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July 26, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Baboquivari Unified School District

Mr. Ruben Diaz, Superintendent
Baboquivari Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Baboquivari Unified 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 CPA firm Walker & Armstrong conducted this performance audit under contract with the Arizona Auditor General.

This school district performance audit assessed the District's spending on noninstructional areas, including administration, student transportation, food service, and plant operations, and made recommendations to the District to maximize resources available for instruction or other District priorities. As outlined in its response, the District agrees with all the findings and recommendations and plans to implement or implement in a different manner 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 Diaz 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

Baboquivari Unified School District

District failed to maintain transportation records, limiting the scope of our review; spent nearly \$500,000 on travel, including a substantial amount of travel that was unnecessary and potentially wasteful; limited public access to some Board meetings; operated schools below capacity; and failed to comply with requirements to protect students and safeguard public monies and sensitive computerized data



Walker & Armstrong

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

July 24, 2024

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

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit of Baboquivari Unified School District for fiscal years 2022 and 2023, conducted pursuant to Arizona Revised Statutes §41-1279.03.

As outlined in its response, the District agrees with all the findings and plans to implement or implement in a different manner all the recommendations.

We appreciate the opportunity to provide these services and work with your Office. Please let us know if you have any questions.

Sincerely,



Walker & Armstrong, LLP
Phoenix, Arizona

Baboquivari Unified School District

District failed to maintain transportation records, limiting the scope of our review; spent nearly \$500,000 on travel, including a substantial amount of travel that was unnecessary and potentially wasteful; limited public access to some Board meetings; operated schools below capacity; and failed to comply with requirements to protect students and safeguard public monies and sensitive computerized data

Audit purpose

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

Key findings

- District failed to maintain transportation records, limiting the scope of our review of school bus and fleet vehicle maintenance, inspection, and mileage documentation and procedures.
- District spent nearly \$500,000 and significant staff time traveling for training and conferences, but travel expenditures did not always comply with State requirements and may not have provided intended benefits.
- District held Governing Board meetings out of town, which limited public access in potential violation of the State's open meeting laws.
- District lacked important internal controls for conflicts of interest, payroll, and credit cards, putting public monies at an increased risk for unauthorized purchases and fraud.
- District assigned too much access to its accounting system and did not secure its information technology (IT) equipment, increasing its risk of errors, fraud, property damage, and data loss.

Key recommendations

The District should:

- Develop and implement policies and procedures to ensure that school buses are maintained in accordance with Minimum Standards and fleet vehicles are managed in accordance with the USFR.
- Develop and implement travel policies and procedures to minimize travel expenditures in accordance with SAAM, ensure that District employees and Governing Board members follow all District and State travel policies, and comply with the State Constitution's gift clause.
- Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are addressed to be made valid.
- Develop and implement procedures to ensure that District employees and Governing Board members complete conflict-of-interest disclosure forms; personnel pay is accurate; and the District's credit card use policy is overseen and enforced.
- Limit employees' access to its accounting system to only those functions needed to perform their job duties and develop and implement written policies and procedures to limit physical access to its IT server room.

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Districts are required to perform routine school bus maintenance and safeguard its vehicles

District did not have documentation to support that it had performed required school bus preventative maintenance, decreasing its ability to identify risks to student safety and potentially reducing the useful life of its school buses

District failed to maintain required records for its fleet vehicles and could not demonstrate that it safeguarded and monitored fleet vehicles to prevent unauthorized use, theft, and damage

District’s failure to maintain required documentation may result in student safety issues on its school buses going undetected and unresolved and increased risk for fraud, waste, and misuse

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The District could further reduce unnecessary travel costs by limiting the number of Board members and administrators who frequently attend conferences or adopting more cost-effective alternatives

District did not comply with SAAM requirements and exceeded maximum amounts for lodging and meals, resulting in higher travel costs and overpayments to District staff and Board members

Extensive travel wastes District resources and may impact District administrators’ effectiveness given the time they spent away from the District

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Recommendations

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Baboquivari Unified School District—Performance Audit

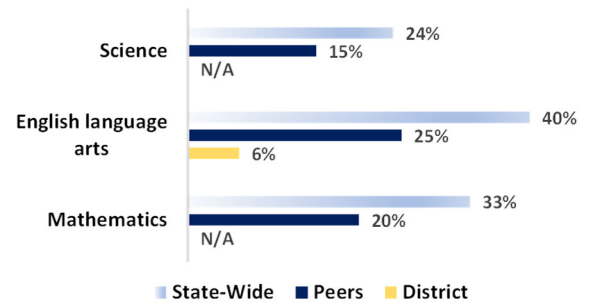
Fiscal Years 2022 and 2023

July 2024



Rural district in Pima County
Grades: Preschool through 12th
FY 2022
Students attending: 971
Number of schools: 4
School letter grades¹: 1 D, 1 F

Students who passed State assessments²



¹ Source: Arizona State Board of Education 2021-2022. Two District schools did not receive a letter grade from ADE because the schools did not have a sufficient number of students.

² Source: *Arizona school district spending analysis—Fiscal year 2022*. Science and mathematics data was not publicly available for the District due to Arizona Department of Education’s redaction requirements for student privacy.

Audit scope limitation—District failed to maintain transportation records, hindering our ability to evaluate the District’s compliance with various transportation program requirements

The District failed to maintain required transportation records, limiting the scope of our review of school bus and fleet vehicle maintenance, inspection, and mileage documentation and procedures, and increasing its risk of undetected student safety concerns, fraud, waste, and misuse (see pages 3 and 4). For further information on this performance audit’s scope and methodology see Appendix on page a-1.

FY 2022 total operational spending – \$20.7 million (\$21,274 per student)

Instructional – 30%
(\$6,476 per student)

Noninstructional – 70%
(\$14,798 per student)

Operational overview—FY 2022

Measure	Baboquivari USD	Peer average
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Administration—higher per student spending and improvements needed

The District spent more than twice as much per student on administration than its peer districts averaged, primarily due to higher salaries and benefit costs. Despite its additional personnel expenses, internal controls over multiple areas needed improvement. Additionally, the District spent public monies on excessive and potentially unnecessary travel, and did not comply with important IT standards, putting public monies and sensitive information at an increased risk of errors and fraud (see Findings 1,2, 4, and 5, pages 5 through 13 and 18 through 25).

Spending per student	\$3,626	\$1,405
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	Measure	Baboquivari USD	Peer average
<p>Plant operations—higher spending and 3 of 4 schools operated well below designed low capacity</p> <p>The District spent more per square foot and per student than its peer districts averaged. This was likely due to 3 of 4 District schools operating far below their designed capacity, using monies that may have been more effectively used for other District priorities, such as increasing teacher salaries and improving student achievement (see Finding 3, pages 14 through 17).</p>	Spending per square foot	\$15.08	\$5.87
	Spending per student	\$5,235	\$1,568
<p>Food service—mixed spending and no reported findings</p> <p>The District spent a comparable amount per meal and more per student on food service than its peer districts averaged, likely due to more students participating in the District’s breakfast program. We did not report any findings in this area.</p>	Spending per meal	\$3.99	\$4.05
	Spending per student	\$1,299	\$477
<p>Transportation—higher spending and lack of records limited the scope of our review</p> <p>The District spent more per mile and rider on its transportation program than its peer districts averaged, primarily due to high salary and benefit costs, which accounted for \$3,992 of the spending per rider. Despite this increased spending on its transportation program, the District failed to maintain required transportation records, limiting our ability to assess its compliance with certain transportation program requirements (see Audit Scope Limitation, pages 3 and 4).</p>	Spending per mile	\$6.52	\$3.10
	Spending per rider	\$5,511	\$2,035

AUDIT SCOPE LIMITATION DISTRICT FAILED TO MAINTAIN TRANSPORTATION RECORDS

District failed to maintain transportation records, limiting the scope of our review of school bus and fleet vehicle maintenance, inspection, and mileage documentation and procedures, and increasing its risk of undetected student safety concerns, fraud, waste, and misuse

Districts are required to perform routine school bus maintenance and safeguard its vehicles

To help ensure student safety and extend the useful life of school buses, the Arizona Department of Public Safety (DPS) has established *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). Minimum Standards require school districts to perform systematic school bus preventative maintenance, such as brake and tire inspections, safety feature inspections, and oil changes, and maintain records of this preventative maintenance. Additionally, to safeguard district property from unauthorized use, theft, and damage, the *Uniform System of Financial Records for Arizona School Districts* (USFR) requires districts to implement physical security measures to restrict and monitor use of its property.³ Additionally, districts should restrict access to property only to appropriate personnel. For vehicles, districts should implement and review detailed logs to track mileage to ensure the vehicles are used only for authorized district purposes.

