



**Globe Unified School District No. 1**  
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January 22, 2024

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To Whom It May Concern,

Globe Unified School District #1, located in Globe, Arizona has received and reviewed the FY '22 and FY '23 State of Arizona Auditor General's Office traditional public school Performance Audit as allowed in Arizona state statute. The district appreciates the effort and cooperation of the third-party contractor who performed the audit.

After reviewing and conducting internal discussions about the various findings included in this traditional public school Performance Audit, the district has addressed each finding and has presented procedural strategies to improve performance in each area mentioned. These proposed procedural strategies will help the district perform in a more efficient manner as we strive to live up to our district vision, "Capturing Hearts, Empowering Minds."

Please find attached the district's response to each finding.

Sincerely,

Jerry Jennex, Superintendent

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**Capturing Hearts, Empowering Minds**

Globe Unified School District will use its resources to emphasize academic achievement, promote lifelong learning and encourage community and global service.

**Finding 1:** District did not comply with school bus driver random drug and alcohol testing requirements, putting student safety at risk, and District did not accurately report miles and riders for State funding purposes.

**Recommendation 1:** Immediately conduct all required random drug and alcohol tests for school bus drivers for the current year in accordance with the State's Minimum Standards.

District Response: The District agrees with the finding and the audit recommendation will be implemented. The District is currently compliant with number of required random drug and alcohol tests according to State's Minimum Standards. The District has made the necessary changes to become compliant.

**Recommendation 2:** Develop and implement procedures to ensure that it conducts random drug and alcohol tests for the required number of school bus drivers and that it documents and maintains all testing results in accordance with the State's Minimum Standards.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has developed procedures and procedural safeguards to ensure testing and documentation thereof, for the required number of school bus drivers in accordance with the State's Minimum Standards.

**Recommendation 3:** Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and accurately calculate and report to ADE the number of route miles traveled and riders transported for State funding purposes.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has implemented procedures, including data-processing changes, and strengthened staff training, in an effort to accurately calculate and report route miles and ridership.

**Recommendation 4:** Recalculate and resubmit accurate fiscal year 2022 miles driven and riders transported to ADE to determine if any corrections are necessary to its transportation reporting.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will resubmit the necessary report(s) to ADE.

**Finding 2.** District lacked important internal controls over purchasing, putting public monies at an increased risk of waste, fraud, and misuse.

**Recommendation 5:** Develop and implement, written procedures that provide effective internal controls over purchasing and accounts payable processes to ensure compliance with the USFR and Board-approved policies, including processes to monitor and enforce staff compliance with the District's procedures.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will update and implement written procedures regarding

purchasing and accounts payable processes including processes to monitor and enforce staff compliance with the District's procedures.

**Recommendation 6:** Develop and require training for responsible employees about the District's purchasing and accounts payable processes and related USFR requirements.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will provide regular training for employees on the District's purchasing and accounts payable processes and related USFR requirements.

**Recommendation 7:** Ensure purchases are supported by an approved, accurate purchase order prior to purchases being made and that any revisions to increase a purchase order follow the District's required approval process, including obtaining required approvals for increased purchase order amounts.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will ensure purchases are supported by an approved, accurate purchase order prior to purchases being made and that any revisions to increase a purchase order follow the District's required approval process, including obtaining required approvals for increased purchase order amounts.

**Recommendation 8:** Retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid after the goods or services were received, and that the amount paid did not exceed the approved purchase order amount.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will keep and maintain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid after the goods or services were received, and that the amount paid did not exceed the approved purchase order amount.

**Recommendation 9:** Ensure it pays vendors accurately by developing and implementing a process for staff to verify contracted rates before processing payment for goods and services.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will ensure it pays vendors accurately by developing and implementing a process for staff to verify contracted rates before processing payment for goods and services.

**Recommendation 10:** Ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending throughout the year.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending throughout the year.

**Recommendation 11:** Continue reviewing historical transaction privilege tax payments to identify other errors and take action to correct any over- or underpayments identified.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will review historical transaction privilege tax payments to take any necessary action to correct any identified over or underpayments.

