

Sanders Unified School District

30-Month Followup of Performance Audit Report 23-209

The December 2023 Sanders Unified School District performance audit found that the District spent more on salaries and benefits in all operational areas than its peers, lacked internal controls, and did not comply with important requirements in multiple areas, putting public monies, sensitive computerized data, and District property at risk. The CPA firm Walker & Armstrong, LLP, which conducted the performance audit under contract with the Arizona Auditor General, made **24** recommendations to the District.

District's status in implementing 24 recommendations

Implementation status	Number of recommendations
 Implemented	9 recommendations
 Partially implemented	3 recommendations
 Not implemented	12 recommendations

Since the prior initial followup, which we issued in May 2025, the District has made some progress in implementing the audit recommendations but has not taken any substantive action to address 12 of 24, or half, of the recommendations in the performance audit report. Due to the District's lack of progress in implementing the audit recommendations, we are referring this report to the Joint Legislative Audit Committee (JLAC) for its consideration and any further action. Unless otherwise directed by JLAC, this report concludes our followup work on the District's efforts to implement the recommendations from the December 2023 report.

Recommendations to the District

Finding 1: District operated its schools far below capacity levels, using at least an estimated \$697,000 that may have been more effectively used for other priorities, such as improving student achievement

1. The District should evaluate how it utilizes its space at its schools and determine and implement ways to reduce it, including evaluating whether to consolidate school operations in order to increase operating capacity to a more efficient level and focus more resources to other District priorities like improving student achievement.

▶ Status: **Not implemented.**

As of August 2026, the District had not documented an evaluation of how it uses its space at its schools nor had it formally evaluated whether to consolidate school operations to increase operating capacity to a more efficient level. According to District officials, they have not conducted this analysis because the District's Governing Board (Board) was not interested in doing so.

Finding 2: District did not adequately monitor its contracted food service management company, leading to wasteful production of food and spending

2. The District should consider rebidding its food service contract to obtain a contract based on cost per meal rather than cost reimbursement that would require the vendor to stay within the agreed-upon cost per meal.

▶ Status: **Partially implemented at 12 months.**

The District met with its food service vendor in December 2024 to discuss considerations for changing the basis of its contract payment terms from cost reimbursement to cost per meal. District officials reported the District chose to continue with its cost-reimbursement contract because it allowed more flexibility to offer menus better aligned with student preferences. However, as reported in the performance audit, the cost-reimbursement contract terms did not incentivize efficient practices, and the vendor produced an estimated 14,000 excess meals in fiscal year 2022, wasting approximately \$65,000 that the District could have used for other priorities. As discussed in recommendations 3 and 4, the District has subsequently taken steps to reduce food waste but was not actively reviewing invoices and meal-production records to help ensure accurate billing and efficient practices.

3. The District should develop a process to take counts of students intending to purchase lunch in the cafeteria each day and report these counts to its food service contractor so that it knows how many meals to prepare or implement some other process that minimizes the number of wasted meals.

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

According to District officials, since the audit, the District has developed a process where the kitchen manager receives daily student counts from the registrar and uses this information to determine the number of meals to prepare. We reviewed a sample of production logs for the District's elementary school from April and May 2024 and found that the reported daily number of discarded lunches each day had reduced from the original audit's estimate of 80 to approximately 12.

4. The District should monitor its food service contractor, including monitoring meal production throughout the fiscal year, to ensure it produces only the meals needed for students.

► Status: **Not implemented.**

District officials reported that they do not review food production records and therefore are not aware of the differences between the number of meals served and total meals prepared, including how many meals its food service vendor discards. As discussed in recommendation 2 and reported in the performance audit, the District's lack of meal production review in fiscal year 2022 resulted in an estimated 14,000 wasted meals per school year for elementary school lunches. The District did not have a business manager at the time of our review in August 2026, and District administrators had not provided guidance for conducting such reviews to the employee assigned to review meal-production records and related invoices.

