



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

May 9, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Stanfield Elementary School District

Dr. Melissa Sadorf, Superintendent  
Stanfield Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Stanfield Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. The consulting firm Sjoberg Evashenk Consulting conducted this performance audit under contract with the Arizona Auditor General.

This school district performance audit assessed the districts' spending on noninstructional areas, including administration, student transportation, food service, and plant operations, and made recommendations to the District to help assure the safety of transported students, and improve its controls over accounting and information technology systems. As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Superintendent Sadorf and District staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

# Arizona Auditor General

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## Performance Audit of Stanfield Elementary School District

**May 2024**





May 2, 2024

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Stanfield Elementary School District (District) for fiscal years 2022, 2023, and 2024. This audit was conducted pursuant to Arizona Revised Statutes §41-1279.03, which requires the Office of the Auditor General to conduct performance audits of school districts. We assessed 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. This report presents our findings, conclusions, and recommendations, and the response of the District.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G Skiles", with a long horizontal flourish extending to the right.

George Skiles, Partner  
Sjoberg Evashenk Consulting, Inc.

THE EQUATION FOR EXCELLENCE

455 CAPITOL MALL, SUITE 700 · SACRAMENTO, CALIFORNIA 95814 · (916) 443-1300 · FAX (916) 443-1350 ·  
WWW.SECTEAM.COM

## RESULTS

The Arizona Auditor General engaged Sjoberg Evashenk Consulting, Inc. to conduct a performance audit of Stanfield Unified School District, pursuant to Arizona Revised Statutes §41-1279.03(A)(9), and determine 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. We found that the District did not comply with important requirements and recommended practices in various areas, including travel reimbursements, accounts payables, and payroll, increasing the risk for errors, fraud, and improper payments. Additionally, we identified various information technology (IT) deficiencies that increased the District's risk for unauthorized access to sensitive District information and data loss. Finally, the District did not fully comply with annual school bus driver drug testing requirements and did not maintain all required school bus driver records, increasing risks to student safety.

### 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.

### BACKGROUND

Stanfield Elementary School District is a rural school district located in Pinal County and was responsible for the education of 383 students in fiscal year 2022. The District has 1 school providing education services for students in kindergarten through 8<sup>th</sup> grade.

### KEY FINDINGS

- The District did not comply with school bus driver annual drug testing requirements in 2023 and did not maintain all required bus driver certification documentation, increasing risks to student safety. The District also inaccurately reported its miles and riders for State funding purposes in fiscal year 2022.
- The District did not accurately classify expenditures and lacked sufficient internal controls in some areas, putting public monies at an increased risk of loss, theft, or misuse.
- The District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, resulting in over- and underpayments to hourly employees and putting public monies at an increased risk of errors, fraud, and improper payments.
- District employees' excessive access to sensitive computerized data and other information technology deficiencies increased risk of unauthorized access to sensitive information, errors, fraud, and data loss.

### KEY RECOMMENDATIONS

The District should:

- Recalculate and resubmit accurate fiscal year 2022 miles driven and riders transported to Arizona Department of Education (ADE) to determine if any corrections are necessary to its transportation reporting.
- Ensure employees responsible for classifying expenditures review the *Uniform System of Financial Records for Arizona School Districts* (USFR) Uniform Chart of Accounts at least annually and implement its guidance to accurately account for and report the District's spending.
- Identify and correct over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments we identified.
- Implement a policy to regularly review all user accounts for all information systems and applications to determine whether access levels remain appropriate and to ensure users have only the access necessary to perform their job duties.

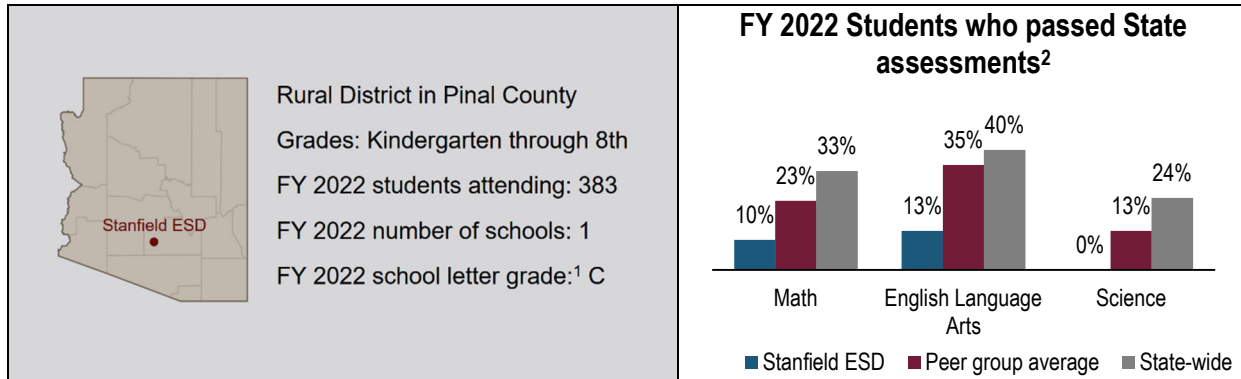
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## District overview

# Stanfield Elementary School District Performance Audit—Fiscal Years 2022, 2023, and 2024 May 2024



<sup>1</sup> Source: Arizona State Board of Education—Fiscal year 2022.

<sup>2</sup> Source: Arizona Auditor General's *Annual School District Spending Analysis—Fiscal year 2022*.

**FY 2022 total operational spending—\$4.4 million (\$11,577 per student)**

**Instructional—41.3% (\$4,787 per student)**

**Noninstructional—58.7% (\$6,790 per student)**

Operational overview—FY 2022	Measure	Stanfield USD	Peer average
<p><b>Administration—higher spending and lacked important internal controls over credit cards, travel, and purchasing</b></p> <p>The District spent more per student on administration than its peer districts averaged, primarily due to higher spending on salaries, benefits, and accrued leave payouts. The District lacked important controls over its credit card, travel reimbursement, and purchasing procedures, increasing the risk of waste, errors, and fraud (see Finding 2, pages 6 through 12). Additionally, the District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, resulting in improper payments and erroneous compensatory leave accrual balances, including over- and underpaying some employees (see Finding 3, pages 13 through 17). Finally, the District had several information technology (IT) deficiencies that increased the risk of errors, fraud, unauthorized access to sensitive District information, and data loss (see Finding 4, pages 18 through 22).</p>	Spending per student	\$2,183	\$1,503

Operational overview—FY 2022	Measure	Stanfield USD	Peer average
<p><b>Plant operations—mixed spending, and no reported findings</b></p> <p>The District spent 9 percent less per square foot and 34 percent more per student than its peer districts averaged, likely due to student enrollment decreasing, relative to the square footage of District property. We did not report any findings in this area.</p>	Spending per square foot	\$6.93	\$7.59
	Spending per student	\$1,765	\$1,318
<p><b>Food service—lower per meal spending, and no reported findings</b></p> <p>The District spent 5 percent less per meal than its peer districts averaged. The District’s food service program’s menu planning and cost controls, combined with federal and State reimbursements offsetting food costs, likely resulted in the District spending less per meal. We did not report any findings in this area.</p>	Spending per meal	\$3.35	\$3.52
<p><b>Transportation—inaccurate reporting and did not comply with drug testing requirements for school bus drivers, increasing risks to student safety</b></p> <p>The District did not accurately report miles driven and riders transported, which may have impacted State funding received and hindered our ability to compare both measures to its peers. In addition, the District did not comply with school bus driver annual drug testing requirements in 2023 and did not maintain all required driver certification records, increasing risks to student safety (see Finding 1, pages 4 through 5).</p>	Spending per rider	NR <sup>A</sup>	\$2,048
	Spending per mile	\$3.61 <sup>B</sup>	\$4.38

Source: Arizona Auditor General’s *Annual School District Spending Analysis—Fiscal year 2022*.