District did not have documentation to support that it had performed required school bus preventative maintenance, decreasing its ability to identify risks to student safety and potentially reducing the useful life of its school buses

To meet the Minimum Standards, the District's policy requires that maintenance and inspections be performed and records be maintained and available for inspection in accordance with State requirements. During our audit, we requested pre-trip inspection, mileage, and preventative maintenance records for the District's 16 school buses. However, District officials indicated that the previous transportation director went on leave and never returned and had not responded to any of the District's efforts to make contact. During our visit to the District in October 2023, a contractor overseeing the District's transportation department since September 2023, indicated that they have been unable to locate and do not believe any records exist for the District's school buses. As a result of the District's

³ The Arizona Auditor General and the Arizona Department of Education developed the USFR pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

failure to maintain required records, we were unable to evaluate or conclude whether the District complied with Minimum Standards.

District failed to maintain required records for its fleet vehicles and could not demonstrate that it safeguarded and monitored fleet vehicles to prevent unauthorized use, theft, and damage

Although the District reported having an informal process that required drivers to complete usage logs when they used District vehicles, the District could not provide usage logs for 16 of its 24 fleet vehicles and provided incomplete usage logs for the other 8 vehicles. District officials stated that staff from various departments used the fleet vehicles and that the transportation department records should have been maintained. However, as described above, the District could not provide any fleet vehicle records in response to our requests. Additionally, District staff who used fleet vehicles indicated they were unaware that they needed to maintain documentation or report information on the fleet vehicles' usage. Because the District did not require staff to log vehicle usage and did not monitor the use of its fleet vehicles, the District increased the risk of unauthorized use, theft, and damage of District property and was unable to demonstrate that it used public resources only for authorized District purposes. As a result of the District's failure to maintain required records, we were unable to conclude whether the District complied with USFR requirements for using District property.

District's failure to maintain required documentation may result in student safety issues on its school buses going undetected and unresolved and increased risk for fraud, waste, and misuse

By failing to maintain required transportation program documentation, the District increases its risk of compromising student safety by not identifying and remedying deficiencies on its school buses that may affect student safety. Additionally, its lack of records increases the risk of fraud, waste, and misuse occurring and going undetected because of the District's inability to provide proper oversight.

Recommendations

The District should:

1. Develop and implement policies and procedures to ensure that school buses are maintained in accordance with Minimum Standards, including establishing preventative maintenance requirements and maintaining records documenting activities such as required preventative maintenance and pre-trip safety inspections.
2. Develop and implement policies and procedures for managing its fleet vehicles in accordance with the USFR, such as requiring vehicles to be used only by authorized personnel and for authorized purposes, and requiring vehicle usage and the purpose of travel be documented and monitored.

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

District spent nearly \$500,000 and significant staff time traveling for training and conferences, but travel expenditures did not always comply with State requirements and may not have provided intended benefits

The District authorized and paid for an excessive number of staff and Board members to travel to attend training sessions and conferences, resulting in unnecessary and potentially wasteful spending and key District staff spending substantial time away from the District and their job responsibilities. Additionally, the District overpaid for some travel costs because it did not always follow State travel policies and spending limits and may have violated the State Constitution's gift clause. In addition to travel costs exceeding State travel policies and spending limits, the District could have saved at least \$389,000 that it could have used for other District priorities, such as increasing teacher pay, by limiting the number of District staff and Board members attending conferences.⁴

State travel policies and the State Constitution set requirements to ensure spending is reasonable and appropriate

The USFR recommends and District policy requires that staff follow the Arizona Department of Administration's travel policies as set forth in the *State of Arizona Accounting Manual (SAAM)*. SAAM requires districts to ensure that travel is in the best interest of the district, is limited to only essential attendees, is directly related to the job for out-of-State travel, and uses the most economical means. SAAM also places limits on expenses by setting maximums that vary by location, and it requires expenses to be properly authorized and documented. The Arizona Constitution's gift clause requires that the payment of public monies is for a public purpose, and the cost paid by the public does not far exceed the value to be received by the public.⁵ Compliance with constitutional provisions, including the gift clause, and adherence to the USFR are fundamental to maintaining transparency and accountability in the use of public monies.

⁴ Amount is based on Walker & Armstrong staff analysis of cost per traveler for conferences listed in Tables 1 and 2 multiplied by the number of travelers in excess of 5 per conference plus the total cost of Board retreats from Table 2.

⁵ Arizona caselaw interpreting the Arizona Constitution's gift clause, Art. IX, §7, requires that payment of public monies is for a public purpose and the value the public receives is not far exceeded by the consideration the public pays. *Wisturber v. Paradise Valley Unified School Dist.*, 141 Ariz. 346, 678 P.2d 354 (1984), *Turken v. Gordon*, 223 Ariz. 342, 224 P.3d 158 (2010), and *Schires v. Carlat*, 250 Ariz. 371, 480 P.3d 639 (2021).

District spent approximately \$342,000 sending staff to a 2-day out-of-State professional development conference and did not ensure expenditures were approved, supported, and in accordance with the State Constitution’s gift clause

Between September 2021 and July 2023, the District spent approximately \$342,000 to send 135 employees and 1 non-employee to attend various sessions of the Ron Clark Academy (Academy), an educator training course, in Atlanta, Georgia. However, our review of the District’s records related to the travel identified several issues. Specifically:

- **District paid for non-educators to attend the teacher training and allowed some staff to attend multiple times**—Although the Academy is designed to train educators, the District sent a substantial number of employees whose jobs were not directly related to educating students, including a custodian, IT staff, business office staff, and Governing Board (Board) members. Additionally, the District allowed and paid for 7 staff members to attend the conference twice. If the District had sent only educators to the Academy, it would have saved an estimated \$168,000 in travel costs that it could have used for other District priorities, such as improving student achievement or increasing teacher salaries. If the District had sent 5 key employees who could have subsequently provided training to other staff members, the District could have saved an estimated \$330,000.⁶ The District could have also considered the Academy’s virtual training option, which is available to large groups and would have eliminated out-of-State travel costs.

During the audit, District officials indicated that the goal of sending nearly all of its staff to the Academy was to energize and motivate teachers and staff to create a fun and engaging learning environment for students, which they believed would ultimately improve student attendance and achievement. Based on the most recent testing completed during the 2022-2023 school year, the District’s student achievement was significantly lower than its peer districts and the State-wide average, with only 2 percent of the District’s students passing State assessments in Math, 6 percent in English Language Arts, and 3 percent in Science. By contrast, its peer group student achievement average passing rates were 27 percent, 33 percent, and 23 percent in these subjects, respectively. District officials indicated that the District is still applying the teaching methods it learned at the Academy and is seeing improvements in student engagement.

- **Expenditures for Academy travel expenses lacked required District administrative approvals and support**—Between fiscal years 2022 and 2024, the District spent nearly \$60,000 more than its Board approved for the Academy-related travel expenses. District staff and other personnel were divided into 10 groups that attended the Academy on various dates between September 2021 and November 2022. Although the Board approved 2 purchase orders totaling \$282,040 to pay for travel and training costs, as shown in Table 1, the District spent nearly \$342,000.

⁶ Based on Walker & Armstrong staff analysis of total spending and number of attendees.

Table 1: District’s spending for the Ron Clark Academy

	Attendees	Registration	Airfare	Lodging	Transportation	Meals	Totals
Board members	4	\$ 3,980	\$ 2,354	\$ 2,175	\$ 595	\$ 211	\$ 9,315
Administrative	27	26,666	20,382	15,552	3,895	1,682	68,177
Education staff	92	90,744	58,059	46,573	11,653	5,050	212,079
Other personnel	20	20,895	13,578	12,309	4,537	1,103	52,422
Totals	143	\$ 142,285	\$ 94,373	\$ 76,609	\$ 20,680	\$ 8,046	\$ 341,993

Source: Walker & Armstrong staff analysis of District travel documentation for fiscal years 2022 and 2023.⁷

The District was unable to explain how it spent these monies without Board approval because the former superintendent who authorized the District to spend these monies was no longer employed by the District. Further, contrary to the District’s travel policy, the District’s chief financial officer and grants director had not approved 1 of the purchase orders for \$200,000. When we asked the chief financial officer and grants director, neither of whom attended the training, why they had not documented their approval of the purchase order, both indicated they had not done so because they opposed the travel spending. Despite their opposition, the former superintendent overrode the District’s policy requiring such approvals and submitted the purchase order directly to the Board for approval. We observed that the purchase order submitted to the Board in their meeting handouts did not contain the signatures required by the District’s policy, but the Board proceeded to approve the purchase order.

