

Beginning with our March 2020 Topock Elementary School District performance audit, our Office identified deficiencies relating to inadequate payroll, computer, and other internal controls that led to unsupported payments and contributed to the District not complying with the *Uniform System of Financial Records for Arizona School Districts* (USFR).¹ Further, the District's lack of transportation program oversight increased students' safety risk. The original audit included 13 recommendations to the District, with approximately half of those remaining not implemented.

The District has developed a history of noncompliance with State requirements, and its failure to make progress implementing outstanding audit recommendations resulted in it being required to submit an implementation action plan to the Joint Legislative Audit Committee (JLAC) in 2023. The District's superintendent was also called to testify before JLAC at its September 13, 2023, meeting and stated that the District would fully implement all outstanding recommendations before our 48-month follow-up review—this report—was completed. However, despite the superintendent's assurances to JLAC, the District has not done so. Further, since July 2023, the District has been in noncompliance with the USFR and has not made substantial progress in correcting its deficiencies since that time, resulting in the State Board of Education voting in April 2024 to withhold 3 percent of the District's State aid funding pursuant to Arizona Revised Statutes (A.R.S.) §15-272(B).

Moreover, during this 48-month and our previous 30-month follow-up reviews, we have continued to identify additional deficiencies as we have worked to assess the status of the original recommendations. These additional deficiencies have resulted in additional recommendations to the District. Specifically,

- **Our 30-month follow-up review determined that the Board had potentially violated open meeting laws—** As part of the previous 30-month followup, we identified actions taken by the District's Governing Board (Board) that appeared to be contrary to State open meeting laws (see Additional finding from the 30-month followup on page 5). We found the Board did not vote to approve some performance payments to the superintendent in a public meeting. Instead, the Board inappropriately discussed a performance payment to the superintendent in an email thread that included all the Board members, which potentially violated State open meeting laws. This finding resulted in an additional recommendation, which the District has not implemented.
- **Our 48-month follow-up review found additional actions that appear contrary to open meeting laws—** Through the work we performed to determine the status of the recommendation we made in our 30-month follow-up report, we identified that the Board had subsequently taken additional actions that also appeared contrary to State open meeting laws. The issues we identified involved the Board improperly using executive sessions and making personnel and contract decisions outside of public meetings and resulted in 4 additional recommendations to the District (see Additional deficiencies identified in the 48-month followup on page 6).

We will conduct a 60-month followup with the District on the status of the recommendations from our initial audit that it has not fully implemented and the additional recommendations from our 30- and 48-month follow-up reports. Finally, consistent with our standard practice when we identify potential noncompliance with State open meeting laws, we have forwarded this report to the Arizona Attorney General's Office for further review.

¹ The USFR and related guidance is developed by the Arizona Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance prescribe 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, and are in conformity with generally accepted practices and federal and State laws.

This 48-month follow-up report evaluates the implementation status of 14 recommendations, including the 13 made to the District during the original 2020 performance audit and the additional recommendation stemming from the issues identified during the 30-month followup. The status of the District's implementation efforts is as follows:

Status of 14 recommendations

Implemented	6
Implemented in a different manner	1
Not implemented	7

Finding 1: District's inadequate payroll, computer, and other internal controls increased risk of errors and fraud, led to unsupported payments, and contributed to the District not complying with the USFR

1. The District should ensure that it maintains current contracts or work agreements for all its employees that stipulate the terms of their employment with the District.

Not implemented—Although the District maintained contracts or work agreements for all its employees in fiscal year 2024 and updated its employment contracts to include most terms of employment, it did not continue doing so in fiscal year 2025. The District created an internal tracking document that included employment terms not included in the contracts, such as the number of paid holidays and the number of hours to be worked for each employee to help track terms of employment, and provided that information to the Board for review and approval when approving contracts. However, during our review of the District's efforts to implement recommendations we made related to the superintendent's performance pay, we found that as of September 2024, the District's superintendent and principal did not have written contracts for fiscal year 2025 stipulating the terms of their employment with the District. We will assess the District's efforts to implement this recommendation at the 60-month followup.