Note: <sup>A</sup> NR means the data needed to calculate the performance measure was not reliable. See Finding 1, pages 4 through 5, for more information on the District’s transportation data reliability.

<sup>B</sup> Calculated using auditor-validated miles driven on District transportation routes.

## Findings and recommendations

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### **Finding 1. The District did not comply with some school bus driver annual drug testing requirements or maintain all required bus driver certification documentation, increasing risks to student safety, and did not accurately report miles and riders for State funding purposes**

To help ensure student safety, the Arizona Department of Public Safety (DPS) has adopted *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). These standards require school districts to ensure that school bus drivers are properly certified and receive and pass annual drug tests and random drug and alcohol tests. Minimum Standards further require districts to maintain documentation demonstrating that school bus drivers met all certification requirements. Although our review found that the District complied with these requirements in calendar years 2021 and 2022, the District did not conduct the annual drug test for 1 of 8 school bus drivers in calendar year 2023. According to the District, the school bus driver did not complete their annual drug test in 2023 because they had recently completed a random drug test, and the driver mistakenly assumed the random drug test would fulfill the annual requirement.<sup>1</sup> However, the District is responsible for ensuring that it meets Minimum Standards requirements and did not ensure the school bus driver completed the required annual drug test.

Further, to assess whether the District maintained required documentation demonstrating its school bus drivers met all certification requirements, we reviewed documentation for 5 of 20 school bus drivers employed by the District between fiscal years 2021 and 2023. Our review found that the District did not maintain all required documentation for 2 of 5 drivers reviewed. Specifically, we found that the District did not have documentation of either school bus drivers' physical examination form and also did not have the medical exam certification for 1 of the drivers. According to the District, for 1 of the school bus drivers we reviewed, the driver had their School Bus Driver certification with another school district, and the District had requested but not received the documentation from the other district. However, Minimum Standards require the District to maintain a copy of school bus driver certification documentation in their records. For the other school bus driver we reviewed with incomplete documentation, the District reported that the driver had a CDL learner's permit when hired by the District, and although the District obtained a copy of the medical examination card, it did not obtain a copy of the physical examination form—which is required to be maintained by the Minimum Standards.

By not complying with annual drug testing requirements and maintaining all required driver certification records, the District increased safety risks to the students it transported and the public. Additionally, by not complying with Minimum Standards, the District may have increased its liability in the event of an incident resulting in physical harm to students or others or property damage.

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<sup>1</sup> The driver left District employment in June 2023.



## **The District was unable to support miles and riders claimed for State funding**

Statute requires school districts to report to the Arizona Department of Education (ADE) the miles driven to transport students to and from school and the number of eligible students transported.<sup>2</sup> ADE provides guidelines that districts should use when calculating the miles traveled and students transported, and ADE then uses the reported numbers to determine districts' State transportation funding. However, the District did not report all eligible route miles traveled in fiscal year 2022 to ADE for State funding purposes. Specifically, to assess the accuracy of the actual route miles the District reported to ADE for fiscal year 2022, we reviewed underlying support for all 15 of the District's regular and special education vehicles during the period reviewed and found that the District underreported its mileage by 1,078 miles for these routes, or nearly 2 percent of the total miles traveled.

Additionally, to assess the accuracy of the average riders the District reported to ADE for fiscal year 2022, we reviewed underlying support for 5 of the District's 12 regular and special education routes and found that the District could not fully support the ridership it reported to ADE for fiscal year 2022 for State funding purposes. According to District officials, the District inaccurately reported its miles and ridership due to data entry errors, and staffing vacancies impacted the District's ability to implement a secondary review process to compare the calculations to underlying support before it submitted its miles and rider information to ADE. The District reported it subsequently hired a new dispatcher and implemented a secondary review process in March 2023. Although not included as part of our review, the secondary review process District officials described should reduce the risk of data entry errors going undetected if followed. In addition, the District provided documentation demonstrating that it implemented processes to better ensure it maintained required supporting documentation. As a result of misreporting the number of miles and riders to ADE, the District may not have received all the transportation funding for which it was eligible.

## **Recommendations**

The District should:

1. Develop and implement a process to ensure school bus drivers complete annual drug testing in accordance with the State's Minimum Standards.
2. Immediately review certification records for all drivers to ensure all required documentation is maintained by the District.
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.
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:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

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<sup>2</sup> Arizona Revised Statutes (A.R.S.) §15-922.

## **Finding 2. The District lacked sufficient internal controls in some areas, putting public monies at an increased risk of errors, fraud, and improper payments, and incorrectly classified its expenditures, potentially impacting the accuracy of its financial reporting**

As part of our fiscal year 2022 review, we identified 4 primary deficiencies in the District's internal controls and failure to follow requirements set forth by the *Uniform System of Financial Records for Arizona School Districts* (USFR) that resulted in insufficient supporting documentation for purchasing, inadequate credit card monitoring processes, over-reimbursements to employees, and inaccurate coding of its expenditures.<sup>3</sup> See the details below.

### *Deficiency 1. The District lacked important internal controls over purchasing, putting public monies at an increased risk of waste, fraud, and misuse*

The USFR requires districts to have effective controls for expenditures in place that involve maintaining supporting documentation, ensuring expenditures are properly approved before purchase, and establishing a receiving process to ensure goods or services have been received and reconciled before payment. To meet these requirements, the District's Governing Board (Board) established policies related to purchasing, contracting, and payments, and the business office has developed some procedures for approving purchase orders and paying vendors. However, the District staff did not always follow Board policies nor establish formal procedures describing how staff would comply with Board policies.

We judgmentally selected and reviewed 30 of 2,772 fiscal year 2022 District expenditures and identified several deficiencies. Specifically:

- **District did not always verify services were provided prior to payment**—The USFR requires that school districts utilize a formal receiving report that involves confirming the date of goods or services receipt, condition of goods, and quantity of goods received. Our review found that for 23 of the 30 expenditures we reviewed, the District did not maintain adequate support necessary to reconcile the approved purchase order with a signed and affirmed receipt of goods or services. According to the District, this issue was identified previously after 1 instance where a payment was made before the ordered goods were received, which prompted the District to adjust its procedures for documenting the receipt of goods in July 2023. However, our review of an additional 10 judgmentally selected expenditures from fiscal years 2023 and 2024, which all occurred after the District had implemented its updated procedures, found that the District lacked documentation to support its receipt of services for 2 of the 10 additional transactions we reviewed. According to District officials, the District's updated procedure is designed to ensure the receipt of physical goods and not services provided to the District.
- **The District overpaid use tax**—For 1 expenditure we reviewed, the District overpaid use tax by \$87. A.R.S. §42-1410 requires purchasers, including school districts, to remit use tax directly to the Arizona Department of Revenue (ADOR) on purchases from out-of-State vendors that are subject to use tax if

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<sup>3</sup> The Arizona Auditor General and ADE developed the USFR pursuant to A.R.S. §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures for Arizona school districts to use for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

the vendor does not remit the tax themselves. Our review of 1 use tax payment made by the District found that, although the District had paid tax to the vendor, the District remitted an additional \$87 to ADOR. When we notified the District of the apparent use tax overpayment, District officials determined that they rely heavily on the accounting system to determine whether to pay use tax to the ADOR and are not currently aware of how to determine if the transaction was correct. The District reported it is currently registering for training in this area of accounting to better determine when use tax payments are required to be remitted to ADOR.