- District could not demonstrate that its travel complied with gift clause requirements**—The District may have violated the State Constitution’s gift clause by paying an estimated \$2,354 for an individual involved with overseeing education on behalf of the tribal government, but not employed by the District, to travel to and attend the Academy without any indication that the District received anything of value in return. District officials were not able to provide evidence that the Board approved paying for the individual to attend the event. District officials stated that the District’s former superintendent invited the individual to attend the event. Finally, the District also authorized and paid for 7 employees to attend the Academy twice, but did not have an explanation of the public purpose and benefit of doing so.

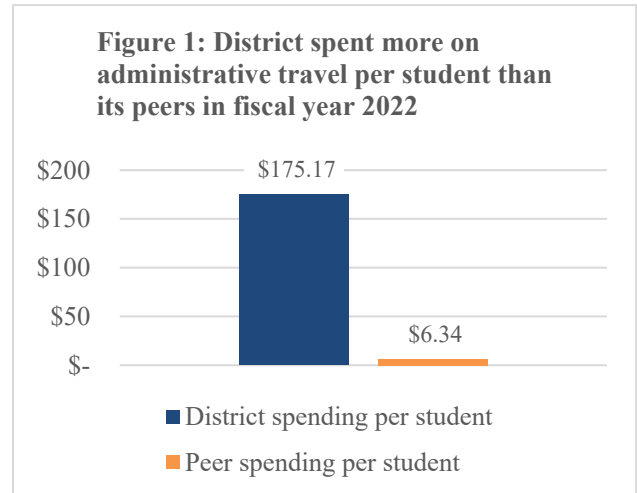
The District could further reduce unnecessary travel costs by limiting the number of Board members and administrators who frequently attend conferences or adopting more cost-effective alternatives

In addition to the monies it spent on travel for the Academy, in fiscal year 2022 the District spent more than \$141,000 for Board member and administrative staff travel, which was significantly higher than its peer districts spent on administrative travel. Specifically, although the District’s peers spent an average of \$6.34 per student on administrative travel, the District spent \$175.17 per student, or more than 20 times what its peers spent per student, as shown in Figure 1. Our review of the District’s travel found

⁷ The attendees include 1 non-employee and 7 staff members who attended the Academy twice.

instances where the District could have reduced its travel costs by limiting the Board members and administrators who attended these events or opting for more cost-effective options. Specifically, Table 2 shows conferences during fiscal years 2021 and 2022, excluding the Academy, that more than 1 District administrative staff and/or Board member attended. Several of the conferences listed in Table 2 offered a virtual attendance option that would have saved the District travel costs while still allowing District staff and/or Board members to attend.

Additionally, the District unnecessarily spent \$8,422 in fiscal years 2022 and 2023 on travel for special meetings and Board retreats held away from the District’s usual meeting place. As previously discussed, SAAM establishes guidelines to ensure that travel is in the best interest of the district, expenses are reasonable and necessary, and the most economical travel means are used. Although District officials stated that the District routinely conducts the retreats at Desert Diamond Casino because they believe they get a favorable rate that they could not get elsewhere, our tour of the District’s facilities found that in addition to the location where the regular Board meetings are held, the District has a performing arts center that it uses only on rare occasions. The District could have used either of these locations for its retreats and spent the travel monies on other District priorities, such as improving student achievement. Moreover, holding Board meetings and retreats out of town makes them less accessible to the public and is contrary to open meeting law requirements, as discussed in Finding 2, pages 12 and 13.



Source: Information provided by the Arizona Auditor General on analysis of spending for travel (expense object code 6580 for general and support services, school administration support services, and central services functions) for the District and its peers for fiscal year 2022.

Table 2: Conferences, other than the Academy, attended in fiscal years 2021 and 2022 by more than 1 District personnel

# of attendees	Conference	Location	Cost
12	Advancement Via Individual Determination - summer	San Diego, CA	\$ 35,977
11	National School Boards Association - spring	San Diego, CA	22,148
10	Advancement Via Individual Determination - fall	Mesa, AZ	821
9	Every Student Succeeds Act Title 1 - annual	New Orleans, LA	27,504
8	Arizona School Boards Association - winter	Flagstaff, AZ	11,617
7	Arizona School Boards Association - fall	Scottsdale, AZ	9,208
6	Arizona School Boards Association - summer	Flagstaff, AZ	6,104
6	National Council of Teacher Mathematics - annual	Indianapolis, IN	13,236
6	Success for All Experience	Orlando, FL	6,458
6	Board retreats	Tucson, AZ	2,432
5	National Association of Federally Impacted Schools	Washington, DC	16,679
2	National Association of Federally Impacted Schools	Washington, DC	4,712
2	The Breakthrough Coach	Phoenix, AZ	426
	Total		\$ 157,322

Source: Walker & Armstrong staff analysis of District travel related documents for fiscal year 2022.

District did not comply with SAAM requirements and exceeded maximum amounts for lodging and meals, resulting in higher travel costs and overpayments to District staff and Board members

As previously discussed, SAAM requires districts to ensure that travel is in the district's best interest, is limited only to essential attendees, uses the most economical means, and for out-of-State travel, is directly related to the job duties. It also includes detailed guidance and rate tables for travel reimbursements. The District's own travel policies require the use of SAAM travel guidelines and expense limits, including maximum lodging, meal, and mileage reimbursement rates based on specified locations and distances from the District. The District's policies, procedures, and training would have been adequate to ensure compliance with SAAM, but management routinely overrode District controls and therefore did not ensure that travel reimbursements were within allowable limits. Specifically:

- **District did not follow SAAM limits for lodging**—Our review of the District's fiscal year 2022 travel expenditures found that the District exceeded SAAM guidelines for maximum allowable lodging rates by nearly \$15,000 for staff and Board members attending the Academy and 2 conferences in San Diego, California. Specifically, for staff attending the Academy, the District spent approximately \$5,946 more than the maximum lodging amounts.

In another instance, the District sent 11 Board members and key administrative staff to San Diego for 3 nights and paid \$247 per night for a hotel in which the conference brochure specified that the lowest available rate was \$189 per night, exceeding allowable costs by \$1,914. In a third case, the District sent 12 staff members to San Diego for 3 nights and paid \$372 per night, which exceeded the permissible rate for the location of the conference by \$198 per night, exceeding allowable costs by \$7,128.

- **District overpaid staff and Board members for meals**—We identified 17 instances where Board members, the former superintendent, or the assistant superintendent were reimbursed for meal expenses that were either inaccurately calculated or inappropriately requested and approved based on SAAM guidelines. For example, we noted instances in which a full-day meal reimbursement was claimed for return travel days, but according to SAAM, the meal and incidental rate for return travel days is limited to 75 percent of the full-day rate. The District overpaid staff and Board members for meal reimbursements by a total of \$303 in these instances.
- **District did not document that all staff members for whom it paid travel expenses attended conferences**—Our review of travel records for the National School Boards Association spring conference identified 1 instance where the District paid for a staff member's travel expenses, but had no documentation supporting that the staff member was registered for the conference. Upon bringing this to the District's attention, officials were unable to explain the missing registration.
- **District did not ensure all travel expenditures were preapproved in accordance with the USFR and the District's policy**—Our review of 30 of 178 fiscal year 2022 travel expenditures found 1 payment for \$456.13 that lacked documented approval prior to the travel occurring and was \$209.13 more than the maximum allowable lodging expense per night. District officials indicated that the former superintendent frequently made last-minute decisions to travel the day before a conference, which then required an overnight stay, rather than traveling on the same day

as the conference. In these situations, the former superintendent submitted travel documentation after the stay rather than before. By not requiring preapproval for travel expenditures, the District was at increased the risk of unauthorized purchases or fraud.

Extensive travel wastes District resources and may impact District administrators’ effectiveness given the time they spent away from the District

The District’s excessive travel may have negatively impacted key District administrators’ abilities to carry out their job duties. In fiscal year 2022, the District’s key administrators were absent from their job duties for a total of 173 days (See Table 3). For example, the District’s former superintendent, whose responsibility is to oversee the District’s daily operations and provide leadership to staff, traveled for 61 days, or equivalent to 34 percent of the 2021-22 school year. The superintendent’s travel included 16 conferences or events such as the Academy, the National Association of Federally Impacted Schools fall and spring conferences, and the Arizona School Boards Association School Law Conference and Leadership Institute. Similarly, the assistant superintendent traveled for 45 days, or about 25 percent of the school year. Additionally, the District paid for its 5 Board members to travel a total of 123 days, or approximately 25 days each, to attend conferences. As previously discussed, the District’s extensive travel is a waste of public monies and District administrators’ frequent absences due to travel can impact their ability to oversee the District and ensure issues such as those raised in this audit are addressed.

