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February 20, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Liberty Elementary School District

Dr. Cort Monroe, Superintendent
Liberty Elementary School District

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

This school district performance audit assessed the 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 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 Monroe and District staff for their cooperation and assistance throughout the audit.

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

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Arizona Auditor General

Performance Audit of Liberty Elementary School District

February 2025





February 11, 2025

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 Liberty Elementary School District (District) for fiscal years 2023 and 2024. This audit was conducted pursuant to Arizona Revised Statutes §41-1279.03, which requires the Office of the Auditor General to conduct performance audits of school districts. We assessed the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements. This report presents our findings, conclusions, and recommendations, and the response of the District.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "G Skiles", is written over a horizontal line.

George Skiles, Partner
Sjoberg Evashenk Consulting, Inc.

RESULTS

The Arizona Auditor General engaged Sjoberg Evashenk Consulting, Inc., to conduct a performance audit of Liberty Elementary School District, pursuant to Arizona Revised Statutes §41-1279.03(A)(9), and determine the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements. We found that the District did not comply with important requirements and recommended practices in various areas, including accounts payable, travel reimbursements, credit cards, and procurement, increasing the risk for errors, fraud, and improper payments. Additionally, the District did not accurately calculate bus mileage and riders, which may have impacted the District's transportation funding. Finally, we identified various information technology (IT) deficiencies that increased the District's risk for unauthorized access to sensitive District information and data loss.

AUDIT PURPOSE

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

BACKGROUND

Liberty Elementary School District is a suburban school district located in Maricopa County and was responsible for the education of 4,204 students in fiscal year 2023. The District has 7 schools providing education services for students in kindergarten through 8th grade.

KEY FINDINGS

- The District's internal controls were insufficient in various areas, including accounts payable, credit cards, and procurement, putting public monies at increased risk of fraud and misuse and potentially impacting the accuracy of its financial reporting.
- The District did not comply with important travel and purchasing requirements, resulting in overpayments and increased risk of errors, fraud, and improper payments.
- The District inaccurately reported school bus riders and/or miles driven to the Arizona Department of Education (ADE) for State funding purposes in fiscal years 2023 and 2024, potentially impacting its transportation funding amounts.
- District employees' excessive access to sensitive computerized data and other information technology deficiencies increased the risk of unauthorized access to sensitive information, errors, fraud, and data loss.

KEY RECOMMENDATIONS

The District should:

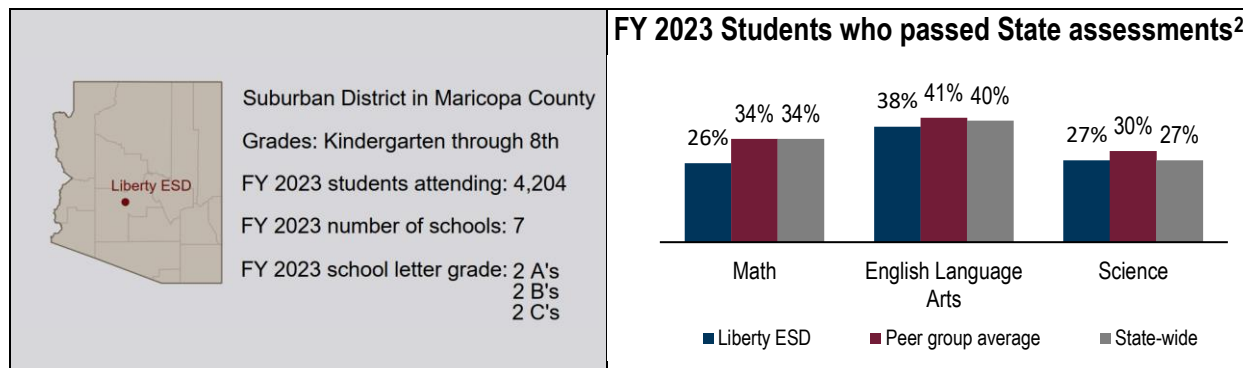
- Implement a systematic approach to develop, review, and regularly update comprehensive administrative policies and procedures related to cash handling, travel, accounts payable, credit cards, and procurement, ensuring they are current, consistent, and effectively guide staff in implementing Board-approved policies and ensuring compliance with State requirements.
- Enhance its management oversight by implementing systematic monitoring, and regular review of processes to ensure compliance with State requirements and Board policies, promptly detect and correct deficiencies, and promote responsible stewardship of public resources.
- Recalculate and resubmit accurate fiscal years 2023 and 2024 miles driven and riders transported to ADE to ensure the transportation funding it received for those years is correct.
- Establish a supervisory structure with clear accountability for overseeing IT operations, network management, and system security, as well as review and improve internal controls to prevent errors and detect vulnerabilities promptly.

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District overview

Liberty Elementary School District Performance Audit—Fiscal Years 2023 and 2024 October 2024



¹ Source: Arizona State Board of Education—Fiscal year 2023.

² Source: Arizona Auditor General's *Annual School District Spending Analysis—Fiscal year 2023*.