2. The District should ensure that employees' additional duties and related payments or stipends are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the USFR, and maintained in employee personnel files.

Not implemented—Although the District made some improvements to address this recommendation since the previous 36-month followup, our review found that the District had not consistently followed its updated practices. In March 2024, the Board approved a new written procedure for approving employees' additional duties. The District's updated procedure states that although the Board should approve all additional duty assignments and pay before work being performed, if work must be completed before the Board's next scheduled meeting, the superintendent will approve and the Board will ratify additional duties and pay at its next meeting. However, in April 2024, the Board appointed a teacher to an administrative position requiring additional duties beyond those specified in their teaching contract. As of August 2024, this employee had been performing these additional duties for 4 months but did not have a written contract or agreement outlining these additional duties and the associated pay. The teacher reported asking the superintendent when a new contract will be issued but, as of August 2024, has been told it remains in process, and the teacher is not aware of when they will receive it (see Additional deficiencies identified in the 48-month followup on page 6).

Additionally, the District's policy states that payments for unused vacation time should be paid to employees in the final paycheck upon terminating their District employment. However, we found 1 District employee who received a payment for unused vacation time more than 6 months after leaving District employment. According to District staff, this payout was delayed because the superintendent, who received the employee's resignation in August 2023, did not provide necessary documentation to the business office or the Board until February 2024. The delay prevented business staff from beginning the process typically followed upon being made aware of a resignation, including issuing all required payments. Although the Board approved the resignation in a public meeting, Board agendas and meeting minutes do not include evidence that the Board approved the employee's subsequent vacation payout. Additionally, documentation showing approval for the amount the District paid out was only

signed by the superintendent, unlike other similar payments we reviewed which were also signed by the recipient and the business manager. We will assess the District's efforts to implement this recommendation at the 60-month followup.

3. The District should ensure its Governing Board meeting minutes and other associated documentation include enough detail to show the Governing Board's approval of employees' work and salary, stipend, and extra duty pay amounts.

Not implemented—Although the District's fiscal year 2024 Board meeting minutes and other associated documentation generally included enough detail to show the Board's approval of employees' work and salary, stipend, and extra duty pay amounts, the District did not consistently follow these practices in fiscal year 2025 (see recommendations 1 and 2). Additionally, the District has yet to demonstrate the Board publicly approved the superintendent's fiscal year 2023 performance pay (see recommendation 4). Moreover, the District continued to pay the superintendent's salary despite the Board voting in a public meeting to vacate his contract (see Additional deficiencies identified in the 48-month followup on page 6). We will assess the District's efforts to implement this recommendation at the 60-month followup.

4. The District should ensure that it documents the established performance goals the superintendent must meet to receive performance pay and ensure that it retains adequate documentation to demonstrate that the superintendent met the goals for any performance payments made.

Not implemented—As of October 2024, the Board had not taken any action to evaluate the superintendent's performance or approve performance pay for fiscal years 2023 and 2024, and had not made any performance payments for either fiscal year. Further, as of October 2024, the District's superintendent did not have a written fiscal year 2025 contract, which is where the total amount of performance pay the superintendent is eligible to receive should be documented and approved (see Additional deficiencies identified in the 48-month followup on page 6).

In the previous 30- and 36-month follow-up reports, we reported that the District overpaid its superintendent by \$3,367 due to errors it made in calculating the superintendent's fiscal year 2021 performance pay. In the 36-month follow-up report issued in August 2023, we reported that the superintendent had repaid the District only \$1,737, which was \$1,630 less than the amount the superintendent was overpaid. The superintendent subsequently repaid the remaining \$1,630 to the District in September 2023.