- **The District did not ensure it maintained accurate records of vendors**—Consistent with USFR requirements, District policy requires that the District document and retain a procurement file for each vendor with all relevant information, such as prices, purchase orders, contracts, and any evaluation or justification forms, for all vendors. We reviewed the District’s procurement files for 2 of 10 fiscal year 2022 contracts and found that the District procurement files we reviewed only contained the District’s contract with the vendor. Both procurement files we reviewed were missing key documentation, such as any type of justification form the District filled out, a copy of the solicitation, and copies of the District’s due diligence or evaluation forms, such that the District was unable to determine whether the 2 procurements were made using a request for proposal, bid contract, or cooperative contract. According to District officials, the District no longer employs the staff responsible for maintaining these records, and the District was unable to provide the documents during our review.

*Deficiency 2. The District lacked important internal controls over credit cards, resulting in the District incurring late fees for untimely payments and being unable to ensure the chain of custody over credit cards*

The USFR requires districts to implement policies and procedures that provide effective internal controls over credit cards, including implementing and monitoring adherence to those internal controls, such as ensuring physical security of the cards by maintaining a complete list of card users to track possession of all cards.<sup>4</sup> To meet this requirement, the District established Board-approved policies governing the use of credit cards. Specifically, District policy requires that all credit card users complete a credit card user agreement, obtain an approved purchase order prior to making a purchase, and promptly submit all receipts and other supporting documentation to the District’s business office. In addition, District policy requires District staff responsible for monitoring the physical custody of credit cards to use logs to document each time a credit card is checked out and back in to ensure credit cards are accounted for at all times. Finally, the District credit card user agreement stipulates that users must return both the credit card and purchase receipt within 1 business day of the purchase.

We reviewed the District’s fiscal year 2022 credit card logs and statements for all 4 District credit cards and selected a judgmental sample of 30 of 146 fiscal year 2022 credit card transactions, of which 15 were store card purchases and 15 were credit card purchases, and found that the District did not consistently follow its policies and procedures, resulting in the District being noncompliant with USFR requirements for maintaining the chain of custody over credit cards at all times, paying \$156 in late fees, and making 1 purchase prior to approval. Specifically:

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<sup>4</sup> Credit cards include bank credit cards and store cards.

- The District failed to accurately track and document employee access to, and use of, credit cards**—USFR and District policy require the District to track the issuance and use of credit cards. While the District maintained credit cards in a locked location with access limited to a credit card custodian, our review of the District’s fiscal year 2022 credit card tracking processes found that users did not always complete the check-out and check-in logs for store cards, and the District did not use a log or other mechanism to track the physical possession of bank credit cards. For 9 credit card purchases we reviewed, the purchase was made, but the District’s credit card log did not indicate that the purchaser had checked out the credit card. Additionally, regarding bank credit cards, while the cards were maintained in a locked location and assigned to specific users, the District did not track the physical possession of these credit cards. District officials reported that they believed appropriate controls were in place, as credit cards were assigned to individual users, stored in a locked location, and utilized only after purchase order approval for authorized purchases. Our review of the District’s fiscal year 2024 credit card tracking process found that the District corrected the prior tracking deficiency related to the tracking of bank credit cards and the store credit card.
- District staff did not always comply with District credit card policies and procedures**—As previously discussed, the USFR directs districts to adopt and enforce credit card policies and procedures. For 2 of 26 credit card checkouts recorded on the District’s credit card logs for fiscal year 2022, the credit card was checked out for more than 1 business day, contrary to District procedures. District procedures stipulate that credit cards and supporting documentation should be returned by the credit card user within 1 business day after being checked out. Additionally, contrary to the District’s procedures requiring that the District’s credit card administrator not be permitted to use any credit card, the superintendent, who is the District’s credit card administrator, was assigned and used a credit card during fiscal year 2022. According to District officials, the credit card was assigned to the superintendent as a contingency for purchasing. Although the District indicated the credit card was meant for contingencies, our review of credit card statements found that the superintendent used the assigned credit card regularly, contrary to District policy.
- The District did not always timely pay credit card balances, resulting in late fees**—The USFR and District policy require card balances to be paid in full each billing cycle and in a timely manner to avoid late fees and finance charges. Our review of all credit card statements for fiscal year 2022 found that the District accrued \$156 in late payment fees over the course of the fiscal year. District officials reported that it was aware of the issue and implemented a corrective action plan to address the issue and better ensure timely payments. Although the District reported that it has a process for secondary review of payments that should have identified the late fees resulting from untimely credit card payments, this review was insufficient because the District had not identified the late fees and the District did not take timely action to ensure no further late fees were accrued. To reduce the risk of future late fees, the District reported that it would adopt processes to monitor the timeliness of credit card payments more closely.
- The District generally ensured that purchases were authorized and allowable, except in 1 instance**—As previously discussed, we judgmentally selected and reviewed 30 of 146 fiscal year 2022 credit card transactions. For 29 of the 30 transactions, the District processed payment with the appropriate authorization, approval, and supporting documentation necessary to verify the

appropriateness of the purchase. However, for 1 credit card purchase for \$116, the purchase occurred before it was approved, and management approved the transaction 1 day after the purchase was made. According to the District, the prior business manager used the card for a professional development meeting and sought late approval for the purchase. To address this deficiency, in September 2023, the Board adopted a new “Three Strike” process for purchases made prior to District approval. This is a 3-step process that involves first notifying employees who make purchases without approval that they have made a purchase prior to receiving approval. Upon being notified, the employee must sign an acknowledgement indicating the employee recognizes that purchase prior to approval is inappropriate and cause for disciplinary action. After the first strike, employees who continue violating the District’s procurement policy are required to sign another acknowledgement upon making a purchase without approval and may face disciplinary action. After the final strike, offending employees and their supervisor are required to appear before the District’s Board for corrective action.

*Deficiency 3. The District lacked important internal controls over travel reimbursements, resulting in unsupported and incorrect travel reimbursements and increasing the District’s risk of errors, misuse, and fraud*

The USFR requires school districts to implement policies and procedures consistent with the reimbursement rates and guidance prescribed by the Arizona Department of Administration (ADOA)’s *State of Arizona Accounting Manual* (SAAM). To meet these requirements, the Board established policies related to travel and reimbursement, and the business office developed procedures for District personnel seeking travel reimbursement. However, District staff did not always follow District policies and procedures.

We judgmentally selected and reviewed 15 of 122 travel reimbursements from the District’s fiscal year 2022 accounting records and found that for 8 of 15 travel reimbursements reviewed, the District did not comply with USFR requirements and/or the District’s policies and procedures. Specifically:

- **The District did not always comply with SAAM reimbursement rates and requirements, resulting in over-reimbursements to employees**—For 4 of 15 travel reimbursements we reviewed, the District over-reimbursed employees for expenses related to lodging, meals, and incidentals by a total of \$119. For example, in 1 instance, the District reimbursed an employee for the full amount of room costs associated with the employee travel to a conference, resulting in an over-reimbursement of at least \$69. According to SAAM, reimbursement may exceed the daily lodging rate in the case of conferences. However, the District may not exceed the least expensive single room rate published in the conference brochure, even if that rate is no longer available. District officials indicated that conference-rate rooms were sold out, and the employee was booked in an additional room at a rate negotiated by the conference organizers. District officials further indicated that they interpreted SAAM lodging reimbursement rates to mean that the District could reimburse employees for rooms at rates offered by a conference and that, going forward, the District will have multiple reviewers to ensure reimbursements are proper and consistent with SAAM requirements.
- **The District did not always comply with USFR, SAAM, and/or Board requirements**—The USFR requires school districts to implement policies and procedures consistent with the travel guidance prescribed by SAAM. In general, USFR and SAAM require that travel reimbursements not exceed the

amounts stipulated by ADOA as well as be supported via a travel claim and supporting documentation. Additionally, USFR advises that school districts should implement policies necessary to provide adequate internal control over travel expenditures. For 7 of 15 travel reimbursements we reviewed, the District did not adhere to USFR, SAAM, and/or Board policy requirements pertaining to employee travel. Specifically:

- USFR requires that all travel claims indicate the time and place travel begins and ends, as well as contains the approval of the employee and appropriate supervisor.<sup>5</sup> SAAM further stipulates that travel claims must also include the purpose of travel. Finally, District procedure requires that travelers seeking reimbursement provide the appropriate accounting code for charging the reimbursement expenses. In 5 instances we reviewed, employees seeking reimbursement did not submit completed travel claim forms. Information missing included missing traveler signatures—expressly required by USFR—accounting codes, purpose of travel, and car license numbers. According to the District, the accounts payable specialist failed to ensure the travel claim forms were appropriately filled out prior to reimbursing the employees seeking reimbursement.
- USFR, SAAM, and Board policy require that all travel expenditures should be supported by a travel claim. In 1 instance we reviewed, the District was unable to provide a travel claim form for an employee it reimbursed for travel expenses. Specifically, the school counselor was reimbursed \$344 for lodging at a school counseling conference, and the District was unable to provide evidence that a travel claim form was submitted and approved prior to reimbursement being made. According to District officials, the District was unable to determine why the accounts payable specialist reimbursed the employee without a travel claim form, as neither the employee nor the accounts payable specialist are still employed at the District.
- Board policy requires that District personnel must present proof of insurance to the District prior to use of a personal vehicle. In 1 instance we reviewed, the District was unable to demonstrate proof of insurance had been submitted prior to an employee's use of a personal vehicle for school business purposes. While the District was ultimately able to provide supporting documentation that the employee was insured at the time of travel, the District was unable to determine whether proof of insurance had been furnished at the time of travel. The District reported that it has adopted a new procedure to retain a copy of proof of insurance at the District office for all employees utilizing personal and/or District vehicles.

*Deficiency 4. The District did not ensure it maintained accurate records of expenditures in its accounting system, leading to inappropriate classification of expenditures*

The USFR requires school districts to follow the expenditure classification guidance included in the Uniform Chart of Accounts for school districts to ensure accurate financial reporting and comparability among Arizona school districts and nationally. For 4 of 30 accounts payable transactions, 3 of 15 employee payroll

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<sup>5</sup> The District documents this approval by requiring signatures on the travel claim by the traveler requesting requirement and the appropriate supervisor.



records reviewed, and 2 of 15 travel reimbursements reviewed, the District misclassified \$46,509 in expenditures. Specifically, the District did not accurately classify its expenditures in accordance with the USFR's Uniform Chart of Accounts. As a result, the District's *Annual Financial Report* and supporting accounting data did not accurately present the District's spending to the public and decision makers who may rely on the report and data to know how the District spent its public monies in these areas. When we brought the misclassifications to District officials' attention, they communicated that business office employees were not fully aware of, or trained on, expenditure classification guidance included in the Uniform Chart of Accounts for school districts and therefore classified expenditures the same way they had in prior years without reviewing the coding for accuracy. In response to the instances of misclassified expenditures identified above, the District enrolled key business office personnel responsible for classifying and reviewing expenditures in training.

## Recommendations

The District should:

5. Modify and implement written procedures that provide effective internal controls over receiving processes to ensure compliance with the USFR and Board-approved policies, including processes for receiving services and to monitor and enforce staff compliance with the District's procedures.
6. Develop and require annual training for responsible employees about the District's purchasing and accounts payable processes and related USFR requirements.
7. Retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid for after the goods or services were received.
8. Continue reviewing historical use tax payments to identify other errors and take action to correct any past over- or underpayments identified.
9. Develop and implement a process to verify accounts payable and use tax payments to ensure amounts paid are accurate and supported.
10. Continue requiring 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.
11. Implement protocols to monitor and enforce compliance with existing District credit card policies, including:
  - a. Verifying an approved purchase order has been obtained prior to making purchases.
  - b. 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.
12. 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 completed a signed a user agreement prior to using District credit cards.

13. Recoup the \$119 in travel reimbursements the District overpaid and review other lodging, meal, and incidental reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual reimbursement rates, and recoup any additional overpayments identified.
14. 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.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



### **Finding 3. The District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, putting public monies at an increased risk of errors, fraud, and improper payments**

The USFR requires school districts to follow certain requirements for payroll processing and requires school districts to establish written payroll policies and procedures. Consistent with these requirements, the District established Board-approved policies, 2 employee handbooks, and informal written procedures guiding its payroll processes. Although the District established policies and informal written procedures, these policies were not always followed by District staff, provided conflicting guidance in some areas, and did not include all elements required by USFR. Specifically, our review of payroll payments for 11 of 23 hourly District employees during 8 pay periods in fiscal year 2022, total compensation paid to 4 salaried employees during fiscal year 2022, and employment agreements for 2 contracted employees during fiscal year 2022 found that the District did not always follow its established procedures, incorrectly calculated hours worked for some hourly employees, and did not provide sufficient supervisory oversight, putting public monies at an increased risk of errors, fraud, and improper payments. See the details below.

#### *Deficiency 1. District policies contained inconsistencies and did not include all elements required by USFR*

The District established Board-approved policy, 2 employee handbooks, and informal, written procedures that provided guidance for its payroll processing as well as the District's policies for pay periods, paid holidays, payroll deductions and taxes, and employee leave and absences (including overtime pay and compensatory leave).<sup>6</sup> While these various policies and guidelines included most of the information required by the USFR, the District's policies related to employee leave accruals did not detail maximum amounts of leave that could be accrued as required. In addition, the District did not comply with federal requirements that limit the maximum amount of compensatory leave to 240 hours.<sup>7</sup> Establishing limits provides an important control necessary to not only limit the amount of time accrued, but also helps prevent school districts from incurring large financial liabilities when an employee leaves and an unused balance must be paid out at the employee's current hourly rate. Without such limits or a process to enforce federal limits, at least 1 District employee had accrued more than 500 hours in compensatory time at the beginning of fiscal year 2024. After we brought this issue to the District's attention during the audit, adjustments were made in December 2023 to address this employee's excessive compensatory leave balance, and the District provided this employee with a payout to reduce the accrued compensatory leave balance to 240 hours. However, as of February 2024, this employee had an accrued compensatory leave balance of 278 hours, which exceeds the federal limit of 240 hours. If the District had adhered to federal guidelines by annually limiting compensatory leave accruals to the federal threshold, the District would have saved nearly \$1,400, as the compensatory hours paid out to the District employee would have been paid at a lower hourly rate. In addition, in December 2023 the District paid out an additional nearly \$7,000 to 2 employees who left the District for unused compensatory leave balances. As of February 2024, District employees had accrued compensatory time balances totaling more than 415 hours, or a financial liability to the District of nearly \$11,000. According to District officials, staff worked extra hours to address additional workload from

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<sup>6</sup> The District established a *Support Staff Employee Handbook* and *Professional Employee Handbook*.

<sup>7</sup> 29 Code of Federal Regulation (CFR) §553.21.

multiple audits that were occurring simultaneously and due to limited staffing at the District level. Given the District’s limited resources, it would be prudent for the District to limit the amount of compensatory time authorized and minimize its financial liability for unpaid compensatory time.