FY 2023 total operational spending—\$40.5 million (\$9,623 per student)

Instructional—57.4% (\$5,528 per student)

Noninstructional—42.6% (\$4,095 per student)

Operational overview—FY 2023	Measure	Liberty ESD	Peer average
<p>Administration—lower spending but lacked important internal controls over credit cards, travel, and purchasing</p> <p>The District spent \$1,121 per pupil on administration, which consists primarily of salaries and benefits for a district's superintendent, school principals, and business office staff who provide accounting, purchasing, payroll, human resources and other services. We reviewed these salary and benefits costs as part of our evaluation, including those associated with the District's superintendent since this is typically the highest paid administrative position.</p> <p>In fiscal year 2023, the District paid its superintendent \$141,769, plus an additional \$13,290 in performance pay. The superintendent resigned in March 2023 and the District hired an interim superintendent in May 2023. For fiscal year 2024, the District paid the interim superintendent \$180,000 in base pay and an additional \$18,000 for meeting performance pay goals. In March 2024, the District named the interim superintendent as its superintendent and signed a 3-year contract providing annual base pay of \$185,000 plus</p>	Spending per student	\$1,121	\$1,478

Operational overview—FY 2023	Measure	Liberty ESD	Peer average
<p>the opportunity to earn an additional 10 percent, or \$18,500, in performance pay as allowed by A.R.S. § 15-341(39). In April 2024, the Board approved a 2 percent pay increase for all employees and increased the superintendent’s base pay to \$188,700. In December 2024, the Board amended the performance pay portion of the superintendent’s contract to allow for additional pay of up to 20 percent, or \$37,740—the maximum allowed by statute—if performance goals are met.</p> <p>Although the District spent less per student on administration than its peer districts averaged, our review found the District lacked important controls over its purchasing procedures, credit cards, and travel reimbursements, increasing the risk of waste, errors, and fraud (see Finding 1, pages 4 through 9 and Finding 2, pages 10 through 12). Additionally, the District had several information technology (IT) deficiencies that increased the risk of errors, fraud, unauthorized access to sensitive District information, and data loss (see Finding 4, page 15).</p>			
<p>Plant operations—lower spending, and no reported findings</p> <p>The District spent 18 percent less per square foot and 40 percent less per student than its peer districts averaged, likely because 3 of its 7 schools were built or remodeled within the past 10 years and, therefore, had lower maintenance costs. We did not report any findings in this area.</p>	Spending per square foot	\$6.60	\$8.00
	Spending per student	\$833	\$1,395
<p>Food service—lower per meal spending, and no reported findings</p> <p>The District spent 32 percent less per meal than its peer districts averaged. The District’s food service program’s menu planning and cost controls, combined with federal and State reimbursements offsetting food costs, likely resulted in the District spending less per meal. We did not report any findings in this area.</p>	Spending per meal	\$2.67	\$3.95
<p>Transportation—inaccurate reporting may have impacted the accuracy of State funding received</p> <p>The District did not accurately report miles driven and riders transported to ADE, which may have impacted the amount of State funding received and hindered our ability to compare both measures to its peers (see Finding 3, page 13).</p>	Spending per rider	NR	\$6.77
	Spending per mile	NR	\$2,632

Source: Arizona Auditor General’s *Annual School District Spending Analysis—Fiscal year 2023*.

Note: ^A NR means the data needed to calculate the performance measure was not reliable. See Finding 3, page 13, for more information on the District’s transportation data reliability.

Findings and recommendations

Finding 1. The District's internal controls in some areas were deficient, putting public monies at an increased risk of errors, fraud, and improper payments

As part of our fiscal years 2023 and 2024 review, we identified deficiencies in the District's internal controls involving failures to comply with the *Uniform System of Financial Records for Arizona School Districts* (USFR), and other State and District requirements.¹ The deficiencies we identified were related to the District's purchasing and accounting functions, credit cards, and procurement. See the details below.

Deficiency 1. The District does not consistently approve purchases in advance and record transactions correctly, putting public monies at an increased risk of waste, fraud, and misuse

The USFR requires districts to have effective controls for expenditures to ensure that purchases are approved in advance and payments are correctly accounted for and recorded. To meet these requirements, the District's Board established policies related to purchasing and payments, but the District lacks written procedures for staff to follow to ensure they comply with the Board-approved policies. Instead, we found that staff rely on informal processes that did not fully comply with USFR requirements and Board policies.

We selected a judgmental sample of 15 of 10,440 fiscal year 2023 expenditures and 15 of 9,142 fiscal year 2024 expenditures from the District's accounts payable records and found that the District did not always comply with USFR requirements. Specifically:

- **District personnel did not consistently obtain prior approval for purchases**—The USFR requires districts to prepare and approve purchase orders prior to purchasing goods or services. Our review found that for 2 of the 30 expenditures, totaling approximately \$1,270, purchase orders were not created and approved until several days after the purchases were made (see also Finding 2, pages 10 to 12). The District lacks formal purchasing procedures and a more detailed supervisory review process for ensuring that staff consistently receive advance approval prior to making purchases. This places the District at an increased risk for fraud, waste, and abuse while committing the District to purchases that it had not reviewed or approved in advance.
- **District accounting transactions were not always accurately recorded**—For 3 of 30 expenditures we reviewed, totaling \$18,783, the District did not record the transactions in accordance with the USFR's Uniform Chart of Accounts.² By not adhering to proper chart of accounts coding, the District reduces the transparency into its activities since its accounting records may not accurately report its financial activities. The District corrected the issues we identified for its fiscal year 2025 records, and indicated it agreed with our findings and would be reviewing fiscal year 2024 account coding and making corrections where appropriate as part of their year-end close-out process.

¹ The Arizona Auditor General and ADE developed the USFR pursuant to A.R.S. §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures for Arizona school districts to use for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

² The USFR Uniform Chart of Accounts is the prescribed method by which school districts must code their expenditures.

Deficiency 2. The District did not consistently track which employees were using its credit cards and whether all users were authorized and purchases were approved, and did not always timely pay credit card bills, increasing the risk of misuse, fraud and wasteful spending

The USFR requires districts to implement policies and procedures that provide effective internal controls over credit cards, including keeping the cards physically secure, restricting card use to only authorized users, and ensuring purchases are approved in advance of being made.³ To meet these requirements, the Board approved policies governing the use of credit cards. Specifically, Board policy requires that all credit card users complete a user agreement, receive training on the use of cards, obtain prior approval for purchases, and promptly submit all receipts and other supporting documentation to the District's business office. Additionally, Board policy requires the District to track who uses credit cards, account for all card transactions, and establish procedures for ensuring compliance with credit card policies.

