ARIZONA Auditor General
Making a Positive Difference

Red Rock Elementary School District

Initial Followup of Performance Audit Report 25-212

The October 2025 Red Rock Elementary School District performance audit found that the District provided its superintendent with unauthorized and/or potentially excessive vehicle-related benefits, likely resulting in gifts of public monies and waste, and failed to establish statutorily required performance-based pay. It also did not follow some cash-handling, travel, and critical IT requirements, putting public monies and sensitive computerized data at risk. The CPA firm Walker & Armstrong, LLP, which conducted the performance audit under contract with the Arizona Auditor General, made **13** recommendations to the District and **6** recommendations to the Board.

District's status in implementing 13 recommendations

Implementation status	Number of recommendations
Implemented	5 recommendations
In process	7 recommendations
Not implemented	**1 recommendation**

Board's status in implementing 6 recommendations

Implementation status	Number of recommendations
Implemented	3 recommendations
Partially implemented	3 recommendations

Following the performance audit's October 2025 release, the Joint Legislative Audit Committee (JLAC) requested the District superintendent attend its December 8, 2025, meeting to address the audit findings and the District's progress toward implementing the recommendations. During the December 8, 2025, meeting, the superintendent reported that the District had addressed multiple deficiencies identified in the performance audit and expected the District to have all the report recommendations implemented by our initial followup. To monitor the District's progress, JLAC requested the District provide a 3-month progress report (progress report) to both JLAC and our Office describing the actions the District has taken since the audit to implement the recommendations. The District provided its progress report in April 2026, which we considered in conjunction with our followup work for this report. As further described below, we found that although the District had not yet implemented all the recommendations it reported to JLAC as being implemented, it had made progress in doing so.

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 2: District did not follow requirements in several areas, potentially putting public monies at risk and increasing the risk to student safety[1]

1. The District should develop and implement policies and procedures for cash handling that comply with *Uniform System of Financial Records for Arizona School Districts* (USFR) requirements, including segregating cash handling duties, establishing a chain of custody for cash, issuing receipts, and reconciling accounts.[2]

- Status: **Implementation in process.**

  At JLAC's December 8, 2025, meeting, the District's superintendent reported that the District would work to develop new cash-handling policies and procedures, which, according to the District's April 2026 progress report, would be submitted for Board approval in May 2026. We found that the District's new policies and procedures include requirements for issuing receipts or using other methods to document cash collections. The policies and procedures also prohibit teachers from collecting cash from students or parents and require all payments to be made directly to school office staff, eliminating the need to track the chain of custody for cash collections.

  However, additional work is needed to better separate some cash-handling duties. Specifically, the employee responsible for recording cash collections on the District's tracking spreadsheet also prepares cash deposits, makes the deposits, and reconciles

[1] Finding 1 in the performance audit report did not include any recommendations to the District; all 6 recommendations were directed to the District's Governing Board (Board). See pages 7 through 10 for information about the Board's status in implementing the 6 recommendations in Finding 1.

[2] The Arizona Auditor General and Arizona Department of Education (ADE) jointly 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.

deposits to supporting documentation, contrary to USFR requirements. By not separating these incompatible responsibilities, the District increases the risk that cash could be lost or stolen without detection. We will assess the District's efforts to implement this recommendation at the 24-month followup.

2. The District should develop, provide, and document staff training relating to USFR and District cash-handling policies and procedures.

- Status: **Implementation in process.**

  In March 2026, the District provided training on its new cash-handling policies and procedures to staff with cash-handling responsibilities and reported planning to train other District staff at the beginning of the next school year. However, as discussed in recommendation 1, the District continues to have deficiencies in its cash-handling procedures, and additional training for staff with cash-handling responsibilities will be necessary once the District has fully implemented recommendation 1. We will assess the District's efforts to implement this recommendation at the 24-month followup.

3. The District should develop and implement policies and procedures that require the student activities treasurer or assistant director to sign checks for the student activities bank account as required by USFR.

- Status: **Implementation in process.**

  The District's April 2026 progress report indicated that the District replaced its business manager as 1 of 3 authorized signers on the student activities account, which we verified during this followup. Additionally, in December 2025, the Board appointed the District superintendent as the student activities treasurer. However, the District's procedures did not require the student activities treasurer to sign all student activities checks, as required by the USFR. We reviewed all 4 student activities checks issued between February and May 2026 and found that the student activities treasurer—the District superintendent—had not signed 1 of them. This check was instead signed by the account's 2 other authorized signers, increasing the risk that the treasurer may not have approved or been aware of the expenditure from the account. We will assess the District's efforts to implement this recommendation at the 24-month followup.