**Recommendation 12:** Develop and implement a process to verify accounts payable and transaction privilege tax payments to ensure amounts paid are accurate and supported.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will develop and implement a process to verify transaction privilege tax payments to be paid are accurate and supported.

**Recommendation 13:** Recoup the \$55.44 in mileage payments the District overpaid and review other mileage reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual mileage reimbursement, and recoup any additional overpayments identified.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has recouped the identified overpayment for mileage payments and will review all other mileage reimbursements and recoup any additional overpayments identified.

**Recommendation 14:** Ensure it pays only authorized mileage reimbursements.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has adjusted and updated its policy to ensure it pays only authorized mileage reimbursements

**Recommendation 15:** Consult with legal counsel to determine how to correctly account for mileage reimbursed for District employees' travel within District boundaries and formally document the Superintendent's approval

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will work with legal counsel to determine how to correctly account for mileage reimbursed for District employees' travel within District boundaries and will seek formal approval from the Superintendent for such reimbursements

**Finding 3.** District lacked important internal controls over credit cards, resulting in unsupported and unauthorized purchases and increasing the District's risk of errors, misuse, and fraud.

**Recommendation 16:** Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and for what authorized District purpose.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will develop and enforce procedures for those responsible for

maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and for what authorized District purpose.

**Recommendation 17:** Implement protocols to monitor and enforce compliance with existing District credit card policies, including:

- a. Ensuring credit cards and purchase receipts are returned within 24 hours of users returning to the District after making purchases, as required by District policy;
- b. Verifying an approved purchase order has been obtained prior to making purchases;
- c. Tracking and regularly reviewing the physical chain of custody for all credit cards to ensure users are complying with requirements for checking out and returning District cards; and
- d. Ensuring employees have completed the required credit card user agreement prior to granting access to District credit cards.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will implement and enforce updated written protocols to monitor compliance with existing District credit card policies and practices as listed in the recommendation.

**Recommendation 18:** Review and reconcile all itemized receipts to card statements to ensure purchases are appropriately supported and for a District purpose, and if it identifies unauthorized purchases, take appropriate and timely action.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has already initiated a procedure to review and reconcile all itemized receipts to card statements to ensure purchases are appropriately supported and for a District purpose and so that action can be taken if an unauthorized purchase is identified.

**Recommendation 19:** Provide regular training on USFR requirements and District policies and procedures to staff members responsible for credit cards, as well as authorized credit card users, and ensure that all card users have been trained and signed a user agreement prior to using District credit cards.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will continue to provide updated training on USFR requirements and District policies and procedures to staff members responsible for credit cards, as well as authorized credit card users, and ensure that all card users have been trained and signed a user agreement prior to using District credit cards.

**Recommendation 20:** Develop and implement a process to maintain and regularly review an accurate list of the number of active cards and authorized users to determine whether cards can be eliminated and the number of authorized users reduced.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has started to develop and implement a process to maintain and regularly review an accurate list of the number of active cards and authorized users to determine whether cards can be eliminated and the number of authorized users reduced.

**Finding 4.** District lacked important internal controls over cash-handling, increasing its risk of loss or theft.

**Recommendation 21:** Develop and implement procedures to ensure compliance with USFR requirements and District policies related to cash-handling, and train and educate District employees and others with cash-handling responsibilities on these procedures.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will develop and implement written procedures to ensure compliance with USFR requirements and District policies related to cash-handling, and train and educate District employees and others with cash-handling responsibilities on these procedures.

**Recommendation 22:** Prepare and maintain evidence for all cash received, such as by issuing sequential, pre-numbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will gather and maintain evidence for all cash received and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

**Recommendation 23:** Review current cash-handling practices and ensure cash is maintained in such a manner that it is physically secured in an appropriate location before being deposited and that the District maintains a documented chain of custody to reduce the risk that cash can be lost, misused, or stolen.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has and will continue to review current cash-handling practices and ensure cash is maintained in such a manner that it is physically secured in an appropriate location before being deposited. The District will maintain a documented chain of custody to reduce the risk that cash can be lost, misused, or stolen.