Table 3: Travel days for key administrative staff in fiscal year 2022

Staff	Travel days
Superintendent	61
Assistant superintendent	45
Federal grants coordinator (total of 2 staff)	31
Exceptional student services director	16
Chief financial officer	10
District affairs manager	10
Totals	173

Source: Walker & Armstrong staff analysis of District travel related documents for fiscal year 2022.

Recommendations

The District should:

3. Develop and implement travel policies and procedures to minimize travel expenditures in accordance with SAAM, such as limiting participation at conferences to the fewest number of District personnel necessary to accomplish its objectives, opting to use more cost-effective alternatives such as virtual meeting attendance, and ensuring travel expenses do not exceed maximum allowable amounts.
4. Develop and implement procedures to ensure the District obtains and documents appropriate approvals in advance of making conference and related travel purchases, as required by the USFR and District policy.
5. Develop policies and procedures to ensure the District complies with the State Constitution’s gift clause, such as documenting the public purpose and benefit the public is to receive in return for the cost of travel and sending personnel to conferences.

6. Develop and implement procedures to ensure the District follows its policy to obtain prior approval from its grants director for allowability of costs under grants.
7. Develop and implement procedures that include a review of District employee and Governing Board member travel reimbursement requests to ensure reimbursements are paid only for authorized charges in accordance with District policy and SAAM.
8. Consult with legal counsel and seek reimbursement, as appropriate, from staff and Board members for travel expenses overpaid or not authorized under the District's travel policy.

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

Contrary to State open meeting laws, District held Governing Board meetings out of town, where they were not easily accessible to the public

Districts are subject to Arizona open meeting laws, which require board meetings to be open to the public, except in certain circumstances, in order to maximize public access to the governing process.⁸ However, our review of Board meeting agendas and minutes for fiscal years 2022 and 2023 found that the Board traveled out of town to hold 3 special meetings and 5 weekend Board retreats for a total of 9 days at Desert Diamond Casino in Tucson, Arizona. According to the agendas, there was no indication that the meetings and retreats were for purposes that would have precluded the public from being able to attend.

The Arizona Attorney General's Office publishes the *Arizona Agency Handbook* that provides guidance to State officers and public employees regarding open meeting laws.⁹ According to this guidance, a meeting is defined as a gathering of a majority of the members of a public body, regardless of what the gathering is called; therefore, the special meetings and Board retreats are considered to be meetings subject to open meeting laws. Additionally, a public body must provide public access to public meetings and the requirement is not met if the public body obstructs or inhibits public attendance at public meetings.

The public's access to and ability to participate in the District's governing process at these special meetings and retreats was limited since the meetings were held at a Tucson casino that was more than 115 miles roundtrip from where the District holds its regular Board meetings and there were no virtual attendance options. Additionally, as discussed in Finding 1, pages 5 through 11, travel for these meetings unnecessarily cost the District a total of more than \$8,400 in fiscal years 2022 and 2023.

District officials reported that the Board retreats, which are typically held twice a year, are where directors are required to present their 3-year plans to the Governing Board and answer any questions they may have. The information presented in these meetings likely would be of interest to parents, staff and other members of the public and the District should ensure all of its Board meetings are accessible to the public, as required. The District should also consult with its legal counsel and the Arizona Attorney General's Office to ensure that District actions taken at meetings that did not comply with open meeting laws are addressed and validated.

⁸ A.R.S. §38-431.03 defines executive sessions which can exclude the public for reasons of confidentiality, including obtaining consultation from legal counsel, to discuss negotiations, and to discuss personnel matters.

⁹ Walker & Armstrong staff review of Arizona Attorney General's Agency Handbook (2018 version) at <https://www.azag.gov/office/publications/agency-handbook>

Recommendations

The District should:

9. Discontinue holding special meetings and Board retreats outside of the District's boundaries, which is contrary to the State open meeting laws and an unnecessary expense to the District.
10. Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid and the appropriate time frame that should be reviewed for such actions.

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

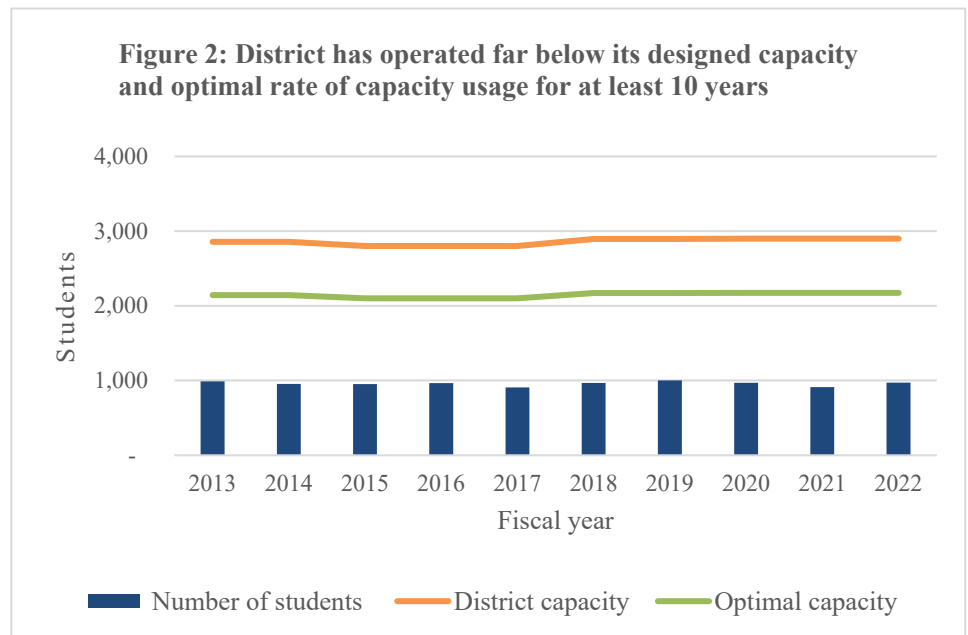
District operates schools far below capacity and spends a substantial amount to maintain and operate facilities, reducing monies available for other District priorities

The optimal rate of capacity usage for a district to operate is at least 75 percent and is calculated using the number of students attending divided by the student capacity as defined by the Arizona Department of Administration’s School Facilities Oversight Board (SFOB). When a district operates below 75 percent, the individual capacity usage at each district school should be evaluated to determine whether there are options for a district to change how it operates its schools to increase capacity usage.

District operated its schools at a low capacity despite having the potential to consolidate schools into other campuses, which could have saved an estimated \$1,357,000 annually

The District has operated at less than half the optimal 75 percent capacity usage rate since at least fiscal year 2013, as shown in Figure 2. Additionally, as shown in Table 4, although the District operated at a District-level capacity of 34 percent in fiscal year 2022, 1 school exceeded its SFOB calculated capacity and the remaining 3 schools

operated far below. We observed the District’s unused capacity during our October 2023 tour of the District’s facilities, where we observed many empty classrooms and unused buildings. Consistently operating schools far below capacity results in the District’s spending resources on areas such as building costs and administrative costs that could be redirected to other priorities. Operating in this manner requires more staff to work at each school, and involves additional expenses for utilities, maintenance, and supplies.



Source: Walker & Armstrong staff analysis of ADE student membership data and SFOB building capacity data for the last 10 years.

Table 4: 3 of the District’s schools operated far below their capacities for fiscal year 2022

School	Capacity	Students	Usage
Indian Oasis Middle School and High School	64	66	103%
Indian Oasis Elementary Primary School	709	290	41%
Baboquivari Middle and High School	1,259	390	31%
Indian Oasis Elementary Intermediate School	847	225	27%
Total	2,879	971	34%

Source: Walker & Armstrong staff analysis of fiscal year 2022 ADE student membership data and SFOB building capacity data.

Based on students attending its schools in fiscal year 2022 and spending per square foot data, we estimate that the District may be able to reallocate up to \$1,357,000 annually by consolidating its elementary schools as well as its middle/high schools.¹⁰ The primary school serves students in pre-K through 3rd grade and the intermediate school serves students in grades 4 to 6. These schools each operate far below capacity and are located less than 2 miles, or 3 minutes, from each other in Sells, Arizona. If the District consolidated operations to serve pre-K through 6th grade on 1 campus, it would operate at 73 percent capacity. Similarly, consolidating the Districts’ middle/high school campuses, which are 9 miles, or 13 minutes, apart in Sells, Arizona would still result in a second campus operating at 36 percent. Consolidation could save costs associated with staffing and maintenance and would likely have a limited impact on transportation since the schools are located in close proximity.