4. The District should develop and implement procedures to review travel reimbursement requests to ensure they are timely and supported by documentation, and that reimbursements are paid only for authorized charges in accordance with District policy and the *State of Arizona Accounting Manual* (SAAM).

- Status: **Implementation in process.**

  At the December 8, 2025, JLAC meeting, the District's superintendent reported that the District began implementing new travel-related procedures, which, according to the District's progress report, would be submitted for Board approval in May 2026.

We found that the Board approved the new travel policies and procedures, which include requirements for reimbursements to be made in a timely manner, supported by documentation, and paid only for authorized charges in accordance with SAAM. These policies and procedures, if followed, would likely address this recommendation. However, at the time we conducted our followup review, the District had not processed any travel reimbursement claims. Accordingly, we were unable to assess whether the District consistently followed its updated procedures. We will assess the District's efforts to implement this recommendation at the 24-month followup.

5. The District should develop and provide staff with training relating to District travel policies and applicable SAAM requirements for travel claims and reimbursement limits, and document the training provided.

- Status: **Implementation in process.**

  The District developed and provided training on its new travel-reimbursement policies and procedures to applicable employees in March 2026. According to District officials, if any additional staff are scheduled to travel for District business, District staff will provide this training prior to those staff traveling for the first time. We will assess the District's efforts to implement its new travel policy and procedures and ensure staff receive training prior to traveling at the 24-month followup.

6. The District should make a determination whether to seek reimbursement for travel expenses overpaid or unallowable under SAAM and the District's travel policy; and seek reimbursement as appropriate; consult with legal counsel as needed.

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

  The performance audit identified 2 overpayments totaling $610 that were related to travel reimbursements. We verified that the District has since recouped these 2 overpayments. During the performance audit, the District's business manager reimbursed the District for 1 overpayment totaling $576. Additionally, in October 2025, the superintendent reimbursed the District for the remaining $34 overpayment.

7. The District should develop and implement policies and procedures that require responsible staff to review the USFR Chart of Accounts at least annually for any changes to expenditure classifications, and include reviews of expenditure classifications as part of the District's secondary review process.

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

  Responsible District staff attended training on the USFR Chart of Accounts in July 2026, and District officials reported that responsible staff will continue to attend similar trainings in the future. The District also reported that its consulting firm periodically informs District staff about updates to the USFR Chart of Accounts. Additionally, the District hired its consulting firm to review the District's fiscal year 2025 expenditure classifications prior to the District using that information to submit its *Annual Financial Report*. District officials reported that the District will continue to have the consulting firm annually review its expenditure classifications.

8. The District should develop and implement policies and procedures for the Board to provide advance approval for the superintendent's travel and to specifically review and approve transactions made by its superintendent, including credit card expenditures and travel reimbursement requests.

- Status: **Implementation in process.**

  Consistent with the District's progress report, we found that the District had developed policies and procedures requiring the Board to preapprove the superintendent's travel and review and approve his travel reimbursement requests. As required by its updated policies and procedures, the Board preapproved the superintendent to travel to 3 conferences during fiscal year 2027 at its July 2026 meeting. However, at the time of our review, the superintendent had not yet attended any of the 3 conferences nor submitted a travel reimbursement request that we could review to ensure the District consistently followed its updated procedures.

  Additionally, the District updated its credit card policy to require all employees, including the superintendent, to check out a District credit card, as needed, from the District office. According to the District, the superintendent no longer retains a credit card in his possession.

  We will assess the District's efforts to implement this recommendation at the 24-month followup.

9. The District should immediately initiate a background check for the employee identified in our review and review personnel files for all current employees who are required to have background checks to ensure that all required checks have been completed and documented.

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

  At JLAC's December 8, 2025, meeting, the District's superintendent reported that the District had updated its onboarding procedures to ensure all employees have completed a background check prior to beginning their employment. Additionally, the District's progress report indicated that the District had reviewed all current employees and determined that each employee had a completed background check on file.

  We judgmentally selected and reviewed personnel files for 10 of 91 fiscal year 2026 District employees who were required to have undergone either a background check or to have obtained a fingerprint clearance card. The 10 employees we reviewed included 5 who worked at the District during the performance audit and 5 who were hired since the District implemented new onboarding procedures in September 2025. We found that all 10 employees' files included evidence of the required background checks and/or fingerprint clearance cards.

  Additionally, at the time of our followup review, the employee identified in the original audit as missing the required background check no longer worked at the District. However, District officials reported that they obtained the former employee's permission to perform a background check, which did not reveal any issues requiring District followup.

Finding 3: District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to its network and sensitive information, data loss, errors, and fraud

At JLAC's December 8, 2025, meeting, the District's superintendent reported that the District had updated its policies to address deficiencies related to password settings, accounting system user access, and contingency planning. As discussed below, we found that the District had implemented the recommendations related to IT system authentication controls and contingency planning. However, additional work is needed to address deficiencies related to accounting system user access.