5. The District should require its food service contractor to provide detailed invoices with explanations of charges that would allow the District to ensure the charges are reasonable and in accordance with the terms of the contract prior to paying the invoices.

► Status: **Not implemented.**

Since our prior followup, the District's food service contractor provided explanations for some food service charges that would allow the District to ensure the charges are reasonable and in accordance with the terms of the contract prior to paying the invoices but did not do so for all the charges on the invoices. For instance, we reviewed the District's April 2026 food service invoice and found that the District's contractor explained approximately \$27,500 of the over \$64,000 billed on the invoice. The charges the contractor explained included the monthly food charges and management fees. However, the District continued to not require its contractor to provide an explanation for other costs it billed, such as salaries and benefits or supplies and materials charges. Accordingly, the District continues to increase the risk that it could be billed incorrectly and/or pay for services it does not receive from its food service contractor.

Finding 3: District did not systematically perform school bus preventative maintenance, putting student safety at risk

6. The District should perform and document required school bus preventative maintenance in accordance with Minimum Standards requirements

► Status: **Not implemented.**

Our August 2026 review found that the District is not consistently documenting required school bus preventative maintenance in accordance with Department of Public Safety (DPS) Minimum Standards requirements. Specifically, our review of fiscal years 2023 through 2027-to-date preventative maintenance documentation for 3 of the District's school buses found that the District did not consistently document bus odometer readings, the date preventative maintenance was performed, or what preventative maintenance services were performed. District officials reported that documentation related to work orders and preventative maintenance checklists from 2023 to present are still in the process of being completed by maintenance staff. However, the excessive time between the preventative maintenance performed and the completion of corresponding documentation prevents the District from ensuring the documented maintenance information is accurate. As such, the District cannot demonstrate that it performed timely and systematic preventative maintenance to ensure the safety of students riding its school buses.

7. The District should update its written school bus maintenance schedule to include a time frame requirement for when preventative maintenance should occur to ensure that buses that drive fewer miles still receive timely maintenance.

► Status: **Not implemented.**

District officials stated that the District is still developing its written school bus preventative maintenance schedule and currently conducts preventative maintenance in accordance with an informal preventative maintenance schedule. Our review of the District's informal schedule found that the District updated the schedule since our prior followup to include both a mileage threshold of 7,000 miles and a time threshold of 8 months between preventative maintenance services. However, this schedule has not been approved by the District's Board. District officials plan to present its preventative maintenance schedule to the Board by October 2026. Further, since the District does not consistently document preventative maintenance information, as discussed in recommendation 6, we were unable to determine if it is being performed in accordance with the District's informal preventative maintenance schedule.

8. The District should develop and implement procedures to ensure school bus maintenance and mileage is tracked and monitored so that maintenance is performed according to the District's preventative maintenance schedule.

► Status: **Not implemented.**

See explanations for recommendations 6 and 7.

Finding 4: District's inadequate accounting controls increased its risk of errors and fraud and led to unauthorized purchases

9. The District should develop and implement processes for overseeing and enforcing the District's fuel and credit card use policy, such as updating the policy to require that credit card users repay the District for unsupported charges on its cards, and limiting or revoking card privileges when credit card users do not comply with the District's policy.

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

Since the audit, the District has updated its credit card policy and user agreement to specify actions it may take when staff do not follow credit card policies or make improper credit card purchases, including withholding wages and other disciplinary actions, including termination of employment. Additionally, District officials indicated that it has updated its oversight of physical cards by no longer issuing credit cards to individuals and instead storing cards in a locked safe and checking them out to users when they need to make a purchase. We judgmentally selected and reviewed a sample of 10 fiscal year 2024 credit card purchases and found that the District had followed its policy for all 10 purchases, including requiring independent approval prior to purchase and evidence of receipts prior to making payments.

10. The District should ensure that purchases and payments are independently reviewed and approved by authorized District officials prior to being made.

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

See explanation for recommendation 9.