District officials indicated that discussion of the superintendent's fiscal year 2023 performance pay had been delayed due to the repayments the superintendent was required to make related to the fiscal year 2021 overpayment. District officials further indicated that the Board would review and approve the superintendent's fiscal year 2023 performance pay sometime in fiscal year 2025, which is more than a full year after the time period for which the superintendent's fiscal year 2023 performance is being evaluated. We will assess the District's efforts to implement this recommendation at the 60-month followup.

5. The District should consult with its legal counsel to determine whether it is appropriate for the superintendent to be reimbursed for mileage when using his personal vehicle for District business. If the District and its legal counsel determine that mileage reimbursement is appropriate, the superintendent should follow the State's travel policy by submitting a travel claim with the miles traveled for District purposes and be reimbursed at the State's flat per mile rate. Further, the District's policies and the superintendent's contract should reflect the decision made by the District and its legal counsel.

Not implemented—The District has taken some steps to implement this recommendation by requiring its superintendent to submit travel claims for mileage reimbursement, but it has not ensured travel claims were accurate before issuing payment. As reported in the previous 36-month followup, the Board determined that it is appropriate to reimburse the superintendent for mileage when using his personal vehicle for District business if he follows the State's and District's travel policies and is reimbursed at the State's flat per mile rate. Additionally, the superintendent no longer receives a car allowance to compensate him for using his personal vehicle for District business, and the superintendent's previous employment contracts required all the superintendent's travel reimbursement requests to be approved by the Board President before any reimbursements are made. See recommendation 4 for more information about the superintendent lacking a fiscal year 2025 employment contract despite continuing to receive payments as the District superintendent.

However, we reviewed the 2 travel reimbursements paid to the superintendent since our previous 36-month followup and found that despite being approved by the Board President, 1 of the superintendent's travel reimbursement claims contained inaccurate mileage for which the superintendent was reimbursed. Specifically, the superintendent's travel claim contained identical odometer and mileage information as another employee's travel claim made for the same trip, despite the superintendent traveling separately and on a different route from the other employee. Additionally, although the travel claim reported the total miles traveled to be 543, the starting and ending odometer readings on the travel claim were erroneously reported as being approximately 5,400 miles apart.

According to District staff, incorrect odometer and mileage information was an error. District staff initially indicated that they were in the process of correcting the superintendent's travel claim to reflect the miles he actually drove and would request repayment from the superintendent for the \$56.73 that was paid to him in excess of what should have been paid. Although the District received repayment for the excess amount it paid to the superintendent, our review found that the District's former business manager, rather than the superintendent, reimbursed the District \$56.73. The District's former business manager indicated that he would privately seek repayment from the superintendent. Because the Board President's review of the superintendent's travel claim failed to identify the errors in odometer readings we found during our review, the Board President's review and approval may not be sufficient to ensure the superintendent is reimbursed in accordance with his contract requirements. We will assess the District's efforts to implement this recommendation at the 60-month followup.

6. The District should require the superintendent to reimburse the District for the fiscal year 2018 purchases he made for his personal vehicle using the District's fuel card. Further, the District should consult with its legal counsel to determine whether the superintendent should also reimburse the District for similar fuel card purchases made in fiscal years 2019 and 2020.

Implemented in a different manner at 18 months—The Board determined that the District will not require the superintendent to reimburse the District for the fiscal years 2018 through 2020 fuel card purchases he made for his personal vehicle using the District's fuel card. The Board believed that if the superintendent were required to reimburse the District for these fuel card purchases, the District would be required to pay the superintendent mileage for all District-related travel from fiscal years 2018 through 2020. The Board also decided to no longer allow the superintendent to use the District's fuel card to fuel his personal vehicle and to instead reimburse the superintendent at the State's flat per mile rate following the State's and District's travel policies.

7. The District should limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions and consider providing accounting system access to a second user to separate responsibilities and provide for independent reviews and approvals.