According to District officials, in 2012 the District added a preschool program and wanted to ensure preschool students’ safety by not having them at the same school as older students. Therefore, it divided its elementary school into a primary school and an intermediate school. Additionally, according to the District, it plans to offer some additional elective courses and it has structured its schools and classrooms based on a 20:1 student-teacher ratio, which requires additional classroom space. However, based on SFOB capacity numbers and our classroom and facilities observations, the amount of classroom space the District maintains in its under-utilized schools still exceeds what is needed to maintain small class sizes and offer course electives, and there would likely be sufficient space available to safely consolidate the schools.

District spends far more than its peers on its facilities, which reduces the monies available for student instruction, teacher salaries, and other District priorities

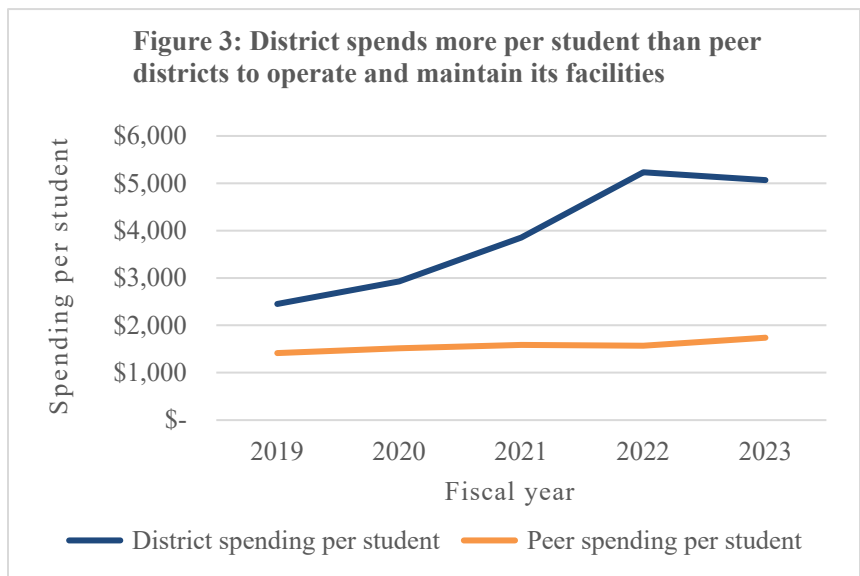
The District consistently spends more per student to operate and maintain its facilities than its similarly sized peer districts, as shown in Figure 3. In fiscal year 2023, the District spent \$5,065 per student for plant operation and maintenance costs compared to its peer district average of \$1,740 per student. Further, the District’s facilities costs per square foot were substantially more than its peer districts—\$15.94 compared to \$6.95. Although the District’s facilities costs have consistently been higher than its peers’, its spending has increased substantially over the past several years. In fiscal year 2019, the District spent approximately \$2,400 per student on plant operations and maintenance, or less than half

¹⁰ This estimate of spending includes plant operations and maintenance costs such as salaries and benefits for custodial and maintenance staff, utilities, repairs, and other related building upkeep costs. It does not account for any spending in other areas, such as administration or food service, that may also see reductions as a result of consolidating students.

of what it spent per student in fiscal year 2023. According to the District, significant repair costs, including mold remediation, HVAC and plumbing replacements, and roof repairs, have contributed to the increase. The excessive amount the District spends on its facilities reduces its monies available for instruction, teacher salaries, and other District priorities. Based on the Arizona Auditor General’s analysis of fiscal year 2023 District spending, the District spent less than 34 percent of its operating budget—\$7,187 per student—on instruction, and nearly 24 percent for operating and maintaining its facilities. In contrast, peer districts spent a greater percentage of their budgets on instruction, averaging just over 50 percent.

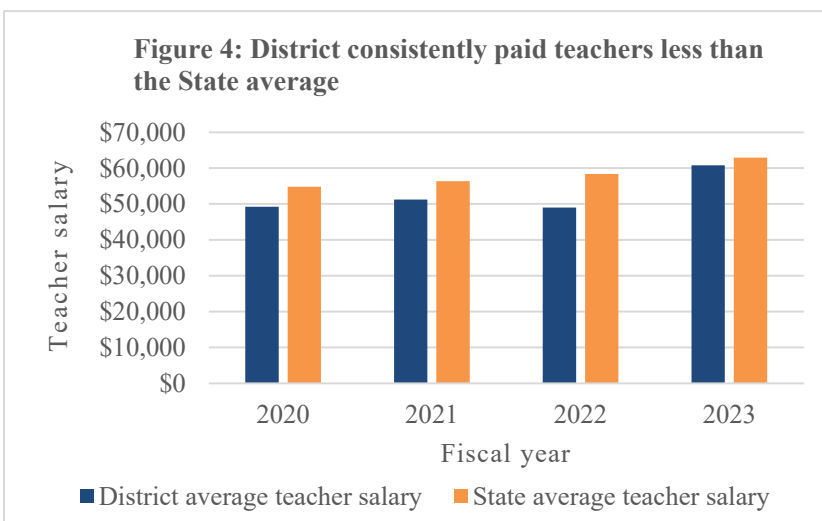
Teacher salaries make up the greatest proportion of instructional expenses for school districts and low instructional spending is generally associated with lower teacher pay.

As shown in Figure 4, the District’s average teacher salaries are below the State average and District officials reported that the District has had difficulties attracting and retaining qualified teachers. For fiscal year 2023, the District substantially increased its teacher salaries, increasing from \$48,996 to \$60,780, but the average teacher salary continues to be below the State average of \$62,934. Additionally, the District’s student achievement scores have been among the lowest-performing 5 percent of all schools receiving Title 1 funds each year since fiscal year 2019, resulting in ADE requiring District



Source: Walker & Armstrong staff analysis of Arizona Auditor General *School district spending analysis—Fiscal years 2019-2023*.

schools to complete a Comprehensive Needs Assessment (CNA) and Integrated Action Plan (IAP) to improve student achievement.



Source: Walker & Armstrong staff analysis of Arizona Auditor General *School district spending analysis—Fiscal year 2023*.

As previously discussed, consolidating its schools could save the District as much as \$1,357,000. Additionally, because the District spends substantially more than its peer districts for facilities operations and maintenance, both per student and per square foot, the District should analyze its expenditures to identify additional savings that could be redirected to support student achievement.

Recommendations

The District should:

11. Evaluate how it allocates and uses space at its schools to identify and implement options to more efficiently use its facilities and reduce costs, which could include consolidating schools or programs.
12. Analyze its expenditures for operating and maintaining its facilities to determine how monies are being spent, and identify and implement cost savings measures to redirect monies to other District priorities, such as instruction.

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

District lacked important internal controls in various areas, limiting transparency, potentially compromising student safety, and increasing the risk for payment errors and unauthorized purchases

As part of our review, we identified 5 primary deficiencies in the District's internal controls and failure to follow requirements set forth by the USFR, State law, and District policies that resulted in the potential for undisclosed conflicts-of-interest, missing required personnel documentation, and improper payments to District employees. See the details below.

Deficiency 1: District failed to ensure Board members and employees completed conflict-of-interest disclosure forms, increasing the risk that undisclosed substantial interests could influence District Board members' and employees' official conduct

State conflict-of-interest laws and District policy require public officers and employees to make any substantial interests they or their relatives have known in official records and refrain from participating in any manner in decisions about contracts, sales, purchases, or services related to their substantial interests.¹¹ State law and the USFR further require districts to maintain a conflict-of-interest file for public inspection with information regarding governing board members' and employees' disclosed substantial interests.¹² To meet these requirements, the District's conflict-of-interest policy requires all board members to complete a conflict-of-interest disclosure form at the beginning of their term and annually thereafter. Similarly, the District requires employees to file a conflict-of-interest form within 5 days of commencing District employment and annually thereafter. The District's annual employee training includes communicating conflict-of-interest laws and disclosure requirements. However, the District did not have a process in place to review the completed forms to ensure they were fully completed by board members and employees and identify and mitigate any disclosed substantial interests. Our review of the District's available conflict-of-interest disclosure forms for fiscal year 2023 found that of 215 District employees and Board members, 77 employees and 1 Governing Board member, or approximately 36 percent of active District personnel, either did not have a completed conflict-of-interest form on file or did not properly complete the form. For example, some forms indicated that a conflict existed, but did not state what the conflict was. The employees without forms or with incomplete forms included 2 principals who were involved in authorizing and/or making District purchases.

