

Hyder Elementary School District

District lacked internal controls and did not comply with requirements in multiple areas, putting public monies, sensitive computerized data, and student safety at risk

Audit purpose

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

Key findings

- District has not complied with important purchasing requirements, resulting in unauthorized purchases and waste; and put other public monies at an increased risk of fraud, waste, or abuse.
- District operated nonprofit 4-H club and bank account without legal authority to provide agricultural program for 20 years and commingled District and 4-H club monies in bank account.
- District did not comply with important payroll requirements, putting public monies at an increased risk of errors and inappropriate payments being made and was unable to support \$3,900 in employee payments.
- Almost all District school buses failed 2020 and 2021 inspections, and District did not comply with school bus driver annual and random drug testing requirements, risking student safety and increasing District's liability.
- District assigned employees too much access to its accounting system and lacked an Information Technology (IT) contingency plan, increasing risk of errors, fraud, and data loss.

Key recommendations

The District should:

- Establish written policies and procedures that provide effective internal controls over credit cards, expenditure processing, cash handling, and bank accounts and provide routine training to staff members.
- Discontinue operating the nonprofit club and related financial activities, ensure District public monies are deposited into authorized bank accounts, and analyze all club account expenditures to ensure all District public monies improperly spent on unauthorized activities and nonprofit purposes are reimbursed to the District.
- Develop and implement formal, written payroll policies and procedures in accordance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) and train District staff responsible for handling payroll on the District's payroll policies and procedures.
- Train and require its school bus drivers to conduct pretrip operations checks daily to accurately assess school bus safety before transporting students and develop and implement procedures to ensure all school bus drivers receive and pass annual drug tests, randomly drug test drivers, and document and maintain all testing results in accordance with standards and requirements.
- Limit employees' accounting system access to only those functions needed to perform their job duties, and develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test it at least annually.