However, the District lacked written procedures for staff to follow to ensure credit cards are secured and their use is monitored and, as a result, the District did not always comply with USFR and policy requirements. As of August 2024, the District had 65 credit cards. We reviewed a judgmental sample of 15 of 312 fiscal year 2023 credit card purchases and 15 of 354 fiscal year 2024 credit card purchases. Our review identified issues with 23 of the 30 purchases we reviewed. Specifically:

- **The District failed to accurately track and document employee access to, and use of, credit cards**—The USFR and Board policy require the District to track the issuance and use of credit cards. Although the District kept its credit cards locked up and limited card access to a credit card custodian at the District office and school sites we visited, we found that not every school tracked which employees checked out or used a District card. For 2 of the 30 credit card purchases, we found that the District did not have a check-out log in place to track custody and usage of the card. For 11 other credit card purchases reviewed, District staff made a purchase without the credit card's use being tracked through a credit card log or other mechanism. Because the District did not enforce its policy for maintaining the chain of custody over cards, the District was unable to determine who the card users were for 3 purchases. According to the District, school sites are responsible for tracking the use and custody of cards by school site employees. However, the District acknowledged that without oversight procedures to ensure school sites are following District policy, some school sites did not track credit card custody and usage and others did so inconsistently.
- **The District did not always ensure card users had user agreements on file nor document required credit card training**—The USFR and Board policy require that credit card users receive training on and sign user agreements acknowledging an understanding of the District's credit card policies and procedures. However, 7 of 30 credit card purchases we reviewed were made by users who lacked a signed user agreement. In addition, as discussed earlier, for an additional 3 credit card purchases, we could not determine if the District had a signed user agreement due to the purchases not being recorded on the credit card logs or tracked through another mechanism, such as a request to purchase. According to District officials, credit card users are not required to sign

³ Credit cards include bank credit cards and store cards.

user agreements annually, and they believed that many card users had filled out agreements in the past but were unable to locate them. In addition, although the District reported that it provides training for credit card users, it was unable to provide any documentation, such as training materials or logs detailing when training occurred and staff who attended, to support that it had provided the required training to all authorized card users.

- **The District lacked appropriate purchase orders in 2 instances and did not always pay credit card bills on time to avoid late fees**—For 2 of 30 transactions we reviewed, the District either did not ensure there was a purchase order in place or inappropriately paid for an expense under an unrelated purchase order. For example, for 1 credit card purchase of \$5,073, the District generated a purchase order 9 days after the purchase was made, which is contrary to the USFR and District policy requiring prior authorization for purchases. For the other instance, the District used an unrelated purchase order for social media advertising to pay a \$29 credit card late fee. By not paying its credit card bills on time, the District wasted public monies on late fees. Additionally, as noted above, by not ensuring expenditures were made in accordance with the USFR, the District increases its risk for fraud, waste, and abuse.

Deficiency 3. For its cooperative contracts, the District did not maintain complete procurement files, or adhere to required procurement practices, increasing the risk of non-compliance and budgetary overages

According to the USFR and *Arizona Administrative Code*, the District is required to document and retain a procurement file, including for cooperative contracts, with all relevant information such as prices, purchase orders, contracts, and any evaluation or justification forms. The *Arizona Administrative Code* requires Districts to conduct a due diligence review for all cooperative and regular contracts to ensure compliance with procurement requirements, and that the contract is the best use of public monies.⁴ After contracts are executed, the District also must have a process in place to ensure purchases are proper and appropriate, and that sufficient budget capacity exists to make expenditures from budget-controlled funds. Further, the District's Board-approved policies require all procurements to be justified and aligned with school district procurement rules.

Our review of the District's procurement files for 7 of 191 fiscal year 2023 contracts and 8 of 135 fiscal year 2024 contracts found that 5 procurement files for cooperative contracts were incomplete, and the District exceeded the approved expenditure amounts in 2 instances. Specifically:

- **Procurement files lacked key documentation**—For 4 of 15 procurement files reviewed, the District was unable to provide documentation demonstrating that it, or the cooperative agency the contract was executed through, conducted the necessary due diligence as required by the USFR and *Arizona Administrative Code*. Although the District attributed the lack of documented due diligence to staff

⁴ A.A.C. R7-2-1091 Whether administering or purchasing from the [cooperative] agreement, this Section does not abrogate the responsibility of each school district to perform due diligence to ensure compliance with Articles 10 and 11 notwithstanding the fact that the cooperative purchase is administered by another eligible procurement unit.

turnover and the lack of a centralized procurement file that maintains all required records in 1 place, it is still required to retain evidence of its due diligence in compliance with State rules.

- **District did not maintain written determinations justifying some contracts**—In 2 of 15 procurement files reviewed, the District was unsure if a written determination was completed and could not provide a copy of the written determination justifying that the contracts were in the District's best interest, as required by the *Arizona Administrative Code* and District policy requiring all procurement to be justified and aligned with school district procurement rules.⁵
- **Vendor contract and supporting documents were missing**—For 1 of 15 procurement files we reviewed, the District could not provide a copy of the vendor's contract, request for proposal, or any supporting cooperative documents detailing the vendor's agreement and obligations. The USFR requires that procurement files include such documents and that they be made available for public inspection, but the District did not maintain a copy.
- **The District exceeded the approved expenditure amount on 2 contracts**—The USFR requires school districts to verify that there is sufficient budget capacity prior to making expenditures from budget-controlled funds. To meet this requirement, the District assigned the superintendent and business manager responsibilities for verifying sufficient budget capacity as part of the process for reviewing and approving purchase orders. For 2 contracts we reviewed, the District exceeded the approved purchase order amounts by a combined total of \$4,229 without obtaining approval from the superintendent or business manager. Instead, the requester's supervisor provided the only sign-off for the additional expenditures, bypassing the superintendent and business manager. According to District officials, the District's financial system allows for a 10 percent overage on purchase orders with a corresponding invoice and an "okay to pay" given by the requester's supervisor. However, because the District lacks written procedures requiring specific approval by the superintendent or business manager for any overages, it is at increased risk for budgetary overspending.

