processes

¹ The Arizona Auditor General in conjunction with the Arizona Department of Education developed the USFR pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

involving duties that it could not separate due to its limited staffing. Specifically, the District reported that beginning in July 2026, its process for making electronic bank transfers and payments will require two individuals to make and review the transactions, and will require them both to document that they were present during the process. Additionally, District officials reported that it was not operationally feasible to remove the business manager as a signer for its bank accounts. Alternatively, they reported that they would establish a monitoring process for the District's superintendent to review bank statements for unusual activity beginning in fiscal year 2027.

We will further assess the District's implementation of the recommendation during our next follow-up.

2. Develop and implement policies and procedures to ensure that transactions made by its superintendent, including travel requests, are approved in advance, and ensure that the superintendent's credit card and travel expenses are specifically identified for final Board approval.

Status: Implementation in process.

As of June 2026, the District had initiated an updated process to require the superintendent to obtain advance Board approval for travel, but additional steps are needed to ensure the Board has all the information necessary to determine whether travel is reasonable and to formalize the District's process. Our review of the Board's March 2026 meeting minutes found that the District had followed its updated process to seek Board approval for the superintendent's travel to an out-of-town conference, but the District did not provide the Board with the estimated travel cost. Rather, the Board approved the superintendent's out-of-town travel based only on the conference's name and purpose. Once we informed the District that the Board may not have had sufficient information to determine whether the travel was reasonable, the District reported that it would update its process for fiscal year 2027 to require the superintendent to provide additional details, such as estimated hotel and transportation costs. Additionally, District officials reported that during the District's July 2026 monthly meeting, the Board would discuss which transactions should be reviewed in detail and what information staff should provide the Board about the superintendent's purchases.

We will further assess the District's implementation of the recommendation during our next follow-up.

3. Immediately terminate the employment of any Board member to comply with State law.

Status: Implemented at 6 months.

District officials reported that after we had informed them during the initial audit that it was a violation of State law to pay Board members as employees, the District immediately stopped allowing Board members to serve as paid coaches. District officials also reported that they will not allow this practice in the future. Our April 2026 review of the District's payroll records for fiscal year 2025 found that the District had not made payments to any Board members, and it appears that the District has fully implemented the recommendation.

4. Provide additional training to Board members and staff on statutory conflict-of-interest requirements, including employment, disclosure, and recusal obligations, and document the training provided.

Status: Implemented at 6 months.

We reviewed the District's July 2025 conflict-of-interest training materials and sign-in sheet, as well as the District's January 2026 Board meeting minutes, and found that all Board members and staff were present for and received conflict-of-interest training that addressed employment, disclosure, and recusal obligations.

Finding 2: District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to its critical systems and sensitive information, errors, fraud, and data loss

The District should develop and implement written policies and procedures to:

5. Require access controls restricting the ability of users to share, copy, or download documents, and to track and monitor cloud-based storage activity, and investigate any unusual activities that are identified.

Status: Implemented at 6 months.

The District reported that it had implemented security settings restricting users from sharing documents with individuals or entities outside the District's domain. We reviewed the District's document-sharing logs from January through April 2026 and did not identify any instances in which an individual outside the District's domain downloaded District documents. We also reviewed the District's security settings and verified that users could only share documents with individuals within the District's domain. The settings prevented users from granting individuals outside the District's domain access to District documents, thereby preventing them from viewing, copying, or downloading those documents.

6. Assign and periodically review user access to the District's cloud-based storage, accounting information, and student information systems to ensure users have access to only those functions needed to perform their assigned duties. If separation of duties is not feasible due to limited staffing, the District should implement other controls such as a process for a supervisor to regularly review information such as transaction details, system logs, and activity reports, as required by the USFR.

Status: Implementation in process.

Our review of the District's user access to its cloud-based storage, accounting, and student information systems, which we conducted between April 2026 and June 2026, found that the District had taken some steps to reduce users' excessive system access. Specifically, we found that the District limited some users' accounting information system access to only those functions needed to perform their job duties. However, our review also found that the District had not limited the business manager's administrator-level access in the accounting information system, and the business manager still had the ability to change their access rights and make unauthorized changes to the accounting information system undetected. Additionally, at the time of our review, the District reported that it had not reviewed or modified user access to its student information system or cloud-based storage system.