11. The District should discontinue paying travel reimbursements in advance of travel occurring.

► Status: **Implemented at 30 months.**

We judgmentally selected and reviewed 5 fiscal year 2026 reimbursements totaling approximately \$5,400 of over \$213,000 in fiscal year 2026 travel spending and found that the District paid all 5 reimbursements after employees completed the travel.

12. The District should identify travel expense claims that the District paid in advance of travel since at least fiscal year 2022 to the present and reconcile those travel expense claims to actual travel costs incurred to determine whether any public monies were overpaid and, if so, recover those monies paid in excess of actual travel costs incurred.

► Status: **Partially implemented at 30 months.**

The District has addressed some key components of the recommendation, but its revised travel reimbursement policy still needs improvement. District officials stated that they reviewed fiscal year 2022 expense claims that the District paid in advance of travel occurring and determined that all expense claims they identified were paid in accordance with *State of Arizona Accounting Manual* (SAAM) requirements. District

officials indicated that since they did not identify any overpayments during their review, they did not seek to recover any monies. We randomly selected and reviewed 27 of 315 fiscal year 2022 travel reimbursements paid prior to travel occurring and found that all 27 reimbursements we reviewed were paid in accordance with SAAM requirements and did not result in any overpayments.

Subsequent to fiscal year 2022, as a result of the performance audit, the District implemented a process requiring District employees to be reimbursed for travel only after travel occurs and to submit expense-claim forms when requesting reimbursement for travel. As part of this process, business office staff review submitted expense-claim forms for accuracy prior to processing employees' travel reimbursements. Business office staff also review the expense claims to ensure that employees requested meal reimbursements based on actual time in travel status and not in excess of maximum allowable SAAM rates. However, the District's process does not include requiring employees to submit itemized daily expenses, such as receipts, to support the actual meal amounts, contrary to SAAM requirements. As a result, the District increases the risk that employees will be reimbursed for meal costs they did not actually incur while traveling for District purposes.

- 13.** The District should follow its travel policies and procedures that require staff to submit a travel expense-claim form with itemized daily expenses and supporting documents after travel is completed for reimbursement.

► Status: **Partially implemented at 30 months.**

See explanation for recommendation 12.

- 14.** The District should develop and implement policies and procedures for reviewing completed conflict-of-interest forms in a timely manner to identify and communicate conflicts of interest to ensure safeguards are taken and District policies and State law are appropriately followed.

► Status: **Not implemented.**

The District has not updated its policy to require timely review of submitted conflict-of-interest disclosure forms or to require staff to communicate any disclosed substantial interests to relevant business office staff. Although District staff indicated that they have informal processes to communicate disclosed substantial interests to relevant staff, our review of all 5 fiscal year 2026 Board members' conflict-of-interest disclosure forms and a sample of 5 fiscal year 2026 employees' disclosure forms found that none of the forms we reviewed had any evidence that they had been reviewed after Board members and employees submitted them. Further, for 3 of the disclosure forms we reviewed, employees and/or Board members did not adequately describe the substantial interests they disclosed, indicating any review District staff may have performed was inadequate. As a result, the District cannot ensure that employees and Board members who disclose substantial interests refrain from participating in matters in which they have a substantial interest, as required by State law.

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

15. The District should implement and enforce strong network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

► Status: **Implemented at 30 months.**

Our August 2026 review of the District's authentication controls found that the District had implemented and enforced authentication controls aligned with the USFR and credible industry standards for the District's critical IT systems.

16. The District should protect its sensitive computerized data by limiting users' access to its network, accounting system, and student information system to only those functions needed to perform their job duties, including removing the business office employees' administrator-level access.

► Status: **Not implemented.**

Based on our August 2026 review of the District's critical IT systems' user access, we identified at least 7 network accounts associated with terminated employees who had not worked at the District for between 6 weeks and more than 2 years.¹ Additionally, we identified 1 accounting system user with read-only access associated with a terminated employee who had not worked for the District for 8 months at the time of our review. After we brought the network accounts to the District's attention during the followup, District officials found that their process to automatically disable system access had stopped working. Additionally, the District lacked a process to periodically review network and accounting system access to ensure user accounts were needed and user access levels were appropriate, which allowed these accounts to remain active despite being no longer needed. District officials reported revoking system access for all 8 accounts we identified.