The District's non-compliance with procurement file documentation requirements decreases transparency into the procurement process and hinders the District's ability to demonstrate that decisions made were the best use of public monies.

The District has not developed procedures for how District policies should be implemented, nor provide sufficient staff training and oversight

Although the District's Board established policies for purchasing, credit card usage, and procurement, and required the District to develop clear procedures for staff to follow, the District has not done so. A lack of clear guidance has led to inconsistent practices among staff and a failure to maintain required documentation, especially in situations where employee turnover has occurred. According to the District, staff turnover and the absence of centralized documentation led to misunderstandings about required document retention and proper procedures for procurement. Additionally, the District's superintendent,

⁵ A.A.C. R7-2-1004 Written determination required by Articles 10 and 11, including for any specified professional services, construction, construction services, or materials to an entity selected from a qualified select bidders list or through a school purchasing cooperative, shall specify the reasons for the determination, including how the determination was made.

business manager, accounts payable, payroll, and procurement specialist staff joined the District within the past year and were either unaware of District's requirements or did not know why the District lacked written procedures or whether training had been provided to prior staff.

District management has also not implemented adequate supervisory review processes to oversee critical operational areas, which allowed deficiencies to persist undetected and increased the risk of errors, and improper purchases. District staff were unable to provide a reason why they had not developed sufficient procedures for supervisory reviews over purchasing and credit card usage.

Recommendations

The District should:

1. Develop and implement written procedures and a supervisory review process to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive a secondary approval.
2. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.
3. Ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.
4. Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and the associated purchase order.
5. Require users to submit annual credit card user agreements and ensure they are filed and accessible to the District.
6. Establish procedures to ensure that all card users have a signed user agreement on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.
7. Establish a centralized system for storing and managing all procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.
8. Implement a systematic approach to develop, review, and regularly update administrative policies and procedures related to procurement, credit cards, and accounts payable, including record retention requirements, to ensure they are current, consistent, and align with Board-approved policies and State requirements.
9. Improve management oversight of fiscal activities by implementing a process for monitoring and reviewing procurement activities, credit card custody and use, and accounts payable processes to ensure compliance with State requirements and Board policies.

District response:

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

Finding 2. The District did not follow State travel policies for reimbursements and insurance, putting public monies at an increased risk of errors and improper payments, and potentially increasing the District’s liability for vehicle accidents

The USFR requires school districts to implement policies and procedures consistent with the reimbursement rates and guidance prescribed by the Arizona Department of Administration (ADOA)’s *State of Arizona Accounting Manual* (SAAM). To meet these requirements, the Board established policies related to travel and travel reimbursements. Additionally, the District developed procedures for Board members and school personnel to follow when seeking reimbursement for travel costs. However, District staff did not always follow State requirements and District policies and procedures. We judgmentally selected and reviewed 15 of 387 travel reimbursements the District paid during fiscal years 2023 and 2024 and found that all 15 reimbursements we reviewed did not comply with 1 or more USFR or SAAM requirements and/or the District’s policies and procedures.

Deficiency 1. None of the travel claims we reviewed complied with all State and/or District requirements and some may not have been correctly reported for tax purposes

We found that all 15 reimbursements we reviewed did not comply with 1 or more USFR or SAAM requirements and/or the District’s policies and procedures. Specifically:

- **District did not follow SAAM reimbursement rates and limits, resulting in overpayments to employees**—For 6 of 15 travel reimbursements we reviewed, the District did not follow SAAM reimbursement rates and limits, including meal and incidental per diem rates and limits, meal and rideshare tip limits, and other transportation fee limits, resulting in a total of \$90.91 in overpayments to District employees. For example, the SAAM per diem limit for travel to Los Angeles for meals and incidental expenses is \$64, but 1 employee was reimbursed \$76.29, or \$12.39 more than SAAM allows.
- **The District did not ensure travel claims were submitted timely as required by SAAM**— SAAM requires all travel claims to be submitted within 2 months after the completion of a trip and no later than 10 days after the end of the fiscal year in which the trip is completed. However, 2 of the 15 travel reimbursement claims we reviewed were not submitted within required time frames. For example, the travel claim form for 1 of these reimbursements was submitted 13 months after the travel occurred. By not requiring employees to timely submit travel claims, the District increases the risk of making improper reimbursements and the likelihood of incorrectly recording reimbursements in the wrong fiscal year.
- **The District paid some travel reimbursements without required approvals or documentation**— According to the USFR, all travel expenditures must be approved in advance and supported by a travel claim, receipts, or invoices. Additionally, travel claims must include the time and place travel begins and ends, odometer readings or map mileage, and be approved by the employee and an appropriate supervisor. However, 13 of 15 travel expenditures we reviewed did not comply with District policy and the USFR. Specifically, 8 were not supported by a travel claim, 4 claims were missing required information, and 1 claim form was not approved by a supervisor, as required. Without a travel expense

claim form, the District lacked required support for \$1,317 travel reimbursements paid to District employees. In part, this occurred because the travel claim form used by the District did not include all required information. When we notified the District, officials reported that as of September 2024, the District began using a State-developed travel expense claim form that ensures all required information was captured.