The District stated that it plans to develop and implement a documented process to periodically review user access to its cloud-based storage, accounting information, and student information systems before our next follow-up. According to the District, it had not yet implemented such a process because it had prioritized other recommendations and it intended to perform the initial review during the 2026-2027 school year.

The District also reported that it would limit the business manager's access to the accounting information system and transfer system administrator responsibilities to the superintendent before our next follow-up. Although the District's plan doesn't eliminate all risks associated with limited segregation of duties, it does separate control over AIS user access from the business manager's day-to-day accounting and transaction processing responsibilities. Additionally, the District requires 2 signatures on checks, and an administrative employee other than the business manager or superintendent prepares monthly bank reconciliations. These steps further reduce the risk of improper transactions going undetected.

We will assess the District's efforts to implement this recommendation at our next follow-up.

7. Centrally manage user access and enforce security policies across all devices, including strong password requirements that align with credible industry standards.

Status: Not implemented.

As of April 2026, the District reported that it was working with its outside IT consultant to implement a process to centrally manage user access and enforce security policies across all devices. The District's outside IT consultant reported that it was still working with vendors to determine the centralized user access management approach that would best meet the District's needs. The consultant also reported that the District may have identified the vendors it plans to use but had not yet made significant progress toward implementing the centralized management system. As a result, the District's ability to consistently enforce security settings continues to be limited, and users continue to have the ability to modify device configurations, including settings that permitted devices to remain unlocked indefinitely and disabled account lockouts after multiple unsuccessful login attempts.

The District reported that it anticipates fully implementing the recommendation by July 2027. We will further assess the District's implementation of the recommendation during our next follow-up.

8. Develop and provide training to users on IT security topics, such as password management, session timeouts, login attempt restrictions, and requirements to store all sensitive data on the District's approved cloud-based storage system; and document the training provided.

Status: Implementation in process.

As of June 2026, the District reported that it evaluated various methods for providing IT security training to staff and it had selected a computer-based learning platform. The security awareness training the District selected covers topics such as malware, email and messaging security, and password security. The District also reported that the new training platform will allow it to identify and follow up with employees who do not complete the required training.

The District reported that it anticipates fully implementing this recommendation before our next follow-up. We will further assess the District's implementation of the recommendation during our next follow-up.

9. Immediately disable or remove all unnecessary user accounts in its cloud-based storage and student information systems and implement a review process to ensure access to all systems is removed immediately when an employee or vendor service is terminated.

Status: Implementation in process.

District officials reported disabling or removing the terminated employee and vendor accounts that were identified and reported in the October 2025 performance audit report, but indicated that they had not yet reviewed all user accounts to determine whether there are other accounts that should be removed or disabled. As described in recommendation 6, the District is planning to develop a process to periodically review user access, and District officials indicated that when the new process is implemented they will conduct an initial review of all accounts. Additionally, the District reported developing and implementing an offboarding procedure and checklist in December 2025 that will ensure timely removal of terminated employees' system access.

Our April 2026 review of user accounts reported as terminated in the District's October 2025 performance audit report found that the District had disabled or removed accounts that no longer required IT system access. Additionally, we reviewed the District's offboarding procedures and found that, if they were followed, system access would be timely disabled or removed upon an employee's termination. However, because no employees had terminated from District employment between the time the District implemented its new procedures and the time of our review, we were unable to determine whether the District followed its newly developed procedures and checklist.

The District reported that it anticipates fully implementing this recommendation by our next follow-up. We will further assess the District's progress to implement this recommendation at our next follow-up.

10. Protect sensitive computerized systems and data by evaluating and implementing appropriate security measures for its wireless and internal network.

Status: Not implemented.

The District reported that it is evaluating its options for addressing this recommendation. However, because of its current system configuration, officials indicated that they have not made significant progress in determining or implementing appropriate wireless and internal network security measures.

We will assess the District's efforts to implement this recommendation at our next follow-up.

11. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

Status: Implementation in process.

Our May 2026 review of the District's updated contingency plan found that it included elements we had previously identified as missing, including an impact analysis, recovery time objectives, an inventory of District hardware, key contacts, backup strategies, and communication procedures. The plan also established testing requirements, including requiring individuals with assigned responsibilities to rehearse their duties. Additionally, the plan required the District to review and update it at least annually and revise it as needed based on issues identified during testing.

Because the plan was recently revised, the District had not yet tested it and reported planning to do so before December 2026. We will assess the District's efforts to implement this recommendation at our next follow-up.