Implemented at 48 months—The District added a second user to the accounting system, worked with the county to reduce each user's permissions to their assigned duties, and implemented additional compensating controls where necessary when a user had incompatible duties. For example, to compensate for 1 user's full access to the payroll module, the District requires an additional employee to review and approve payroll journals for accuracy prior to payment. Specifically, the employee's review is intended to validate employees' pay to ensure that they are being paid the correct amount they are eligible for and to identify any suspicious or unusual payments. We reviewed the payroll journal for 1 pay period since our prior review and found that the additional employee had approved the journal prior to payments being issued. Additionally, we reviewed the District's fiscal year 2024 system audit logs and found that the activities documented on the logs appeared reasonable as it relates to each employee's duties. Finally, the District has also removed business office staff's administrator-level access to the accounting system.

8. The District should implement and enforce stronger network password requirements to decrease the risk of unauthorized persons gaining access to sensitive District information by requiring users to create their own passwords that are known only to themselves.

Implemented at 18 months

Finding 2: Lack of transportation program oversight led to potential student safety risk and reporting errors

9. The District should ensure its bus drivers perform pre-trip inspections and maintain documentation of these inspections in accordance with the State's Minimum Standards.

Implemented at 18 months

10. The District should ensure that bus repairs are conducted in a timely manner and documented in accordance with the State's Minimum Standards.

Implemented at 18 months

11. The District should develop and implement procedures to ensure that bus driver certification requirements are met and documented in accordance with the State's Minimum Standards, including conducting and documenting random drug and alcohol testing of bus drivers to help ensure school bus passengers' safety and welfare.

Implemented at 36 months—The District has implemented procedures to ensure that school bus driver certification requirements, such as refresher training and CPR/first aid certification, are met and documented. Additionally, the District has started working with a medical lab to meet its annual and random drug and alcohol testing requirements. We reviewed the District's fiscal year 2023 drug and alcohol tests and supporting documentation and found that it met Minimum Standards requirements.

12. The District should accurately calculate and report to the Arizona Department of Education (ADE) for State funding purposes the number of students transported.

Implemented at 30 months—Our review of the District's daily rider counts confirmed that the District accurately reported to ADE for State funding purposes the number of students transported for fiscal year 2022.

13. The District should work with ADE to determine whether it needs to submit a correction for its fiscal year 2018 ridership.

Not implemented—Despite District officials being aware of the District's fiscal year 2018 transportation reporting error since before the performance audit was issued in March 2020, they waited more than 2.5 years—or until November 2022—to contact ADE to request that the District's fiscal year 2018 riders be updated. However, ADE can modify data that impacts State aid for only the previous 3 fiscal years. Because of the District's significant delay in reporting, ADE was unable to process the District's request to correct its erroneous reporting for its fiscal year 2018 riders. Although, as reported in our initial audit, the District's reporting error for its fiscal year 2018 riders did not have a substantial impact on its transportation funding, the District should have worked with ADE timely to determine whether a correction for fiscal year 2018 was needed.

Additional finding and recommendation from 30-month follow-up report

Contrary to State open meeting law, the Board did not approve performance pay for 1 of the superintendent's 3 performance goals during meetings open to the public. The Board, as a public body, is required to comply with open meeting laws.² The Board is statutorily responsible for determining a superintendent's performance pay and, consequently, the Board's discussion on this topic would likely be considered a legal action and must be done in a meeting open to the public.³ However, the Board did not discuss or vote to approve the superintendent's fiscal year 2021 performance payment of \$7,107, which included an overpayment of \$3,367, as discussed in recommendation 4, for this goal in a public meeting.⁴ Instead, in a series of emails, a quorum of Board members

² A.R.S. §38-431(6).

³ A.R.S. §§15-341(A)(39), 38-431(3), and 38-431.01(A) and Op. Ariz. Att'y Gen. 175-008 (1975).