- **District did not ensure travel expenses were approved in advance**—Contrary to the District’s travel policy and the USFR, the District did not ensure that travel expenses were approved in advance. Specifically, for 10 of the 15 travel expenditures we reviewed, a purchase order was created and approved after the travel expense occurred, contrary to the District’s travel policy and the USFR. Similar issues relating to the lack of approval for purchases were also identified for non-travel expenditures (see Finding 1, pages 4 to 9).
- **District may not have properly reported some reimbursements for tax purposes**—Internal Revenue Service guidance stipulates that mileage reimbursements for travel that occurs in the area where an employee normally works, or their “tax home,” may be considered taxable income.^{6,7} Additionally, District policy and procedure states that employees who are not on official travel status are not eligible for mileage reimbursement.⁸ Our review identified 3 reimbursements to employees for travel between District school sites. However, the District was unable to provide documentation demonstrating that the travel was authorized in advance and the employees were on official travel status. In addition, because the travel was within the employees’ “tax home,” the mileage reimbursed may be considered taxable income, but the District did not report the reimbursements, which totaled \$4,768, on the employees’ W-2 forms.

As noted above, several of the District’s practices for reimbursing travel expenses do not comply with State and District requirements, and staff were unaware of how the claims should be handled. For example, according to the District, it has been its practice for several years to reimburse mileage for employees who travel between school sites, but officials indicated that they were unaware that the reimbursements do not comply with the District’s own mileage reimbursement policy and may not comply with federal tax requirements. Additionally, staff processing travel claims were unaware of District and SAAM reimbursement limits, resulting in over-reimbursements. Moreover, the District has not adequately trained staff and it lacks a thorough secondary review process to ensure that travel expenses are approved in advance, travel claim forms are complete and submitted timely, and reimbursements are accurate.

⁶ U.S. Internal Revenue Service (IRS), Publication 463. (2022). Travel, Gift, and Car Expenses.

⁷ Per IRS guidance, a person’s tax home is defined as “...your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located.”

⁸ According to SAAM Topic 50, Section 09, and the District’s travel procedures, to be in travel status and eligible for reimbursement of travel expenditures a traveler must be more than 50 miles from both the traveler’s residence and regular duty post.

Deficiency 2. The District did not require proof of insurance and a current driver's license for staff using personal vehicles for District business

SAAM requires that District personnel present proof of insurance and a valid driver's license to the District prior to using a personal vehicle for District business. In 6 instances we identified, employees seeking mileage reimbursements for travel in their personal vehicles had not submitted proof of a valid driver's license or auto insurance as required by SAAM. Allowing employees to travel on District business without ensuring that they have a valid driver's license and auto insurance potentially increases the District's liability risk in the event of an accident.

Recommendations

The District should:

10. Regularly provide and document training on USFR requirements, SAAM requirements, and the District policies and guidance documents related to travel to staff responsible for processing travel expense claims.
11. Develop a thorough secondary review process to review travel approvals, claims, and reimbursements to ensure travel expenditures comply with District, State and federal requirements.
12. Determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.

District response:

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

Finding 3. The District inaccurately reported miles and riders to ADE for State funding purposes

Statute requires school districts to report to the Arizona Department of Education (ADE) the miles driven to transport students to and from school and the number of eligible students transported.⁹ ADE provides guidelines that districts should use when calculating the miles traveled and students transported, and ADE then uses the reported numbers to determine districts' State transportation funding.

However, the District did not report all eligible route miles traveled in fiscal year 2024 to ADE for State funding purposes. To assess the accuracy of the actual route miles the District reported to ADE for fiscal year 2024, we reviewed underlying support for total mileage reported for the District's 39 regular and special education school buses used during the year and found that the District under-reported mileage by 31,740 miles and lacked documentation for 1,339 miles claimed on its reports. The District's inaccurate mileage reporting occurred due to a combination of calculation errors, data entry errors, and insufficient documentation maintained by the District. Additionally, although the District provided documentation demonstrating a secondary review process was in place to ensure the reporting was accurate before submitting it to ADE, this review was insufficient to detect the errors we identified.

Additionally, the District was unable to fully support ridership numbers it reported to ADE in fiscal years 2023 and 2024 for State funding purposes. To assess the accuracy of the ridership numbers the District reported to ADE for fiscal year 2024, we reviewed the spreadsheets used by the District to report average daily riders for regular and special education routes and found errors in the District's reported information. Errors occurred because the District used a spreadsheet to summarize daily ridership that was tied to ridership data from fiscal year 2022 instead of 2024. Staff were unaware of the problems with the spreadsheet until we brought the issue to their attention during the audit. After further review, we also found that this same error occurred when the District reported its fiscal year 2023 average daily ridership to ADE. As a result of misreporting the number of miles and riders to ADE, the District's transportation funding may not have been accurate.

Recommendations

The District should:

13. Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and review and revise its secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.
14. Recalculate and resubmit accurate fiscal years 2023 and 2024 miles driven and riders transported to ADE to ensure the transportation funding received for those years is correct.

⁹ A.R.S. §15-922.

District response:

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

Finding 4. The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, errors, fraud, and data loss

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 6 deficiencies, including noncompliance with USFR requirements and practices inconsistent with credible industry standards, that increased its risk for unauthorized access to sensitive information, data loss, errors, and fraud. See the details below.