Finding 3: District did not oversee its outsourced transportation services, increasing the risk of student safety concern, reporting errors, and fraud

The District should:

12. Develop and implement policies and procedures to oversee and routinely evaluate compliance with transportation laws and regulations for services provided through its transportation IGA, including verify bus driver credentials, ensuring required drug testing is conducted, and confirming that buses and vehicles used to transport students meet Minimum Standards.

Status: Implementation in process.

As of June 2026, the District had developed and begun implementing procedures to oversee its transportation provider and routinely evaluate compliance with applicable laws and regulations under the transportation intergovernmental agreement (IGA). Specifically, the District developed procedures to require its transportation service provider to submit school bus driver credentials and drug-testing documentation for District review. The District reported that it revised its procedures to require its transportation provider to submit DPS school bus inspection reports rather than individual bus maintenance records. The District indicated that the inspection reports provide more reliable evidence that the buses complied with DPS Minimum Standards.

The procedures also establish steps that the District will take if it identifies noncompliance with DPS Minimum Standards, including allowing the transportation provider an opportunity to implement corrective action and, when necessary, consulting with District legal counsel to determine the appropriate next steps. However, because the District recently established the requirement to obtain DPS inspection reports, it had not obtained the reports from its transportation provider at the time of our review. The District reported that it planned to obtain the fiscal year 2026 reports and would continue this process in fiscal year 2027.

We will assess the District's efforts to implement this recommendation at our next follow-up.

13. Develop and implement a process for routinely verifying the accuracy of student transportation counts and route mileage data provided by Patagonia Union High School District (Patagonia UHSD) before submitting reports to the Arizona Department of Education (ADE) to ensure accurate funding calculations.

Status: Implementation in process.

The District has developed procedures for verifying the accuracy of its transportation funding data, but it had not fully implemented them at the time of our review. Our June 2026 review found that the District had developed written procedures for routinely verifying the accuracy of student transportation counts and route mileage data provided by Patagonia UHSD, the District's transportation service provider, before submitting the information to ADE for funding purposes. Specifically, the procedures require District staff to compare a sample of District student rider counts to those reported by Patagonia UHSD. The procedures also require the District to obtain route maps, daily odometer readings, and mileage logs to verify the accuracy of reported route mileage.

Our walkthrough of the process with the District found that the District had obtained supporting documentation from Patagonia UHSD and verified the route mileage data it received. However, the District reported that, as of June 2026, it had not yet implemented the student-count verification procedures by comparing sampled counts by the District to those reported by Patagonia UHSD. The District reported that it plans to implement this procedure in fiscal year 2027.

We will assess the District's progress to implement this recommendation at our next follow-up.

14. Evaluate its transportation intergovernmental agreement (IGA) to determine whether it fully addresses issues such as access to records for compliance reviews and whether changes are warranted to the amount the District pays for transportation services.

Status: Implemented at 6 months.

In its December 2025 meeting, the District's Board discussed the performance audit's finding that additional procedures were needed to oversee its transportation services IGA with Patagonia UHSD, and it approved making changes to future IGAs relating to oversight. As part of the IGA discussion, the superintendent reported that no changes to the financial terms were proposed as it would be a hardship if the District were to lose the transportation services provided under the IGA and had to operate its own transportation program.

The District's fiscal year 2026 transportation IGA, which was established prior to the December 2025 vote, did not include any changes related to reporting or oversight compared to the fiscal year 2025 agreement. However, as discussed in recommendations 12 and 13, even without revisions to the IGA, the District was able to develop oversight procedures, as recommended, and was in the process of obtaining the supporting documentation necessary to perform compliance reviews.

15. Develop and provide annual training to responsible District staff on transportation program requirements and oversight responsibilities.

Status: Not implemented.

As of June 2026, the District's superintendent reported that the District is planning to conduct annual transportation program training at the beginning of each school year but had not developed any such training at the time of our review. According to the superintendent, he expects training to involve staff reviewing oversight responsibilities and procedures, discussing prior-year findings that warrant additional attention during the current year, and identifying any revisions needed to the oversight procedures. The District reported that it planned to implement this training in fiscal year 2027. Although the District had not yet formalized and implemented its planned approach, our understanding of the planned approach is that it should ensure District staff can more effectively oversee the District's outsourced transportation program and transportation provider.

We will assess the District's efforts to implement this recommendation at our next follow-up.