**Recommendation 24:** Restrict access to cash and check stock to only authorized employees, including restricting access to locations and safes where cash and check stock are stored.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will restrict access to cash and check stock to only authorized employees, including restricting access to locations and safes where cash and check stock are stored.

**Recommendation 25:** Update all safe combinations and establish a written policy and schedule for updating safe combinations in the future, including when employees with safe combinations terminate from District employment.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has started to contract with an outside vendor to update all safe combinations. Further, the District will establish a written policy and schedule for

updating safe combinations in the future, including when employees with safe combinations terminate from District employment.

**Recommendation 26:** Train District employees on the importance of maintaining safe combinations in secure locations, and monitor employees to ensure they do not store safe combinations in unsecure locations.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will train District employees on the importance of maintaining safe combinations in secure locations, and monitor employees to ensure they do not store safe combinations in unsecure locations.

**Recommendation 27:** Deposit cash at least weekly, and daily when amounts are significant, consistent with USFR requirements.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will deposit cash at least weekly, and daily when amounts are significant.

**Recommendation 28:** Separate cash-handling duties from employees with recordkeeping responsibilities, such as for its food service program, and require a separate employee to prepare either deposits or reconciliations, but not both.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will separate cash-handling duties from employees with recordkeeping responsibilities and require a separate employee to prepare deposits and/or reconciliations.

**Finding 5:** The District allowed 2 employees to supervise close relatives and did not ensure employees properly completed conflict-of-interest disclosure forms, increasing the risk that District board members and employees had not disclosed substantial interests that might influence or affect their official conduct.

**Recommendation 29:** Ensure employees fully complete all sections of the conflict-of-interest form.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has created policy to ensure full completion of all sections of the conflict-of-interest form.

**Recommendation 30:** Develop and implement a process to review conflict-of-interest forms to identify disclosed interests and take necessary action to remediate them.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District has developed and implemented a process to review conflict-of-interest forms to identify disclosed interests and a process for taking necessary action to remediate them.

**Recommendation 31:** Develop and implement a process to document any followup conducted and ensure appropriate personnel and the Board is notified when a conflict is identified.

District Response: The finding is agreed to and the audit recommendation will be implemented. In addition, the District notified the Governing Board of a potential conflict-of-interest regarding the supervision of a defined relative with no substantial interest during the Governing Board meeting on January 17, 2024.

**Recommendation 32:** Follow District policy by not allowing personnel to supervise close relatives.

District Response: The finding is agreed to and the audit recommendation will be implemented. The District will not allow personnel to directly supervise close relatives when avoidable; if not avoidable due to limited staffing ability in a rural community, the Governing Board will be notified.

**Finding 6.** District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss.

**Recommendation 33:** Evaluate its current password policies to ensure they align with credible industry standards and District system capabilities.

District Response: The finding is agreed to and the audit recommendation will be implemented.

**Recommendation 34:** Enforce strong password and multifactor authentication requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

District Response: The finding is agreed to and the audit recommendation will be implemented.

**Recommendation 35:** Review and limit users' access to its accounting system to only the functions necessary to perform their job duties.

District Response: The finding is agreed to and the audit recommendation will be implemented.

**Recommendation 36:** Develop and implement a process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and critical systems access to ensure that access level is appropriate, and access was promptly disabled when it was no longer needed, including for terminated employees and vendors.

District Response: The finding is agreed to and the audit recommendation will be implemented.



**Recommendation 37:** Establish and implement procedures for collecting and monitoring logs of accounting system activities to be able to track events and to detect potentially malicious or fraudulent activity in a timely manner.

District Response: The finding is agreed to and the audit recommendation will be implemented.

**Recommendation 38:** Establish and implement a District policy that requires all employees to complete security awareness training upon hire and at least annually, and implement a procedure to track and enforce compliance with the policy.

District Response: The finding is agreed to and the audit recommendation will be implemented.