Deficiency 1: The District did not ensure all terminated employees, former contractors, and unnecessary accounts were removed from its network, which increased the risk of unauthorized access to the District's network and sensitive information

The USFR requires that user accounts be immediately disabled when no longer needed. Although the District reported having a process that it follows when employees or contractors no longer work for the District, using automated user account disabling software, and conducting periodic informal reviews of user access, our July 2024 review identified lapses in the management of user accounts. Specifically:

- **District did not disable accounts for some former employees and contractors:** We identified 40 network accounts belonging to former employees or contractors, some of whom had retained network access for more than 2 years after no longer working for the District. For example, 2 employees who left on May 20, 2022, retained access until August 6, 2024—more than 2 years after they no longer worked for the District. Additionally, 3 of 40 network accounts had been accessed after the users had officially left District employment, including 1 account with a login date nearly 5 months after the employee had left the District. According to District IT staff, some access had not been removed because IT staff had not been notified to do so during the District's offboarding process. The District removed access for all 40 accounts as of August 6, 2024, after we brought the issue to their attention.
- **District did not deactivate unnecessary or inactive user accounts:** We reviewed all 693 network accounts and found 24 additional accounts that were either inactive for more than a year or had never been accessed. This included 9 administrator-level accounts no longer in use and 15 accounts for current District employees or a contractor who did not need network access to perform their duties. Two factors contributed to this issue. First, the District did not have a process to assess the level of access needed when establishing network user accounts. Second, as previously discussed, although the District indicated that it used an automated account disabling software to help ensure user account access was disabled timely this software was not capturing users that had access but had never logged in to the District's network. The District removed access for these accounts as of August 6, 2024, after we brought the issue to their attention.

The combined failure to promptly disable accounts for former employees and contractors, the presence of inactive and unnecessary accounts, and the malfunctioning automated software all increased the District's risk of unauthorized access to sensitive information and potential data loss.

Deficiency 2: The District's authentication controls did not conform to credible industry standards and USFR requirements, putting sensitive data and District operations at risk

The USFR requires that districts develop and implement data security policies related to passwords and user authentication that align with credible industry standards, such as those developed by NIST.¹⁰ Our July 2024 review of District password policies determined that although the District had password requirements, it was not enforcing them. Additionally, District requirements did not align with updated credible industry standards. USFR guidance also states that the District should require multifactor authentication for at least those employees and contractors with remote access, administrative access, or access to critical IT systems in accordance with leading credible industry standards. Although many systems relating to IT operations had multifactor authentication, the District does not have authentication software for all systems, which increases the risk that unauthorized individuals could access sensitive information and disrupt District operations. According to the District, IT staff are in the process of implementing multifactor authentication on most of the systems being used at the District.

Deficiency 3: The District assigned some users too much access to its accounting system, increasing its risk of errors and fraud

The USFR requires districts to limit users' access to information and restrict access to only what is necessary for users to carry out their assigned duties. However, our July 2024 review of accounting system access levels for 6 key business office accounts found that 4 business office staff had too much system access, allowing them to initiate and complete purchasing and/or payroll transactions without any independent review. For example, 1 accounts payable staff member could initiate a requisition, create and edit vendors, create purchase orders, and pay invoices, which is the entirety of the purchasing process. The only system control in place to prevent the accounts payable staff from being able to process an entire transaction independently would be the approval of the purchase order. However, as noted in Finding 1 (see pages 4 through 9) and Finding 2 (see pages 10 through 12), the District's supervisory controls were not sufficient to ensure purchase orders are used consistently and appropriately. As a result, the District increased its risk for errors and fraud because users with too much access could have completed payroll and purchasing transactions or other changes without a second employee verifying that the transactions or changes were accurate and appropriate.

According to District officials, some of the excessive access was due to employee turnover and the need for the District to have employees able to perform multiple functions within the accounting system. Although the USFR allows employees to perform multiple functions provided there are compensating controls, such as additional supervisory review, the District has not established an effective supervisory review process to mitigate the risks, as discussed above.

Additionally, the District lacks a formal process for granting, validating, and regularly reviewing access to its critical systems. This resulted, for example, in the District not reviewing whether user access was appropriate when setting up accounts for new employees who were filling existing positions. In these cases, new employees were automatically granted the same level of user access as the employees who previously held the positions. As a result, the District was unaware that some users had excessive access

¹⁰ NIST updated password guidance regarding 90-day password expiration policies.

rights for accounting system functions and the District was ill-equipped to prevent or detect errors, fraud, or misuse.

Deficiency 4: The District did not monitor activity in its accounting system, increasing the risk of critical security events and fraud

The USFR requires that districts monitor and periodically audit system activity and electronic transactions for their entire lifecycle from the beginning of a transaction through its completion to ensure that users adhere to all security-related policies, procedures, and guidelines. However, our July 2024 review of the District's accounting system found that the District did not monitor user activity and ensure that security-related policies were being followed. District officials indicated that they were under the impression that the Maricopa County School Superintendent's Office (County) was monitoring user activity and, as a result, the District did not monitor system users' activities, as required. However, our review of the unexecuted intergovernmental agreement between the County and the District found that the County was responsible only for providing and maintaining the accounting system. As such, the District was responsible for user compliance with the District's IT policies and procedures, as well as monitoring users to ensure that they only performed authorized activities in systems related to their job responsibilities, but it has not done so.

Additionally, during our review we found that the intergovernmental agreement between Maricopa County and the District is unexecuted. As a result, the District is exposed to an increased risk because it lacks an official, enforceable contract to hold the County accountable to the agreed-upon terms and responsibilities.

Deficiency 5. The District's security monitoring and oversight policies and procedures do not comply with USFR requirements and industry standards

The USFR requires districts to develop and implement effective security procedures and monitor and report on the overall effectiveness of the district's policies and procedures. This includes developing and maintaining up-to-date security related policies and procedures, periodically assessing risks, and revising policies and procedures to prioritize and address the identified risks. Although the District has adopted some policies, such as password requirements and disaster recovery plans, it lacks specific policies and procedures for monitoring security controls and conducting security testing. Additionally, the District has not established sufficient supervisory and oversight procedures for its IT activities. While the District implemented some controls to monitor and detect potential cyber security threats and attacks, it had not implemented procedures to monitor internal user activities, such as through the review of audit logs and user activity reports to reduce the risk of unauthorized access or activities. Additionally, the lack of oversight contributed to the deficiencies we identified, including excessive user access to critical systems.