In addition, as shown in Table 1 below, our review found that the workweek definition between the *Support Staff Employee Handbook* (referred to hereinafter as the *Classified Employee Handbook*) and Board-approved policy was different and the calculation and authorization requirements related to overtime pay and compensatory time established in the *Classified Employee Handbook* were more stringent than the Board-approved policy. For instance, the Board-approved policy states that nonexempt employees may accrue compensatory time at a rate of 1.5 for hours worked over 40 hours in a workweek and only requires supervisor preapproval or immediately upon completion of the work or as soon thereafter as possible. By contrast, the *Classified Employee Handbook*—which the District indicated it followed for approving and paying compensatory time to employees—limits compensatory time to administrative staff, provides guidance on when compensatory time should be accrued on an hour-for-hour basis rather than a rate of 1.5 hours per hour worked, and requires that the superintendent approve all compensatory time before employees accrue it.

**TABLE 1. COMPARISON OF DISTRICT BOARD-APPROVED POLICY AND CLASSIFIED EMPLOYEE HANDBOOK**

Topic	Board-approved policy	Classified Employee Handbook
Workweek	Workweek is from Thursday through Wednesday.	Workweek is from Saturday through Friday.
Overtime approval <sup>8</sup>	Prior approval from supervisor, or, in emergency scenarios, immediately following completion of the work or as soon thereafter as practicable.	Prior approval from immediate supervisor and the superintendent required.
Overtime calculation	No guidance.	All approved time worked over 40 hours per week in the employee’s regular assignment paid at 1½ times the hourly rate. Also, requires that 40 hours must be actually worked during the workweek. Leave and holidays do not count toward the 40 hours.
Compensatory time approval	Prior approval from supervisor, or, in emergency scenarios, immediately following completion of the work or as soon thereafter as practicable.	Prior approval from the superintendent.
Compensatory time Eligibility	<b>Nonexempt employees</b> who work more than 40 hours per week shall be awarded “compensatory time” at the rate of 1½ hours for each hour of overtime work.	<b>Any support staff employee</b> who works in a District position or combination of positions must receive compensatory time at the rate of 1½ hours of overtime worked in a week.

Source: Auditor analysis of District Board Policy GDL-R and District *Classified Employee Handbook*.

<sup>8</sup> Overtime is paid to employees during the period worked for hours in excess of the 40-hour workweek at a rate of 1.5 times the employee’s hourly pay. Compensatory time is awarded to an employee at a rate of 1.5 hours for every hour in excess of the 40-hour workweek in lieu of paying the employee overtime during the pay period in which the time was awarded. The employee may use the compensatory time awarded to take paid leave or, if an employee terminates their employment with the District prior to using all their accumulated compensatory time, they will receive compensation for the balance at their current salary (which may be higher than their salary at the time the hours were earned).

*Deficiency 2. The District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, leading to improper payments and erroneous compensatory time accounting*

Although the District's Board-approved policy and *Classified Employee Handbook* provided guidance on overtime and compensatory time, as previously discussed, District staff did not always follow established policies, including at least 7 instances where overtime was not authorized as required; 22 instances where compensatory time was not authorized as required; 14 instances where compensatory leave was not correctly calculated or applied; and 3 instances where manual changes to hourly employees' compensation did not follow District procedures, resulting in compensatory time being over- or under-accrued and hourly employees being over- and underpaid. Specifically:

- **District staff did not follow established procedures for manual pay adjustments, and supervisory oversight was insufficient to identify errors**—Although the District had established informal written procedures for processing payroll and implemented secondary review processes, our review found that staff responsible for processing payroll did not always follow established procedures and/or did not always accurately calculate pay for 3 of 11 hourly District employees we reviewed, resulting in total underpayments to these employees of \$189.48 and total overpayments of \$80.78. Despite the District's payroll system providing functionality to track leave balances, including unpaid leave, and adjust payroll accordingly, our review found that for 2 of the employees we reviewed, District staff did not follow established processes and manually calculated and adjusted hourly pay due to unpaid leave. While payroll staff correctly calculated the adjusted pay for 1 of the 2 employees, payroll staff miscalculated the pay for the other employee, resulting in an overpayment of \$80.78. In addition, payroll staff also miscalculated retroactive pay adjustments for another employee resulting in an underpayment of \$189.48.
- **Overtime paid and compensatory time awarded was not always authorized as required**—Although the District's *Classified Employee Handbook* requires overtime to be preapproved by an employee's immediate supervisor and the superintendent and compensatory time to be preapproved by the superintendent, our review identified a total of 29 instances where the District lacked documentation showing that the superintendent had preapproved and approved overtime or compensatory time, as outlined in the *Classified Employee Handbook*. Despite the District's assertion that the employee's supervisor approved overtime through time sheet approval, this practice contradicts District policy and the underlying intent of the Board-approved policy to preapprove overtime or, in the case of an emergency, obtain approval immediately upon completion of the work or as soon thereafter as practicable. Similarly, the District reported the superintendent approved employees' compensatory time when the employees submitted their compensatory time logs for approval and processing at the end of pay period. However, these practices do not align with the District's policy and increase the risk of paying unauthorized overtime or employees accruing compensatory time without authorization. During the audit, the District indicated that it amended its compensatory time practice to align with its policy and that it is now requiring the superintendent's documented preapproval before compensatory time is earned by employees.

- **Compensatory time was not always accurately calculated, and supervisory oversight was insufficient to identify errors, resulting in compensatory time being over- or underaccrued—** Although the *Classified Employee Handbook* details how compensatory time should be calculated, the District did not always follow its policy when calculating compensatory time for employees. Specifically, our review identified 14 instances where compensatory time awarded was incorrectly calculated because District staff responsible for processing payroll did not follow District policy and/or incorrectly rounded time accrued. Further, the District lacked sufficient oversight necessary to identify errors and ensure compliance with District policy. As a result, compensatory time awarded to 3 hourly employees was either over- or underaccrued by approximately 1 to 2 hours for the 8 pay periods reviewed during fiscal year 2022. The District was unable to provide a reason for the errors we identified, as the errors were made by a former employee who is no longer with the District. According to the District, its current practices for calculating accrued compensatory time align with the District's policy.

### **Supervisory oversight provided was insufficient**

While the District's process includes a secondary review of payroll by an employee in the business office and the superintendent reviews and approves payroll prior to processing, these reviews did not detect the errors identified in Deficiencies 1 and 2 above nor the miscoding of payroll transactions for 3 employees discussed in Finding 2 (see page 10). As such, the District's oversight does not provide a sufficient control environment necessary to detect and prevent errors and improper payments.

Although the District could not provide a reason why many of the deficiencies we identified occurred because the District no longer employs the employee responsible for processing payroll during the audit year, the District reported that it recognized a need to better train its staff and improve its processes to ensure it complies with both USFR requirements and its established policies and procedures. As such, in February 2024, the District enrolled 2 of its business office staff in 2 training sessions focusing on accounts payables and accounting, including payroll, fixed assets, and monthly reconciliation processes.

### **Recommendations**

The District should:

15. Develop formal, written policies and procedures for its payroll process in accordance with USFR requirements, including establishing maximum amounts of leave that employees may accrue, and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.
16. Ensure District procedures and employee handbooks align with Board-approved policies, USFR requirements, and federal requirements, where applicable.
17. Ensure it follows its payroll policies and procedures, including its procedures for authorizing overtime and compensatory leave and for calculating compensatory time accrual.
18. Ensure staff who are responsible for providing supervisory oversight ensure established policies and procedures are followed and enforced and payroll transactions are accurate and supported prior to authorizing payroll transactions.