10. The District should develop and implement a process for ensuring that system settings are consistent with password requirements that align with credible industry standards and District policy to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

  Our review, conducted in June and July 2026, found that the District implemented and enforced authentication controls aligned with credible industry standards for the critical IT systems that lacked these controls during the audit.

11. The District should protect its sensitive computerized data by limiting users' access to its accounting system to only those functions needed to perform their job duties.

- Status: **Implementation in process.**

  The District reduced the number of accounting system users with excessive system access, but we found the District continued to provide some users more access than necessary to perform their job duties. The performance audit found that 7 of 13 accounting system users had more access to the system than necessary and could initiate and complete payroll and/or accounts payable transactions without another employee reviewing and approving transactions. Our followup review found that 5 of 18 accounting system users had more access than necessary to the accounting system's payroll functions. By continuing to allow excessive system access for these 5 users, the District continues to increase its risk for errors and fraud. We will assess the District's efforts to implement this recommendation at the 24-month followup.

12. The District should develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties. If separation of duties is not feasible due to a limited number of personnel, the District should implement other controls such as a process for a supervisor to regularly review transactions, system logs, and balancing reports as required by the USFR.

- Status: **Not implemented.**

  As of August 2026, the District had not developed written policies or procedures to review and appropriately limit user access to its accounting system, contrary to the District superintendent's assertions to JLAC in December 2025. Additionally, although the District's progress report indicated that the District was considering initiating some management reviews of system activity, it did not specifically address developing and implementing the policies and procedures called for in this recommendation. We will assess the District's efforts to implement this recommendation at the 24-month followup.

13. The District should 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: **Implemented at 6 months.**

  Consistent with the District's progress report, we found that the District had updated its contingency plan to meet USFR requirements and credible industry standards. Additionally, the District tested its contingency plan in December 2025 and February 2026, documented the results of each test, identified plan deficiencies, and took corrective actions to address the deficiencies it identified.

Recommendations to the Board

Finding 1: District provided unauthorized and/or potentially excessive vehicle-related benefits to its superintendent, likely violating the State's gift clause, and did not follow statutory performance pay requirements

The October 2025 performance audit reported that the District's superintendent used a District-owned vehicle and fuel card for personal use without Board approval, which may have violated the Arizona State Constitution's gift clause prohibiting gifts of public monies. District officials reported they were unaware that the use of the vehicle should have been included in the superintendent's contract, as the District had provided this benefit to previous superintendents and it had not been specified in their contracts.

Starting in fiscal year 2024, the superintendent no longer used the District's vehicle and fuel card for personal use. In lieu of that benefit, the Board approved an annual vehicle stipend of $18,000 in each of fiscal years 2024 and 2025 for the superintendent. However, the audit report found that the stipend amount was substantially more than the vehicle benefits peer districts provided

to their superintendents. Specifically, only 3 of 8 peer districts that were of similar size, type, and location provided vehicle stipends, and these stipends ranged between $6,000 and $12,000. Additionally, the $18,000 annual stipend appeared excessive based on the mileage associated with the superintendent's documented travel for District purposes and the estimated costs for his personal commute to and from work, which totaled approximately $7,500.

The audit also reported that, contrary to State law, the superintendent's contract did not designate a percentage of his annual salary as performance pay for meeting Board-approved performance pay goals.

During JLAC's December 8, 2025, meeting, the District superintendent discussed the Board's planned actions to address tax issues associated with the improper and potentially excessive vehicle-related benefits that he received from the District. He also indicated that a performance pay provision had been added to his contract. Subsequently, the District's April 2026 progress report indicated that the Board planned to formally address all the issues identified in this finding during its May and June 2026 meetings. Our followup work related to the specific recommendations to the Board is discussed below.

1. The Board should work with the District to calculate the value of the superintendent's personal use of the District's vehicles, including commuting and fuel purchases, during his tenure.

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

  The District worked with a third-party consultant to value the superintendent's personal use of a District vehicle and fuel across 6 years of his tenure and presented the consultant's work to the Board for review and approval. The consultant's calculation valued the total benefit at $3,651, or approximately $600 per year, using the IRS Commuting Rule (commuting rule), which values each one-way personal commute in an employer-owned vehicle at $1.50 if certain conditions are met. To apply the commuting rule, the employer must require the employee to commute in the vehicle, and the vehicle cannot be used for personal purposes other than commuting and *de minimus* use.