⁴ The \$7,107 is the amount the Board initially awarded to the superintendent. However, our review during the previous 36-month followup found that the superintendent was entitled to only \$3,740. The superintendent has since repaid the amount that was determined to be an overpayment.

discussed awarding performance pay.⁵ Board members stated that they were aware of the open meeting laws requiring them to vote in a public meeting to approve any payments to the superintendent and believed that they had done so in a meeting after the September 2021 email chain. However, our review of meeting minutes from September 2021 through October 2022 did not identify any such vote. According to State law, any legal actions taken by a governing board during a meeting that does not comply with the open meeting laws are null and void.⁶

30-month follow-up report recommendation

14. The District should consult with legal counsel and the Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

Not implemented—District officials reported that they did not contact legal counsel or the Arizona Attorney General's Office to ensure that any District actions taken contrary to State open meeting laws were appropriately addressed to be made valid. According to the District's August 18, 2023, letter to JLAC regarding its action plan to implement our report's outstanding recommendations, the District stated that it did not self-report to the Arizona Attorney General potential actions taken contrary to State open meeting law "as it was determined this was an honest mistake, addressed and acknowledged, and mitigated." At its March 2024 meeting, the Board attempted to address having made performance payments to the superintendent without approving the payments in a public meeting. However, the Board's actions did not accurately reflect the performance payments the District made without approval. Specifically, the Board meeting minutes erroneously referred to the performance payments as relating to fiscal year 2022 instead of 2021, which was the performance pay that the Board had not approved in a public meeting. Additionally, the meeting minutes did not include the dollar amount the Board voted to reapprove.⁷ Due to these issues, and because the District did not work with its legal counsel or the Attorney General's Office, it still has not appropriately addressed and validated past actions that it may have taken contrary to State open meeting laws. We will assess the District's efforts to implement this recommendation at the 60-month followup.

Additional deficiencies identified in 48-month followup: District's Board continued to take actions contrary to State open meeting laws by improperly using executive sessions and making personnel and contract decisions outside of public meetings, limiting transparency into the District's operations

The District's Board continued to take actions contrary to State open meeting laws by discussing matters in executive session that were not included on its Board meeting agendas and by making personnel and contract decisions without voting on these decisions in public meetings. We reported during the previous 30-month followup that the District's Board did not approve performance pay for the superintendent's second performance goal during meetings open to the public. During our review of the District's efforts to address the follow-up recommendation to ensure that any District actions taken contrary to State open meeting laws are appropriately addressed to be made valid, we identified continued noncompliance and additional deficiencies related to the District's compliance with State open meeting laws. Specifically:

⁵ All 3 Board members were included in the email thread. A.R.S. §§38-431(4)(b)(ii) and 38-431.01(A).

⁶ A.R.S. §§38-431.05(A) and 38-431.01(A).

⁷ The superintendent was eligible to receive \$3,740 for fulfilling the second goal of his fiscal year 2021 performance pay.

Executive session

A gathering of a quorum of members of a public body from which the public is excluded for 1 or more specific reasons outlined in statutes, such as the public body receiving legal advice from its attorney or discussing records exempt by law from public inspection.

Source: A.R.S. §§38-431 and 38-431.03.

- **Board executive sessions not properly agendized and included inappropriate discussions**—Statute requires that if a Board schedules an executive session (see textbox), the public meeting notice must state the specific provision of law authorizing the executive session and include a general description of the matters to be discussed. The executive session agenda must provide more than just a recital of the statutory provisions authorizing the executive session.⁸ Our review of Board meeting agendas and minutes between April 2023 and May 2024 found that the District did not always comply with these executive session meeting requirements because the Board’s executive session agendas did not sufficiently describe the items for discussion. For 4 agendas we reviewed, the District used a general description of “personnel matters” and did not always identify the specific employee or matter to be discussed, contrary to requirements.