¹¹ A.R.S. §38-503.

¹² A.R.S. §15-534.

District officials responsible for maintaining conflict-of-interest disclosure forms could not explain the missing conflict-of-interest disclosure forms we identified during our review. However, the District had not implemented a process to monitor employee and Board member compliance with its conflict-of-interest policy, which may have helped it to ensure employees and Board members disclosed all required interests. By not ensuring employees complete conflict-of-interest disclosure as required by District policy, the District cannot demonstrate that it is complying with State conflict-of-interest laws. Additionally, there is an increased risk that District Board members and employees have undisclosed substantial interests that may influence or affect their official conduct.

Deficiency 2: District lacked a process to ensure fingerprint clearance cards were active

State law requires all personnel directly or indirectly engaged in instructional work, such as teachers, principals, and superintendents, to have active fingerprint clearance cards.¹³ We reviewed personnel files for 33 of 352 fiscal year 2022 employees and identified 17 employees who, according to District policy, required an active fingerprint clearance card. However, our review found that the District lacked documentation to support that 1 of these employees had an active fingerprint clearance card, as required.

Fingerprint clearance cards should be verified on the Department of Public Safety (DPS) website or by contacting DPS directly to ensure they are valid (see textbox). Regularly confirming the validity of fingerprint clearance cards is important because DPS may suspend or revoke the card if a cardholder is arrested/convicted of a precluding offense. However, the District lacked a process to regularly monitor and verify the validity of employees' fingerprint clearance cards. The District could not explain why it did not have

documentation to support that the employee we identified had an active fingerprint clearance card. By lacking a process to regularly monitor and verify the validity of employees' fingerprint clearance cards, the District increased risks to student safety because it cannot ensure that employees do not have criminal histories or offenses that would prohibit them from working with students.

Fingerprint clearance card

A card issued by DPS after conducting a State and federal criminal background check to verify that prohibited criminal offenses such as sexual assault, child abuse or molestation, manslaughter, or kidnapping have not been committed. The card is valid for 6 years unless otherwise revoked. A copy of the card is not evidence that a card is valid, so the District must regularly check the status of an individual's card with DPS.

Source: Walker & Armstrong staff review of A.R.S. §§41-1758.02 and 41-1758.03 and the DPS website at <https://www.azdps.gov/services/public-services-portal/fingerprint-clearance-card>

Deficiency 3: District incorrectly paid 3 employees because its payroll process did not contain a thorough secondary review

The USFR requires districts to implement secondary review procedures in the payroll process to compensate for employees performing substantial portions of the payroll process and to ensure the payroll's accuracy. Our review of fiscal year 2022 payroll records for 33 District employees

¹³ A.R.S. §38-509.

identified 3 employees who received incorrect pay totaling \$63.52 in underpayments. The underpayments were due to errors made by personnel performing payroll functions, such as calculating or entering incorrect hours or payrates into the payroll system that were not identified during the secondary review process. Since the District's secondary review process was insufficient to ensure payroll amounts are accurate and supported, the District increased the risk of under- or overpaying employees, and these erroneous payments accumulating over time.

Deficiency 4: District lacked adequate purchasing controls to ensure credit card purchases were approved and appropriate

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. However, our review of 41 judgmentally selected fiscal year 2022 credit card purchases totaling \$68,802 found that the District had not followed its credit card procedures. For 1 restaurant and 1 hotel purchase we reviewed totaling \$341.25, the District could not provide supporting documentation, such as receipts, to demonstrate the purchases were for an allowable District purpose or that they did not exceed maximum allowable State travel costs. District officials could not provide an explanation for not obtaining the required supporting documentation. Although the District had a process in place for using credit cards and requiring receipts upon their return, the District had not taken action to ensure District credit card users followed them. As a result, the District is at an increased risk of errors, misuse, and fraud.

Recommendations

The District should:

13. Develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or the beginning of their term and annually thereafter in accordance with District policy.
14. Develop and implement a process to timely review completed conflict-of-interest disclosure forms to identify and remediate disclosed conflicts of interest to comply with District policies and State conflict-of-interest laws.
15. Develop and implement a process to ensure that all required personnel have a valid fingerprint clearance card, including monitoring and regularly reviewing and confirming the validity of employees' fingerprint clearance cards.
16. Develop and implement written policies and procedures for payroll that include a thorough secondary review to verify the accuracy of personnel pay.
17. Identify and correct underpayments made to all current employees from fiscal year 2022 to the present, including the underpayments we identified.

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

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

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

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

The 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: District did not enforce its password policies, increasing the risk of unauthorized access to sensitive District information and disruption in operations

The USFR requires that districts implement strong passwords that align with credible industry standards. Although the District had a password policy that aligned with credible industry standards, as of October 2023, some critical District systems' password requirements were not consistent with its policy. As a result, the District increased the risk that unauthorized individuals could access sensitive District information and disrupt District operations.

Deficiency 2: District did not monitor activity and security of all computers it maintained, increasing the risk of unauthorized access to sensitive District information and disruption in operations

As of October 2023, the District maintained computers that were not monitored by the District's IT department due to their incompatibility with its endpoint management system, so the District was not able to properly maintain and monitor them in accordance with USFR guidelines and credible industry standard best practices. Specifically, the District's sensitive data and operations were at risk since it was unable to set password requirements, perform security updates, monitor unusual activities or security incidents, or prevent unauthorized software downloads on these computers.

Deficiency 3: District did not regularly review and limit user access to its accounting and information systems, increasing its risk of unauthorized access to sensitive information, data loss, errors, and fraud

The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for users to carry out their assigned duties. The USFR further requires that when user accounts are no longer needed, such as when an employee terminates, access to information systems should be immediately disabled. Although credible industry standards recommend that districts develop policies and procedures to regularly review and limit user access, the District has not done so.

Our October 2023 review of accounting information system (AIS) and student information system (SIS) access levels found that the District allowed employees to have more access to these systems than what was necessary to perform their job duties. Specifically, we found that 8 AIS users had the ability to view and modify employee information and pay rates, including their own, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. In addition, the District granted full access to its accounting system to 3 of these users, including 1 business office employee. This level of access gave these employees the ability to process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection. The District reported that, prior to our review, it was not aware that any users had excessive access to the AIS. Further, our review of all 194 employee SIS user accounts found that 1 user's access was more than necessary to perform their job duties and allowed the ability to enter/edit disciplinary information for students. According to the District, temporary access was needed for this user, but access was not removed when it was no longer needed.

Additionally, our review found the District did not immediately remove network access for employees whose employment was terminated. Specifically, our review of all 55 accounting system users found that 10 of the user accounts were associated with employees whose District employment ended 1 to 17 months prior to our review. Although we did not identify any improper transactions due to these deficiencies, system access beyond what is needed for an employee's job duties and failure to remove access for terminated employees increases the risk of errors and fraud.

Deficiency 4: District's IT contingency plan lacked some key components, increasing its risk of interrupted operations and data loss

As of October 2023, 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 the criticality of 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. Testing should include ensuring all parties understand their roles and

responsibilities, identifying internal and external vulnerabilities, taking action to update equipment or remedy any issues identified, determining the District's ability to restore electronic data files and documenting the test results.

Based on our October 2023 review, the District's IT contingency plan lacked some key components. Specifically, the District's IT contingency plan did not identify who staff should contact in the event of a disaster or system outage, how to contact them, and what procedures should be followed to successfully restore operations. Additionally, the IT contingency plan was last updated in 2021 and did not accurately reflect the District's current equipment and systems. Further, the District did not test its plan at least annually to help ensure it is effective and that each staff member knows their duties. The District reported that it did not have a complete and up-to-date IT contingency plan because it prioritized other items over these tasks. However, the lack of such a plan increases the risk that the District will be unable to continue operations and restore its systems in the event of a system outage.

Deficiency 5: District did not adequately secure its IT equipment, increasing its risk of property damage and data loss

The USFR requires that districts enforce security-related controls over access to IT systems and data, including physical access to IT systems and data. However, our review of the District's key list as of October 2023, identified 30 individuals who had unnecessary access to critical IT infrastructure areas, such as a server room. District officials stated that there was a change in key management responsibilities beginning in 2021. The change required the District's maintenance department to manage access to all areas of the District, including access to IT infrastructure. Maintenance personnel aimed to simplify access to the different areas and therefore replaced the server room locks with master lock keys which allowed access to many more people. Allowing broad access to the server room and failing to properly protect computer equipment increases the risk of network interruptions, equipment misappropriation, and possible loss of sensitive data.