Key term

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

User activity reports—A report that tracks and records user activity and transactions within an information system or software.

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

Recommendations

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

15. Review and revise, as needed, the District's processes for ensuring access to the District's IT network is terminated when employees and contractors no longer work for the District.
16. Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate, disabling software is operating as expected, and ensuring access is promptly disabled when it is no longer needed.
17. Collaborate with the software vendor or IT personnel to correct the logic error in the District's software that is used to identify and disable inactive accounts.
18. Enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.
19. Continue the rollout of MFA for all critical systems, including updating IT security policies and providing training and support to staff to facilitate the transition to MFA for all systems.
20. Establish, implement, and enforce comprehensive policies and procedures that clearly define responsibilities for overseeing and monitoring IT operations and the District's network to promptly detect potential malicious or fraudulent activity as well as ensure effective security and access controls over information technology are in place and in compliance with USFR.
21. Provide and document regular training to District IT staff on USFR and credible industry standards information technology requirements, at least annually.
22. Consult with legal counsel regarding its unexecuted intergovernmental agreement with Maricopa County School Superintendent's Office and take appropriate steps to ensure the District's interests are protected.

District response:

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

Summary of Recommendations

Sjoberg Evashenk Consulting makes 22 recommendations to the District

The District should:

1. Develop and implement written procedures and a supervisory review process to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive a secondary approval.
2. Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.
3. Ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.
4. Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and the associated purchase order.
5. Require users to submit annual credit card user agreements and ensure they are filed and accessible to the District.
6. Establish procedures to ensure that all card users have a signed user agreement on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.
7. Establish a centralized system for storing and managing all procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.
8. Implement a systematic approach to develop, review, and regularly update administrative policies and procedures related to procurement, credit cards, and accounts payable, including record retention requirements, to ensure they are current, consistent, and align with Board-approved policies and State requirements.
9. Improve management oversight of fiscal activities by implementing a process for monitoring and reviewing procurement activities, credit card custody and use, and accounts payable processes to ensure compliance with State requirements and Board policies.
10. Regularly provide and document training on USFR requirements, SAAM requirements, and the District policies and guidance documents related to travel to staff responsible for processing travel expense claims.
11. Develop a thorough secondary review process to review travel approvals, claims, and reimbursements to ensure travel expenditures comply with District, State and federal requirements.

12. Determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.
13. Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and review and revise its secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.
14. Recalculate and resubmit accurate fiscal years 2023 and 2024 miles driven and riders transported to ADE to ensure the transportation funding received for those years is correct.
15. Review and revise, as needed, the District's processes for ensuring access to the District's IT network is terminated when employees and contractors no longer work for the District.
16. Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate, disabling software is operating as expected, and ensuring access is promptly disabled when it is no longer needed.
17. Collaborate with the software vendor or IT personnel to correct the logic error in the District's software that is used to identify and disable inactive accounts.
18. Enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.
19. Continue the rollout of MFA for all critical systems, including updating IT security policies and providing training and support to staff to facilitate the transition to MFA for all systems.
20. Establish, implement, and enforce comprehensive policies and procedures that clearly define responsibilities for overseeing and monitoring IT operations and the District's network to promptly detect potential malicious or fraudulent activity as well as ensure effective security and access controls over information technology are in place and in compliance with USFR.
21. Provide and document regular training to District IT staff on USFR and credible industry standards information technology requirements, at least annually.
22. Consult with legal counsel regarding its unexecuted intergovernmental agreement with Maricopa County School Superintendent's Office and take appropriate steps to ensure the District's interests are protected.

Appendix A. Objectives, scope, and methodology

Sjoberg Evashenk Consulting conducted a performance audit of Liberty Elementary School District on behalf of the Arizona Auditor General pursuant to A.R.S. §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal years 2023 and 2024, unless otherwise noted, in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in the Auditor General's annual *Arizona School District Spending Analysis*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following operational categories:

Operational spending

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

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

Financial accounting data and internal controls—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2024 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 10 of 533 individuals who received payments through the District's payroll system in fiscal year 2024 and reviewed supporting documentation for 30 of 19,582 fiscal years 2023 and 2024 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various

information used for this audit. We reported our conclusions on applicable internal controls in Findings 1 and 2, pages 4 through 12, and Finding 4, pages 15 through 17.

Peer groups—We used the 3 peer groups developed by the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2023* 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 2023 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s fiscal year 2023 ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, the Arizona Auditor General developed a peer group using district size, type, and location. To compare the District’s transportation efficiency, the Arizona Auditor General developed a peer group using a 5-year historical average of miles per rider and location. They used these factors because they are associated with districts’ cost measures in these areas.

TABLE 1. CRITERIA FOR SELECTING PEER SCHOOL DISTRICTS FOR COMPARATIVE PURPOSES, FISCAL YEAR 2023

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement (fiscal year 2023)	Poverty rate District type Location	15 percent or less Elementary school districts Cities and suburb	11
Administration, plant operations and maintenance, food service, and transportation (fiscal year 2023)	District size Location	Between 2,000 to 5,999 students Cities and suburb	17
Transportation (fiscal year 2023)	Miles per rider Location	Between 361 and 510 miles per rider Cities and suburb	13

Source: Staff review of the Arizona Auditor General’s *Arizona School District Spending Analysis—Fiscal year 2023*.