19. Identify and correct over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments we identified.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## **Finding 4. The 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**

### **The District has not complied with important IT security requirements and recommended practices**

USFR and credible industry standards, such as those developed by the National Institute of Standards and Technology (NIST), set forth important IT security practices that help districts safeguard sensitive information and prevent errors, fraud, and data loss. However, our review of the District's IT security practices identified several deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, that increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

#### *Deficiency 1: The District did not implement password requirements in accordance with USFR, putting District operations and students at risk*

The USFR requires that districts develop and implement logical access controls, including defined password requirements and user authentication measures, that align with credible industry standards. Our January 2024 review of District password policies determined that some critical District systems' password requirements were not aligned with credible industry standards. By not requiring and enforcing authentication controls consistent with credible industry standards, the District increased its risk of data breaches, data loss, and unauthorized access to sensitive information.

#### *Deficiency 2: Terminated District employees had access to the District's network, increasing the District's risk of unauthorized access to sensitive information and data loss*

The USFR requires that when user accounts are no longer needed, access to information systems should be immediately disabled. However, our November 2023 review of all 116 active network accounts found that 12 employee, 2 vendors, 1 Board member, and 14 District network accounts were active despite being associated with users who were no longer employed by or doing business with the District.<sup>9</sup> After we notified the District of these 29 network accounts during the audit, the District disabled the accounts. Although our review found that all 29 user accounts had not accessed the District's network in more than a year, allowing terminated employees, unused District accounts, and unnecessary third-party network accounts to remain active increased the District's risk of unauthorized access to its sensitive information and potential data loss. We selected a subset of 9 employee accounts and 1 Board account among the 29 accounts previously discussed to compare the most recent network access date for these accounts against the users' departure dates and found that 4 employee accounts had accessed the network between 1 month and approximately 13 years after the account owners' departure from the District. According to District officials, many of the employee accounts that were not timely disabled were for the purpose of transferring knowledge and resources to newer employees, although this process was not formally authorized by Board policy and was contrary to the District's cybersecurity policy. Moreover, the District reported that terminated employees' network account passwords are changed upon departure from the District. Our review of 10 of 29 users originally identified found that for 5 of the users' accounts reviewed,

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<sup>9</sup> Vendor network accounts include accounts associated with non-District employees such as individuals serving as consultants as well as accounts associated with vendors but not tied to a specific person. District accounts include accounts associated with specific departments, subject matters, and/or needs of the District's operations (e.g., security cameras).



the District had not updated the accounts' passwords following the employees' dates of termination, increasing the risk that the former owners of the accounts could still gain access to the District's network. Finally, the District did not have a process in place to regularly review network users to ensure accounts are associated only with active District employees and vendors or disable accounts that have been inactive for a set period of time, which may have prevented the user accounts from remaining active for an extended period of time. As a result of this deficiency, the District reported that it will be adopting a schedule to periodically review and disable accounts.

*Deficiency 3: The District lacked a complete IT contingency plan, increasing the risk of data loss and disruptions to operations*

As of January 2024, the District did not have a complete, up-to-date IT contingency plan. To help ensure continued operations and data recovery in the event of a system outage, the USFR requires and credible industry standards recommend that districts develop and implement an IT contingency plan. The plan should identify all critical systems, including the order in which they should be restored or criticality of the systems; clearly outline who is responsible for which activities during a system outage or attack; contain contingencies for continued business operations during a system outage; and contain detailed procedures for restoring critical systems and equipment. In addition to developing and implementing a comprehensive contingency plan, the District should test the plan at least annually to help ensure it is effective, which should include ensuring all employees understand their roles and responsibilities, identifying internal and external vulnerabilities, taking action to update equipment or remedy any issues identified, testing its ability to restore electronic data files for critical systems from backups, and documenting the results of the test. However, based on our January 2024 review, the District's plan did not contain some key components, and the District did not regularly test its plan. When we notified the District of the missing key components, District officials drafted a revised IT contingency plan. While the District's revised plan addressed some of the missing key components, it was still missing or only partially addressed other key components, such as escalation procedures used to specify exactly how to respond to and manage emergencies. Lacking a comprehensive and complete contingency plan exposes the District to an increased risk of being unable to continue operations and restore the District's systems in the event of a system outage.

*Deficiency 4: The District assigned some users too much access to its accounting system, increasing its risk of errors and fraud*

The USFR requires districts to limit users' access to information and restrict access to only what is necessary for users to carry out their assigned duties—the principle of least privilege. However, our November 9, 2023, review of accounting system access levels for all 5 business office accounts found that 4 business office staff had excessive access, allowing them to initiate and complete purchasing and/or payroll transactions without any independent review.<sup>10</sup> As a result, the District increased its risk for errors and fraud because these users could have completed payroll and purchasing transactions or other changes without a second employee to verify the transactions or changes were accurate and appropriate. According to District officials, the District is a small district with a limited number of administrative staff, resulting in the

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<sup>10</sup> One of the employees with excessive access to the accounting system had their user access removed as of November 15, 2023, due to her leaving the District's employment.

need for employees to be able to serve as alternates for other business processes outside their usual job duties.

While USFR does allow for conflicting duties, provided there is sufficient supervisory review to control activities, as discussed in Findings 2 and 3, pages 6 through 17, the District had several control deficiencies related to accounting processes, and the District did not employ sufficient supervisory review processes that would have compensated for individuals performing incompatible functions. These control deficiencies, as well as the District's granting of excessive user access privileges within the accounting system, increases the risk of errors and fraud. Moreover, our review found that the District did not have a process in place to grant, validate, and review access within the accounting system. As a result, the District was unaware that some users had excessive access rights for accounting system functions not necessary for their job functions and was ill-equipped to prevent errors, fraud, or misuse, or to detect it if it were to occur.

District officials indicated to us during the audit that users did not have full access in certain modules. However, the District was only partially completing user access applications submitted to the County, which is responsible for granting accounting system access rights.<sup>11</sup> The District's submission of partial user access applications resulted in staff being granted full access to accounting system modules rather than limited access to only the functions necessary for the staff to carry out their assigned duties.

*Deficiency 5: The District did not monitor access and activity in its accounting system, increasing the risk of critical security events and fraud*

The USFR requires that districts monitor and periodically audit system activity and users' adherence to security-related policies, procedures, and guidelines. However, our November 2023 review of the District's accounting system found that the District did not monitor user activity and users' adherence to security-related policies for all modules within its accounting system. According to the District, it believed that the County was monitoring user activity and, as a result, the District did not monitor system users' adherence to security-related policies, procedures, and guidelines, as required. However, our review of the intergovernmental agreement between the County and the District found that the County was responsible only for the provision and maintenance of the accounting system. As such, the District was responsible for user compliance with the District's IT policies and procedures, as well as monitoring of users' activity to ensure that users only performed authorized activities in systems related to their job responsibilities. While an audit log is not available for accounts payable, the system does have the capability to generate reports that would allow the District to periodically audit system activity and users' adherence to District policy. Credible industry standards indicate that by not performing proactive monitoring of system activities, unauthorized access to sensitive District information may occur without detection, potentially leading to critical security events. The absence of a complete audit trail, inadequate

**Key term**

**Audit log**—A chronological record of system activities, including records of system accesses and operations performed in a given period.

Source: National Institute of Standards and Technology Special Publication 800-53, Revision 5.

<sup>11</sup> The District has an intergovernmental service agreement with Pinal County for the provision and maintenance of the District's accounting system.



supervisory review processes discussed in Findings 2 and 3, pages 6 through 17, and the excessive system access granted to certain users previously discussed in Deficiency 4 increases the District's risk for waste, fraud, or misuse of public monies going undetected.