Recommendations

The District should:

19. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.
20. Develop and implement policies and procedures to review the District's password standards against industry password standards at least annually.
21. Ensure all District devices are compatible with the District's endpoint management system and monitored by IT personnel.
22. Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employee's full access.

23. Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties.
24. Immediately disable or remove all unnecessary user accounts in its network and implement a review process to ensure network access is removed immediately when an employee is terminated.
25. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.
26. Develop and implement written policies and procedures to limit physical access to sensitive IT equipment to only appropriate personnel, including procedures for distributing, tracking, and collecting keys, and requiring employees to sign agreements outlining their responsibilities for securing IT areas.

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

SUMMARY OF RECOMMENDATIONS

Walker & Armstrong makes 26 recommendations to the District

The District should:

1. Develop and implement policies and procedures to ensure that school buses are maintained in accordance with Minimum Standards, including establishing preventative maintenance requirements and maintaining records documenting activities such as required preventative maintenance and pre-trip safety inspections. (see Scope Limitation, pages 3 and 4, for more information).
2. Develop and implement policies and procedures for managing its fleet vehicles in accordance with the USFR, such as requiring vehicles to be used only by authorized personnel and for authorized purposes, and requiring vehicle usage and the purpose of travel be documented and monitored (see Scope Limitation, pages 3 and 4, for more information).
3. Develop and implement travel policies and procedures to minimize travel expenditures in accordance with SAAM, such as limiting participation at conferences to the fewest number of District personnel necessary to accomplish its objectives, opting to use more cost-effective alternatives such as virtual meeting attendance, and ensuring travel expenses do not exceed maximum allowable amounts (see Finding 1, pages 5 through 11, for more information).
4. Develop and implement procedures to ensure the District obtains and documents appropriate approvals in advance of making conference and related travel purchases, as required by the USFR and District policy (see Finding 1, pages 5 through 11, for more information).
5. Develop policies and procedures to ensure the District complies with the State Constitution's gift clause, such as documenting the public purpose and benefit the public is to receive in return for the cost of travel and sending personnel to conferences (see Finding 1, pages 5 through 11, for more information).
6. Develop and implement procedures to ensure the District follows its policy to obtain prior approval from its grants director for allowability of costs under grants (see Finding 1, pages 5 through 11, for more information).
7. Develop and implement procedures that include a review of District employee and Governing Board member travel reimbursement requests to ensure reimbursements are paid only for authorized charges in accordance with District policy and SAAM (see Finding 1, pages 5 through 11, for more information).
8. Consult with legal counsel and seek reimbursement, as appropriate, from staff and Board members for travel expenses overpaid or not authorized under the District's travel policy (see Finding 1, pages 5 through 11, for more information).

9. Discontinue holding special meetings and Board retreats outside of the District's boundaries, which is contrary to the State open meeting laws and an unnecessary expense to the District (see Finding 2, pages 12 and 13, for more information).
10. Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid, and the appropriate time frame that should be reviewed for such actions (see Finding 2, pages 12 and 13, for more information).
11. Evaluate how it allocates and uses space at its schools to identify and implement options to more efficiently use its facilities and reduce costs, which could include consolidating schools or programs (see Finding 3, pages 14 through 17, for more information).
12. Analyze its expenditures for operating and maintaining its facilities to determine how monies are being spent, and identify and implement cost savings measures to redirect monies to other District priorities, such as instruction (see Finding 3, pages 14 through 17, for more information).
13. Develop and implement procedures to ensure District employees and Governing Board members complete conflict-of-interest disclosure forms upon hire or the beginning of their term and annually thereafter in accordance with District policy (see Finding 4, pages 18 through 21, for more information).
14. Develop and implement a process to timely review completed conflict-of-interest disclosure forms to identify and remediate disclosed conflicts of interest to comply with District policies and State conflict-of-interest laws (see Finding 4, pages 18 through 21, for more information).
15. Develop and implement a process to ensure that all required personnel have a valid fingerprint clearance card, including monitoring and regularly reviewing and confirming the validity of employees' fingerprint clearance cards (see Finding 4, pages 18 through 21, for more information).
16. Develop and implement written policies and procedures for payroll that include a thorough secondary review to verify the accuracy of personnel pay (see Finding 4, pages 18 through 21, for more information).
17. Identify and correct underpayments made to all current employees from fiscal year 2022 to the present, including the underpayments we identified (see Finding 4, pages 18 through 21, for more information).
18. Develop and implement processes for overseeing and enforcing the District's credit card use policy, such as updating the policy to require that credit card users repay the District for unsupported charges on its cards and limiting or revoking card privileges when credit card users do not comply with the District's policy (see Finding 4, pages 18 through 21, for more information).
19. Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations (see Finding 5, pages 22 through 25, for more information).
20. Develop and implement policies and procedures to review the District's password standards against industry password standards at least annually (see Finding 5, pages 22 through 25, for more information).

21. Ensure all District devices are compatible with the District's endpoint management system and monitored by IT personnel (see Finding 5, pages 22 through 25, for more information).
22. Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employee's full access (see Finding 5, pages 22 through 25, for more information).
23. Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties (see Finding 5, pages 22 through 25, for more information).
24. Immediately disable or remove all unnecessary user accounts in its network and implement a review process to ensure network access is removed immediately when an employee is terminated (see Finding 5, pages 22 through 25, for more information).
25. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results (see Finding 5, pages 22 through 25, for more information).
26. Develop and implement written policies and procedures to limit physical access to sensitive IT equipment to only appropriate personnel, including procedures for distributing, tracking, and collecting keys, and requiring employees to sign agreements outlining their responsibilities for securing IT areas (see Finding 5, pages 22 through 25, for more information).

Objectives, scope, and methodology

We have conducted a performance audit of Baboquivari Unified 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 Arizona 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, 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.

District-imposed scope limitation on review of certain internal controls and compliance—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 objectives. They also require us to report on any significant constraints in our audit approach. The District imposed a scope limitation on our evaluation of internal controls and compliance related to its transportation by failing to provide requested documentation that District officials reportedly could not locate. Although

we performed procedures on available data, we were not able to obtain a sufficient understanding of the District's internal controls and compliance with transportation requirements and therefore could not conclude on the adequacy of its internal controls or on its compliance with transportation requirements.

Financial accounting data and internal controls—We evaluated the District’s internal controls related to processing expenditures and scanned 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 33 of 352 individuals who received payments through the District’s payroll system in fiscal year 2022 and reviewed supporting documentation for 110 of 7,227 fiscal year 2022 accounts payable transactions. In addition, we reviewed fiscal year 2022 spending compared to the previous year and trends for the different operational categories to assess reasonableness and identify significant changes in spending patterns. 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 network and systems; and reviewing controls over reporting various information used for this audit. We reported our results on applicable internal control procedures in Findings 1, 2, and 4 (see pages 5 through 13 and 18 through 21).

Peer groups—The Arizona Auditor General developed 3 types of peer groups 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 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 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 5: 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	Poverty rate District type Location	23% or higher but less than 32% Unified school districts Towns and rural areas	16
Administration, plant operations and maintenance, and food service	District size District type Location	500 to 1,199 students Unified school districts Towns and rural areas	15
Transportation	Miles per rider Location	511 to 720 miles per rider Towns and rural areas	17

Source: Walker & Armstrong 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 about their duties in the operational areas we reviewed. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the operational areas we reviewed. This included facility tours, food services operations, and transportation services.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, Single Audit reports, and compliance questionnaire results that its external audit firm completed. We also reviewed District-provided accounting system and network user account reports and documentation related to the District’s fiscal year 2023 IT security awareness training.
- **Documentation reviews**—We reviewed various documentation the District provided, including credit card statements and supporting documentation for fiscal year 2022 purchases; cash receipts documentation and bank statements from July 2021 to June 2022; Governing Board meeting minutes; fiscal year 2022 employment contracts and payroll records; Governing Board member and District employee conflict-of-interest disclosure forms for fiscal year 2023; and 15 school bus driver files for fiscal years 2022 and 2023. We also reviewed Department of Public Safety school bus inspection reports for the school buses inspected in calendar years 2022 and 2023.
- **Analysis**—We reviewed and evaluated 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 compared the District’s square footage per student, use of building space, and meals served per student to peer districts.

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 Governing Board members, superintendent, and staff for their cooperation and assistance throughout the audit, as well as the Arizona Auditor General’s Office for their support.