  The consultant's determination took into account a policy the District provided for the consultant's review, which indicated that District vehicles were required to be used only for District purposes. However, this policy was never made available to the contractor who performed the audit and is contrary to certain assertions from past and current Board members, who indicated to the contract auditor their awareness of the superintendent's personal use of the District vehicle and credit card. Additionally, the District did not provide any evidence to support that it required the superintendent to commute using the District's vehicle, contrary to IRS guidance for using the commuting rule.

  While the Board approved the consultant's calculation valuing the superintendent's past use of a District vehicle and fuel at $600 per year, this amount is far less than the $18,000 yearly stipend the Board approved to replace the benefit.[3] Furthermore, the consultant's

[3] As reported in the October 2025 performance audit, the Board approved an annual $18,000 vehicle stipend for the Superintendent in fiscal years 2024 and 2025. However, in the Superintendent's contract effective July 2025 through June 2028, the Board reduced the vehicle stipend to $10,000 annually.

total calculated benefit for all 6 years combined was slightly less than the $3,677 in fuel purchases the superintendent charged to the District's credit card in 1 year alone. This indicates that the District's valuation of the superintendent's unauthorized benefit for tax purposes is substantially less than the value the superintendent actually received.

2. The Board should, in consultation with its legal counsel, as necessary, determine what action it will take to address the non-contractual personal vehicle and fuel benefits provided to the superintendent, which could include requesting repayment equivalent to the calculated value of the benefits and/or reporting all or a portion of the calculated benefit amount as a fringe benefit to the IRS for tax purposes, and determine whether its actions resulted in a gift of public monies in violation of the Arizona Constitution's gift clause.

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

  At its June 2026 Board meeting, the Board determined that it would address the noncontractual personal vehicle and fuel benefits provided to the superintendent in accordance with its consultant's recommendations. As a result, the District reported the calculated benefit, which it valued at $3,651 based on the consultant's recommendations, as a fringe benefit to the superintendent for tax purposes (see explanation for Board recommendation 1). At the same Board meeting, the Board determined that the superintendent's noncontractual personal use of a District vehicle and the fuel benefits it provided, which the District valued at $3,651, constituted a gift of public monies. As of June 30, 2026, the superintendent had been taxed on the $3,651 value of the fringe benefit through payroll deductions.

3. The Board should, upon determining whether its actions resulted in a gift of public monies in violation of the Arizona Constitution's gift clause, report its determination and the rationale supporting its determination to the Arizona Attorney General's Office.

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

  As discussed in Board recommendation 2, the Board determined that the superintendent's personal use of a District vehicle and the fuel benefits it provided, which the District valued at $3,651, resulted in a violation of the gift clause. The Board worked with its legal counsel to report its determination to the Arizona Attorney General's Office in August 2026. The Arizona Attorney General had not yet contacted the District regarding this matter at the time we conducted our followup work. 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.

4. The Board should determine whether it will continue to provide a vehicle stipend to the superintendent. If so, evaluate the amount to be provided, and document its determination that the amount to be provided is reasonable and an appropriate use of public monies.

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

  The Board continued to provide an annual vehicle stipend to the superintendent in fiscal year 2026, reducing the stipend to $10,000 from the $18,000 it had provided to the superintendent in fiscal years 2024 and 2025. Additionally, in January 2026, the District worked with a third-party consultant to perform an analysis of fiscal year 2026 superintendent compensation at 9 peer districts identified in our *Arizona School District Spending Analysis* for fiscal year 2024. The consultant's analysis found that peer districts that provided vehicle stipends to their superintendents provided between $6,000 and $12,000 annually. Based on the consultant's analysis, the Board determined at its May 2026 meeting that the superintendent's $10,000 annual vehicle stipend was reasonable and an appropriate use of public monies.

5. The Board should follow requirements in A.R.S. §15-341(A)(39) to ensure the superintendent's contract designates a percentage of annual salary as performance pay and includes Board-approved performance pay goals that the superintendent must meet; and determine whether the superintendent has met the goals prior to paying performance pay.

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

  In June 2025, the District entered into a 3-year contract with its superintendent that designated 5% of his annual salary as performance pay that could be earned for meeting 5 Board-approved goals. Among the superintendent's fiscal year 2026 goals were improving student achievement, organizational leadership, and community and Board relations. At its June 2026 meeting, the Board reviewed the superintendent's performance, determined that he had substantially met his performance goals, and voted to approve paying 92% of the designated performance pay amount, or approximately $4,900.

6. The Board should work with legal counsel, as necessary, to determine what actions, if any, are needed to rectify the Board's failure to comply with A.R.S. §15-341(A)(39).

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

  During a May 2026 Board meeting, the Board, in consultation with its legal counsel, determined no action was needed to rectify the Board's previous failure to comply with A.R.S. §15-341(A)(39). The Board made this determination based on the superintendent's contract now conditioning a portion of his annual salary on meeting Board-approved performance goals.