Additionally, the Board misused executive sessions to discuss items that were not on the meeting agenda. The Attorney General’s office publishes an agency handbook that provides guidance to State officers and employees regarding open meeting laws that explains that “public bodies should take care to ensure they limit the scope of executive sessions for personnel discussions to true personnel matters.”⁹ According to this guidance, and based on a previously issued Attorney General Opinion, “Open Meeting Law prohibits public bodies from conducting in executive sessions lengthy information gathering meetings that explore the operation of public programs under the guise of conducting a personnel evaluation.”¹⁰ For example, our review found that in 1 instance, the agenda specified the Board would discuss the superintendent’s evaluation during the executive session, but the Board’s executive session minutes included several pages of additional discussions unrelated to the superintendent’s performance evaluation and unrelated to matters on the meeting agenda, contrary to State open meeting laws.

- **Board has failed to approve employment contracts/ratify personnel decisions in public meetings**—Statute requires that all legal actions, which includes approving employment contracts, occur in public meetings.^{11,12} However, contrary to these requirements, the Board has not taken action in a public meeting to approve an employment contract for its superintendent, although the District has continued to pay him. Specifically, in March 2023, the Board approved an extension to the superintendent’s contract for fiscal year 2025. However, in August 2023, the Board voted in a public meeting to vacate the previously approved contract extension, causing the contract to end on its original expiration date of June 30, 2024.

As of October 2024, contrary to USFR requirements, the District was still paying the superintendent for his services despite not having a valid employment contract. Although Board members reported to us that the superintendent is still employed based on an automatic renewal clause in his previous employment contract, both Board members also confirmed that the Board had not acted in a public meeting to reverse its prior decision and to approve the superintendent’s continued employment. In addition, although both Board members stated that the terms of the auto-renewed contract were exactly the same as the superintendent’s prior contract, which covered a 3-year term, both also expressed an understanding that the superintendent’s employment with the District would end on December 31, 2024. The change in the ending date for the superintendent’s employment contradicts the claim that no terms of the contract had changed upon its supposed auto-renewal. Without a valid employment contract and contrary to USFR requirements, the District has paid the superintendent over \$32,500 between July 1, 2024 and

⁸ A.R.S. §38-431.02.

⁹ Arizona Office of the Attorney General. (2018). *Arizona agency handbook*. Retrieved 10/11/24 from <https://www.azag.gov/outreach/publications/agency-handbook>

¹⁰ Op. Ariz. Att’y Gen. I96-012 (October 3, 1996).

¹¹ A.R.S. §38-431.01.

¹² A.R.S. §38-431 defines “legal action” as “a collective decision, commitment, or promise made by a public body pursuant to the constitution, the public body’s charter, bylaws or specified scope of appointment and the laws of this state.”

October 4, 2024. Moreover, according to District staff, the superintendent has not been actively at work full time since the contract ended in June, and the District's former business manager, who now serves as a consultant assisting the new business manager, was unaware that the superintendent was still employed by the District.

By continuing to take actions contrary to State open meeting laws, including its misuse of executive session, the Board limits the public's ability to review its actions and transparency into the District's operations. Additionally, by continuing to pay the superintendent without a contract that specifies the employment terms, including expected hours worked, duties, and pay, the Board prevents the public from determining whether the District is receiving commensurate value for the amounts it pays for the superintendent's services.

48-month followup recommendations to address additional deficiencies

The District should address the additional deficiencies we identified during our followup related to its actions taken contrary to State open meeting laws. Specifically, the District should:

15. Develop and implement policies, procedures, and required training for Board members and staff to help ensure that the District complies with State open meeting law requirements, including requirements related to the appropriate use and agendaing of executive sessions.
16. Determine and take appropriation action in a public meeting regarding whether the District will continue to employ the superintendent.
17. If the Board determines to continue the superintendent's employment, approve in a public meeting a valid employment contract that specifies the terms of employment, consistent with USFR requirements.
18. Consult with legal counsel and the Attorney General's Office to ensure any District actions taken contrary to open meeting laws since the 30-month followup are appropriately addressed to be made valid.