DISTRICT RESPONSE



BABOQUIVARI UNIFIED SCHOOL DISTRICT

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Fax: (520) 383-5441

GOVERNING BOARD

JUAN C. BUENDIA
President

KATHLEEN VANCE
Clerk

SYLVIA HENDRICKS
Member

ELLAMAE GREASEWOOD
Member

ANAMARIE STEVENS
Member

SUPERINTENDENT

Rubén Díaz

VISION:

Our students will be loved, encouraged, and prepared to take on the world, by embracing our Himdag.

MISSION:

We create Healthy
Inspiring, Motivating
Developing Achieving
Graduates.

OUR PURPOSE

We create a nurturing learning environment for every child, everyday; with an additional commitment to support our Himdag.

July 15, 2024

Lindsey Perry
Arizona Auditor General
2910 N 44th St, Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry,

Baboquivari Unified School District has received and reviewed the FY 2022 and 2023 Performance Audit Report and has responded accordingly. Baboquivari USD will proceed with the recommendations provided.

The District's administration and Governing Board is committed to implementing the recommendations provided and will continue to work on improving the systems in place to reinforce processes and procedures.

Baboquivari USD appreciates the audit team's professionalism through this process and looks forward to sharing our ongoing progress.

Please find the District's responses to the findings and recommendations below.

Kind Regards,

Ruben Diaz,
Superintendent

Audit scope limitation: District failed to maintain transportation records, limiting the scope of our review of school bus and fleet vehicle maintenance, inspection, and mileage documentation and procedures, and increasing its risk of undetected student safety concerns, fraud, waste, and misuse.

Recommendation 1: Develop and implement policies and procedures to ensure that school buses are maintained in accordance with Minimum Standards including such things as establishing preventative maintenance requirements and maintaining records documenting activities such as required preventative maintenance and pre- and post-trip safety inspections.

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

Response explanation: There have been policies and procedures established in the past. Due to employee turnover the policies and procedures were not enforced, however, this department has now been outsourced since September 2023 and the district has been working closely with the contracted vendor to ensure the district is in compliance and the policies and procedures are being followed. As of July 1, 2024, BUSD has adopted FMX as the platform to manage our transportation assets.

Recommendation 2: Develop and implement policies and procedures for managing its fleet vehicles in accordance with the USFR, such as requiring vehicles to be used only by authorized personnel and for authorized purposes, and requiring vehicle usage and the purpose of travel be documented and monitored.

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

Finding 1: District spent nearly \$500,000 and significant staff time traveling for training and conferences, but travel expenditures did not always comply with State requirements and may not have provided intended benefits.

Recommendation 3: Develop and implement travel policies and procedures to minimize travel expenditures in accordance with SAAM, such as limiting participation at conferences to the fewest number of District personnel necessary to accomplish its objectives, opting to use more cost-effective alternatives such as virtual meeting attendance, and ensuring travel expenses do not exceed maximum allowable amounts.

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

Response explanation: The business office was aware and questioned the excessive costs for travel/training; however, the superintendent at the time dismissed the concerns and preceded with the conference arrangements.

Recommendation 4: Develop and implement procedures to ensure the District obtains and documents appropriate approvals in advance of making conference and related travel purchases, as required by the USFR the District policy.

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

Recommendation 5: Develop policies and procedures to ensure the District complies with the State Constitution's gift clause, such as documenting the public purpose and benefit the public is to receive in return for the cost of travel and sending personnel to conferences.

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

Recommendation 6: Develop and implement procedures to ensure the District follows its policy to obtain prior approval from its grants director for allowability of costs under grants.

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

Recommendation 7: Develop and implement procedures that include a review of District employee and Governing Board member travel reimbursement requests to ensure reimbursement are paid only for authorized charges in accordance with District policy and SAAM.

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

Recommendation 8: Consult with legal counsel and seek reimbursement, as appropriate, for staff and Board members for travel expenses overpaid or not authorized under the District's travel policy.

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

Response explanation: We will consult with legal counsel, but are not sure if the District will be successful in obtaining reimbursement from travel that occurred 2 fiscal years ago.

Finding 2: Contrary to State open meeting laws, District held Governing Board meetings out of town, where they were not easily accessible to the public.

Recommendation 9: Discontinue holding special meetings and Board retreats outside of the District's boundaries, which is contrary to the State open meeting laws and an unnecessary expense to the District.

District Response: The finding is agreed to, and a different method of dealing with the finding will be implemented.

Response explanation: The District's superintendent will work with its Governing Board to determine the appropriateness of out of town meetings. If meetings are held out of

town, it will ensure that the public has access via livestream or other alternative methods.

Recommendation 10: Consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid and the appropriate timeframe that should be reviewed for such actions.

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

Finding 3: District operates schools far below capacity and spends a substantial amount to maintain and operate facilities reducing monies available for other District priorities.

Recommendation 11: Evaluate how its allocates and uses space at its school to identify and implement options to more efficiently use its facilities and reduce costs, which could include consolidating schools or programs.

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

Response explanation: The Governing Board and District Administration have tried different configurations throughout the years related to making grade level adjustments at different sites. The district boundary encompasses the Tohono O'odham Reservation which is 2.8 million acres. As a rural district located on Federal lands, BUSD will always have higher costs associated with transportation costs and facilities costs. The district will continue to assess ways in which to become more efficient related to facilities and reducing costs.

Recommendation 12: Analyze its expenditures for operating and maintaining its facilities to determine how monies are being spent, and identify and implement costs savings measures to redirect monies to other Direct priorities, such as instructions.

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

Response explanation: Baboquivari Unified School District has been actively seeking additional funding to update and maintain our facilities. In the last two years, BUSD has been recipient of over 10 million dollars from the Arizona School Facilities Board. 100% of these monies have gone into updating our school facilities. The challenges that our rural district faces is not enough electives, extracurricular activities, or enrichment activities for our students, as compared to inner city communities. Our schools are the heart of the community. It is our district responsibility to create opportunities to educate the whole child so that they can be competitive with students across the country once they leave our system. To do so, additional JTED and Impact Aid Funding goes to fund electives, JTED program, and after school programs. To operate such programs additional rooms have to be assigned. Some of these programs include STEM, robotics, music, art, photography, culture, culinary, automotive, welding, filming, and more. Some of these programs are part of the Kinder-6th grade. Large districts have the numbers to account for the entire program. Our rural district, with a lot less students, has to be

creative to provide an equitable rich program that is competitive with what is available to inner city students.

Finding 4: District lacked important internal controls in various areas, limiting transparency, potentially compromising student safety, and increasing the risk for payment errors and unauthorized purchases.

Recommendation 13: Develop and implement procedures to ensure District employees and Governing Board members complete conflicts-of-interest disclosure forms upon hire or the beginning of their terms and annually thereafter in accordance with District policy.

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

Recommendation 14: Develop and implement a process to timely review completed conflict-of-interest disclosure forms to identify and remediate disclosed conflicts of interest to comply with District policies and State conflict-of-interest laws.

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

Recommendation 15: Develop and implement a process to ensure that all required personnel have a valid fingerprint clearance card, including monitoring and regularly reviewing and confirming the validity of employees' fingerprint clearance cards.

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

Recommendation 16: Develop and implement written policies and procedures for payroll that include a thorough secondary review to verify the accuracy of personnel pay.

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

Recommendation 17: Identify and correct underpayments made to all current employees from fiscal year 2022 to the present, including the underpayments we identified.

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

Recommendation 18: Develop and implement processes for overseeing and enforcing the District's credit card use policy, such as updating the policy to require that credit card users repay the District for unsupported charges on its cards and limiting or revoking card privileges when credit users do not comply with the District's policy.

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

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

Recommendation 19: Implement and enforce strong password requirements that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive Direct information and disrupting operations.

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

Recommendation 20: Develop and implement policies and procedures to review the District's password standards against industry password standards at least annually.

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

Recommendation 21: Ensure all District devices are compatible with the District's endpoint management system and monitored by IT personnel.

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

Recommendation 22: Protect its sensitive computerized data by limiting users' access to its accounting system and student information system to only those functions needed to perform their job duties, including removing the business office employee's full access.

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

Recommendation 23: Develop and implement written policies and procedures to assign and periodically review accounting system access for employee accounts to ensure they have access to only those accounting system functions needed to perform their job duties.

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

Recommendation 24: Immediately disable or remove all unnecessary user accounts in its network and implement a review and process to ensure network access is removed immediately when an employee is terminated.

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

Recommendation 25: Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy deficiencies and document the test results.

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

Recommendation 26: Develop and implement written policies and procedures to limit physical access to sensitive IT equipment to only appropriate personnel, including produces for distributing, tracking, and collecting keys, and requiring employees to sign agreement outlining their responsibilities for securing IT areas.

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