### **The District's security monitoring and oversight policies and procedures need improvement**

The District had not taken steps required by the USFR, such as developing policies and procedures, to ensure it complied with important IT security requirements. Although the District had some policies and procedures relating to IT, its policies and procedures were not adequate to prevent the deficiencies we identified, nor did they address security controls. Additionally, based on our review, the documented policies and procedures were not always consistent with the actual District operations in place. For example, as identified in Deficiency 1, District officials were not actively monitoring users' compliance with the District's IT policies and procedures. Without a comprehensive framework for IT security requirements in place to guide and direct District IT operations and a process to monitor and report the overall effectiveness of this framework, the District increases the risk of unauthorized access to sensitive information, data loss, errors, and fraud.

### **Recommendations**

To comply with USFR requirements and credible industry standards for IT security, the District should:

20. Enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.
21. Develop and implement a policy and process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and accounting system 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.
22. Either cease the practice of keeping shared accounts associated with a terminated employee for the use of knowledge transfer because of the inherent risk associated with maintaining shared accounts or update the District's cybersecurity policy to specify conditions and requirements for the use of shared accounts and review these accounts regularly.
23. Standardize user access levels by job function to ensure access rights are consistently applied. Further, for current and future access, establish and review access by accounting system function.
24. 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 any deficiencies and document the test results.
25. 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.
26. Modify and implement written procedures that provide effective security and access controls over information technology to ensure compliance with the USFR, and develop a process to monitor and enforce staff compliance with the District's procedures.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.

## Summary of Recommendations

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### Sjoberg Evashenk Consulting makes 26 recommendations to the District

The District should:

1. Develop and implement a process to ensure school bus drivers complete annual drug testing in accordance with the State's Minimum Standards.
2. Immediately review certification records for all drivers to ensure all required documentation is maintained by the District.
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.
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.
5. Modify and implement written procedures that provide effective internal controls over receiving processes to ensure compliance with the USFR and Board-approved policies, including processes for receiving services and to monitor and enforce staff compliance with the District's procedures.
6. Develop and require annual training for responsible employees about the District's purchasing and accounts payable processes and related USFR requirements.
7. Retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid for after the goods or services were received.
8. Continue reviewing historical use tax payments to identify other errors and take action to correct any past over- or underpayments identified.
9. Develop and implement a process to verify accounts payable and use tax payments to ensure amounts paid are accurate and supported.
10. Continue requiring 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.
11. Implement protocols to monitor and enforce compliance with existing District credit card policies, including:
  - a. Verifying an approved purchase order has been obtained prior to making purchases.
  - b. 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.
12. 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 completed a signed a user agreement prior to using District credit cards.

13. Recoup the \$119 in travel reimbursements the District overpaid and review other lodging, meal, and incidental reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual reimbursement rates, and recoup any additional overpayments identified.
14. 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.
15. Develop formal, written policies and procedures for its payroll process in accordance with USFR requirements, including establishing maximum amounts of leave that employees may accrue, and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.
16. Ensure District procedures and employee handbooks align with Board-approved policies, USFR requirements, and federal requirements, where applicable.
17. Ensure it follows its payroll policies and procedures, including its procedures for authorizing overtime and compensatory leave and for calculating compensatory time accrual.
18. Ensure staff who are responsible for providing supervisory oversight ensure established policies and procedures are followed and enforced and payroll transactions are accurate and supported prior to authorizing payroll transactions.
19. Identify and correct over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments we identified.
20. Enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.
21. Develop and implement a policy and process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and accounting system 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.
22. Either cease the practice of keeping shared accounts associated with a terminated employee for the use of knowledge transfer because of the inherent risk associated with maintaining shared accounts or update the District's cybersecurity policy to specify conditions and requirements for the use of shared accounts and review these accounts regularly.
23. Standardize user access levels by job function to ensure access rights are consistently applied. Further, for current and future access, establish and review access by accounting system function.
24. 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 any deficiencies and document the test results.

25. 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.
26. Modify and implement written procedures that provide effective security and access controls over information technology to ensure compliance with the USFR, and develop a process to monitor and enforce staff compliance with the District's procedures.

## Appendix A. Objectives, scope, and methodology

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Sjoberg Evashenk Consulting conducted a performance audit of Stanfield Elementary School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2022, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following operational categories:

### Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining school buses and transporting students to and from school and school activities.

**Financial accounting data and internal controls**—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2022 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 15 of 115 individuals who received payments through the District's payroll system in fiscal year 2022 and reviewed supporting documentation for 30 of 2,772 fiscal year 2022 accounts payable transactions. Further, we reviewed receiving documentation for 6 fiscal year 2023 and 4 fiscal year 2024 transactions to validate the District's reported changes to its receiving process. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing

compliance with these policies and procedures; reviewing controls over the District’s relevant computer systems; and reviewing controls over reporting various information used for this audit. We reported our conclusions on applicable internal controls in Findings 2 and 3 (see pages 6 through 17).

**Peer groups**—We used the 3 peer groups developed by the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2022* for comparative purposes. To compare the District’s student achievement, the Arizona Auditor General developed a peer group using district type, location, and poverty rates because these factors are associated with student achievement. We used this peer group to compare the District’s fiscal year 2022 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2022 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, the Arizona Auditor General developed a peer group using district size, type, and location. To compare the District’s transportation efficiency, the Arizona Auditor General developed a peer group using a 5-year historical average of miles per rider and location. They used these factors because they are associated with districts’ cost measures in these areas.

**TABLE 2. CRITERIA FOR SELECTING PEER SCHOOL DISTRICTS FOR COMPARATIVE PURPOSES, FISCAL YEAR 2022**

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2022)	Poverty rate District type Location	Less than 19 percent Elementary school districts Towns and rural areas	14
Administration, plant operations and maintenance, food service, and transportation (fiscal year 2022)	District size Location	Between 200 to 499 students Towns and rural areas	9
Transportation (fiscal year 2022)	Miles per rider Location	Between 361 and 510 miles per rider Towns and rural areas	16

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2022*.

**Efficiency and effectiveness**—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the operational areas we reviewed about their duties. This included District administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, transportation safety reports provided by the Department of Public Safety, District’s 100-day school bus ridership and mileage report submitted to ADE, and District-submitted compliance questionnaire results for fiscal year ended June 30, 2022, that its independent financial audit firm completed. We also reviewed District-provided accounting system and network user account reports.

- **Documentation reviews**—We reviewed various sets of District documentation including various credit card statements and documentation for fiscal years 2022 and 2023; cash deposit documentation and bank statements for fiscal year 2022; Board meeting minutes; annual drug and random drug testing for calendar years 2021, 2022, and 2023; school bus driver files for 5 of 20 of the District’s drivers active at one point during calendar years 2021, 2022, and 2023; and school bus maintenance and safety records for 5 of the District’s 7 school buses in fiscal years 2021 and 2022. We also reviewed Arizona Department of Public Safety school bus inspection reports for school buses inspected in calendar years 2021 and 2022.
- **Observations**—To further evaluate District operations, we observed day-to-day activities in the operational areas we reviewed. This included facility tours, food service operations, and transportation services.
- **Analysis**—We reviewed the Arizona Auditor General’s analysis of the District’s fiscal year 2022 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts’. We also reviewed the District’s square footage per student, use of building space, building age, and meals served per student to peer districts. We used the results of these comparisons to inform the topics of focus during our audit.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We express our appreciation to the District’s Board members, superintendent, and staff for their cooperation and assistance throughout the audit.



# District Response

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Stanfield Elementary  
School District #24  
515 South Stanfield Road  
Stanfield, AZ 85172  
520.424.3353 Phone  
520.424.3798 Fax  
www.gostanfield.com

April 24, 2024

Sjoberg & Evershank Consulting  
455 Capitol Mall, Suite #700  
Sacramento, CA 95814

To Whom It May Concern:

Stanfield Elementary School District #24 has received and reviewed the Fiscal Year 2022 Performance Audit Report 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 discussion about the findings found within the Performance Audit, the district has addressed each finding and has presented procedural strategies to improve performance in each area mentioned. The district looks forward to working with and learning from the team in the follow-up period.