Further, as of August 2026, the District continued to allow users excessive access to its accounting system, which District officials indicated was because of their desire to have staff retain access to serve as backups for other employees. Specifically, we identified 4 accounting system users with more access to the purchasing and/or payroll accounting system functions than necessary to perform their job responsibilities. Additionally, the District had not implemented any compensating controls, such as additional management reviews of accounting system activity, to mitigate the risks of providing excessive system access. By continuing to allow excessive and unnecessary system access, the District continues to increase the risk of unauthorized access to sensitive District information, data loss, and fraud.

¹ We identified that 1 employee had logged into the District's network after they no longer worked for the District. We shared this with the District in August 2026, but the District had not reviewed what the employee accessed as of September 2026.

- 17.** The District should establish and implement written policies and procedures to assign and periodically review network, accounting system, and student information system access for employee accounts to ensure they have access to only those functions needed to perform their job duties.

▶ Status: **Not implemented.**

See explanation for recommendation 16.

- 18.** The District should immediately disable all network, accounting system and student information system accounts associated with terminated employees.

▶ Status: **Not implemented.**

See explanation for recommendation 16.

- 19.** The District should establish and implement written policies and procedures to ensure terminated employees have their access promptly removed.

▶ Status: **Not implemented.**

As discussed in recommendation 16, the District established procedures to revoke terminated employees' user access. However, we determined that these procedures appeared to be insufficient and/or ineffective because the District did not disable system access for 7 network and 1 accounting system user accounts after the employees associated with these accounts no longer worked for the District.

- 20.** 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: **Not implemented.**

Our August 2026 review of the District's IT contingency plan found that the District had not updated its plan since our prior review. As reported in our prior followup, our July 2024 review of the District's IT contingency plan found that it did not include some key components, such as detailed procedures for all systems that need to be recovered and the order in which they should be recovered. District staff indicated that the District did not update its plan since our prior followup because it prioritized other tasks.

- 21.** The District should develop and implement written policies and procedures to limit physical access to its IT server room so that only appropriate personnel have access, including procedures for distributing, tracking, and collecting keys to areas that have sensitive IT equipment and requiring employees to sign agreements outlining their responsibilities for maintaining access to IT areas.

▶ Status: **Implemented at 30 months.**

In October 2023, the District rekeyed its server room, and our observation of the District's key inventory in August 2026 found that the District could account for all server room keys. After rekeying the server room, the District assigned key access to its server room to 6 employees who we found were appropriately assigned access based on their required job duties. The District also ensured that these employees signed server room access agreements outlining their responsibilities for maintaining access to IT areas. Our review of the District's key distribution found that the District appropriately distributed keys to District personnel who were granted server room access. Additionally, District procedures require staff to regularly track server room key possession and collect keys from individuals who no longer require access.

- 22.** The District should conduct a physical key inventory to determine and document the number of keys that exist and who has access to IT areas.

▶ Status: **Implemented at 30 months.**

See explanation for recommendation 21.

- 23.** The District should maintain security of IT areas by keeping doors locked at all times to protect equipment and data from damage or destruction.

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

We toured the District's schools and administrative office in July 2024 and observed that the District's server room and other rooms with IT equipment were secured and did not have evidence of any damage or maintenance concerns at the time of our observation.

- 24.** The District should perform regular inspections of IT areas for maintenance needs to protect property and data.

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

District officials stated that its IT staff inspect IT areas on a biweekly basis and that during these inspections, IT staff search for leaks, insects, and damage to the District's server rooms and hardware. District officials stated that the inspections began in May 2024, and the District has since repaired 1 server room with water damage to its ceiling tiles. During a site visit in July 2024, we did not observe any water damage on the District's server rooms' ceiling tiles.