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

Sincerely,

Dr. Melissa Sadorf  
Superintendent

GOVERNING BOARD  
Yolanda Gonzales  
Dulcey Garcia  
Maranda Courter

SUPERINTENDENT  
Dr. Melissa Sadorf

PRINCIPAL  
Jennifer Murrieta

*Stanfield Elementary School District – Empowering Students to Succeed*

**Finding 1:** The District did not comply with some school bus driver annual drug testing requirements or maintain all required bus driver certification documentation, increasing risks to student safety, and did not accurately report miles and riders for State funding purposes.

**Recommendation 1:** The District develop and implement a process to ensure school bus drivers complete annual drug testing in accordance with the State's Minimum Standards.

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

Response explanation: 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:** The District should immediately review certification records for all drivers to ensure all required documentation is maintained by the District.

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

Response explanation: The district has developed procedures to ensure that a review of certification records for all drivers is maintained by the District. The District has made the necessary changes to become compliant.

**Recommendation 3:** The District should 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.

Response explanation: The District has implemented procedures including Data Processing procedures and strengthened staff training in an effort to accurately calculate and report route miles and ridership.

**Recommendation 4:** The District should 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.

Response explanation: The District will submit the necessary report to ADE.

**Finding 2:** The District lacked sufficient internal controls in some areas, putting public monies at an increased risk of errors, fraud, and improper payments, and incorrectly classified its expenditures, potentially impacting the accuracy of its financial reporting.

**Recommendation 5:** The District should modify and implement written procedures that provide effective internal controls over receiving processes to ensure compliance with the USFR and Board-approved policies, including processes for receiving services and 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.

Response explanation: The District will update and implement written procedures regarding internal controls over receiving processes to ensure compliance with the USFR and Board-approved policies, including processes for receiving services and to monitor and enforce staff compliance with the District's procedures.

**Recommendation 6:** The District should develop and require annual 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.

Response explanation: The District will provide regular trainings for employees District's purchasing and accounts payable processes and related USFR requirements.

**Recommendation 7:** The District should retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid for after the goods or services were received.

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

Response explanation: The District will keep and maintain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose and were paid for after the goods or services were received.

**Recommendation 8:** The District should continue reviewing historical use tax payments to identify other errors and take action to correct any past over- or underpayments identified.

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

Response explanation: The District will review historical use tax payments to take any necessary action to correct any identified over or under payments.

**Recommendation 9:** The District should develop and implement a process to verify accounts payable and use tax payments to ensure amounts paid are accurate and supported.

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

Response explanation: The District will develop and implement a process to verify accounts payable and use tax payments to ensure amounts paid are accurate and supported.

**Recommendation 10:** The District should continue requiring 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.

Response explanation: The District has developed and trained on 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 11:** The District should implement protocols to monitor and enforce compliance with existing District credit card policies, including:

- a. Verifying an approved purchase order has been obtained prior to making purchases.
- b. 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.

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

Response explanation: The District has implemented and enforced updated protocols to monitor compliance with existing District credit card policies and practices as listed in the recommendation.

**Recommendation 12:** The District should 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 completed a signed a user agreement prior to using District credit cards.

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

Response explanation: The District has implemented and enforced updated protocols to monitor compliance with existing District credit card policies and practices as listed in the recommendation.

**Recommendation 13:** The District should recoup the \$119 in travel reimbursements the District overpaid and review other lodging, meal, and incidental reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual reimbursement rates, and recoup any additional overpayments identified.

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

Response explanation: The District will recoup the \$119 in travel reimbursements the District overpaid and has begun the process of reviewing other lodging, meal, and incidental reimbursements paid since the beginning of fiscal year 2022 to ensure the District used the appropriate State of Arizona Accounting Manual reimbursement rates, and will recoup any additional overpayments identified.

**Recommendation 14:** The District should 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.

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

Response explanation: The District will ensure training for 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.

**Finding 3:** The District did not comply with important payroll requirements and incorrectly calculated hours worked for some hourly employees, putting public monies at an increased risk of errors, fraud, and improper payments.

**Recommendation 15:** The District should develop formal, written policies and procedures for its payroll process in accordance with USFR requirements, including establishing maximum amounts of leave that employees may accrue, and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.

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

Response explanation: The District is in the process of developing formal, written policies and procedures for its payroll process in accordance with USFR requirements, including establishing maximum amounts of leave that employees

may accrue, and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.

**Recommendation 16:** The District should ensure District procedures and employee handbooks align with Board-approved policies, USFR requirements, and federal requirements, where applicable.

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

Response explanation: The District is in the process of ensuring District procedures and employee handbooks align with Board-approved policies, USFR requirements, and federal requirements, where applicable.

**Recommendation 17:** The District should ensure it follows its payroll policies and procedures, including its procedures for authorizing overtime and compensatory leave and for calculating compensatory time accrual.

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

Response explanation: The District will ensure it follows its payroll policies and procedures, including its procedures for authorizing overtime and compensatory leave and for calculating compensatory time accrual. The District will train payroll staff on payroll policies and procedures on authorizing overtime and compensatory leave and for calculating compensatory time accrual. The District has implemented a new process to ensure all overtime compensatory leave is approved by the Superintendent.

**Recommendation 18:** The District should ensure staff who are responsible for providing supervisory oversight ensure established policies and procedures are followed and enforced and payroll transactions are accurate and supported prior to authorizing payroll transactions.

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

Response explanation: The District will ensure staff responsible for providing supervisory oversight, ensure established policies and procedures are followed



and enforced and payroll transactions are accurate and supported prior to authorizing payroll transactions.

**Recommendation 19:** The District should identify and correct over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments we identified.

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

Response explanation: The District is in the process of identifying and correcting over- and underpayments made to all current hourly employees and compensatory time balances from fiscal year 2022 to the present, including the over- and underpayments were identified.

**Finding 4:** The 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 20:** The District should enforce strong password 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.

Response explanation: The District will ensure IT director enforces strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

**Recommendation 21:** The District should develop and implement a policy and process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and accounting system 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.

Response explanation: The District will develop and implement a policy and process to regularly perform, at least annually, detailed reviews of users' accounts and assessing their access level and need for network and accounting system access to ensure that access level is appropriate, and access was promptly disabled when it is no longer needed, including for terminated employees and vendors.

**Recommendation 22:** The District should either cease the practice of keeping shared accounts associated with a terminated employee for the use of knowledge transfer because of the inherent risk associated with maintaining shared accounts or update the District's cybersecurity policy to specify conditions and requirements for the use of shared accounts and review these accounts regularly.

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

Response explanation: The District will update the District's cybersecurity policy to specify conditions and requirements for the use of shared accounts and review these accounts regularly.

**Recommendation 23:** The District should standardize user access levels by job function to ensure access rights are consistently applied. Further, for current and future access, establish and review access by accounting system function.

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

Response explanation: The District has standardize user access levels by job function to ensure access rights are consistently applied. Further, for current and future access, establish and review access by accounting system function.

**Recommendation 24:** 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 any deficiencies and document the test results.

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

Response explanation: The District will 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 any deficiencies and document the test results.

**Recommendation 25:** The District should 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.

Response explanation: The District will 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.

**Recommendation 26:** The District should modify and implement written procedures that provide effective security and access controls over information technology to ensure compliance with the USFR, and develop a process 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.

Response explanation: The District will modify and implement written procedures that provide effective security and access controls over information technology to ensure compliance with the USFR, and develop a process to monitor and enforce staff compliance with the District's procedures.