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

- **Interviews**—We interviewed various District employees in the operational areas we reviewed about their duties. This included District administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, transportation safety reports provided by the Department of Public Safety, District’s 100-day school bus ridership and mileage report submitted to ADE, and District-submitted compliance questionnaire results for fiscal year ended June 30, 2023, that its independent financial audit firm completed. We also reviewed District-provided accounting system and network user account reports.
- **Documentation reviews**—We reviewed various sets of District documentation including various credit card statements and documentation for fiscal years 2023 and 2024; cash deposit documentation and

bank statements for fiscal year 2024; Board meeting minutes; annual drug and random drug testing for calendar years 2023 and 2024; school bus driver files for 5 of 43 of the District's drivers active at one point during calendar years 2022, 2023, and 2024; and school bus maintenance and safety records for 7 of the District's 37 school buses in fiscal year 2024. We also reviewed Arizona Department of Public Safety school bus inspection reports for school buses inspected in calendar years 2024.

- **Observations**—To further evaluate District operations, we observed day-to-day activities in the operational areas we reviewed. This included facility tours and observations of food service operations and transportation services.
- **Analysis**—We reviewed the Arizona Auditor General's analysis of the District's fiscal year 2023 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts. We also reviewed the District's square footage per student, use of building space, building age, and meals served per student to peer districts. We used the results of these comparisons to inform the topics of focus during our audit.

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

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

District Response



February 11, 2025

Sjoberg Evashenk Consulting
455 Capitol Mall, Suite 700
Sacramento, CA 95814

To Whom It May Concern:

Please accept Liberty Elementary School District response to the Performance Audit that has recently been completed. The administration and governing board accept the findings, have already implemented some of the recommendations and will continue to diligently work to implement the remaining recommendations.

The District would like to share our appreciation to the audit team for their professionalism and patience while conducting the audit. Thank you for working with us in such a positive way that helped us grow through this process.

Sincerely,

A handwritten signature in black ink that reads "Dane Bolden".

Dane Bolden
Executive Director of Business Services

19871 West Fremont Road • Buckeye, AZ 85326 • Office (623) 474-6600 • Fax (623) 474-6669

Finding 1: The District's internal controls in some areas were deficient, putting public monies at an increased risk of errors, fraud, and improper payments.

District Response: The finding is agreed to.

Recommendation 1: Develop and implement written procedures and a supervisory review process to ensure that purchase orders or requisitions are obtained and approved in advance of purchases being made, including those made with credit cards, and any purchase order overages beyond the initial approved amount receive a secondary approval.

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

Recommendation 2: Develop and require annual training for responsible employees about the District's purchasing and accounts payable policies, procedures, and processes and related USFR requirements.

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

Recommendation 3: Ensure employees responsible for classifying expenditures review the USFR's Uniform Chart of Accounts for school districts for changes at least annually and implement its guidance to accurately account for and report the District's spending.

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

Recommendation 4: Require District employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that include enough information to track who used which credit card at what time and the associated purchase order.

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

Recommendation 5: Require users to submit annual credit card user agreements and ensure they are filed and accessible to the District.

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

Recommendation 6: Establish procedures to ensure that all card users have a signed user agreement on file with the District and receive training on the District's credit card policies and procedures prior to using District credit cards.

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

Recommendation 7: Establish a centralized system for storing and managing all procurement-related documentation for District and cooperative agency contracts, such as purchase orders, contracts, cooperative agreements, requests for proposals, due diligence forms, and any other relevant documentation to ensure compliance with the USFR, *Arizona Administrative Code* and Board-approved policies.

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

Recommendation 8: Implement a systematic approach to develop, review, and regularly update administrative policies and procedures related to procurement, credit cards, and accounts payable, including record retention requirements, to ensure they are current, consistent, and align with Board-approved policies and State requirements.

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

Recommendation 9: Improve management oversight of fiscal activities by implementing a process for monitoring and reviewing procurement activities, credit card custody and use, and accounts payable processes to ensure compliance with State requirements and Board policies.

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

Finding 2: The District did not follow State travel policies for reimbursements and insurance, putting public monies at an increased risk of errors and improper payments, and potentially increasing the District's liability for vehicle accidents.

District Response: The finding is agreed to.

Recommendation 10: Regularly provide and document training on USFR requirements, SAAM requirements, and the District policies and guidance documents related to travel to staff responsible for processing travel expense claims.

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

Recommendation 11: Develop a thorough secondary review process to review travel approvals, claims, and reimbursements to ensure travel expenditures comply with District, State and federal requirements.

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

Recommendation 12: Determine whether District employees' travel within District boundaries meets the requirement for official travel status and how to correctly account for mileage reimbursed for travel within District boundaries, and formally document the District's determinations. In making these determinations, the District should consult with legal counsel as necessary.

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

Finding 3: The District inaccurately reported miles and riders to ADE for State funding purposes.

District Response: The finding is agreed to.

Recommendation 13: Annually review ADE's most recent transportation guidance, maintain all documentation related to miles driven and riders transported, and review and revise its secondary review process to ensure the number of route miles traveled and riders transported are accurately calculated and reported to ADE for State funding purposes.

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

Recommendation 14: Recalculate and resubmit accurate fiscal years 2023 and 2024 miles driven and riders transported to ADE to ensure the transportation funding received for those years is correct.

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

Finding 4: The District's excessive access to its sensitive computerized data and other IT deficiencies increased the risk of unauthorized access to sensitive information, errors, fraud, and data loss.

District Response: The finding is agreed to.

Recommendation 15: Review and revise, as needed, the District's processes for ensuring access to the District's IT network is terminated when employees and contractors no longer work for the District.

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

Recommendation 16: Develop and implement a policy and process to regularly perform and document, at least annually, a detailed review of users' accounts that includes assessing the need for network and accounting system access to ensure that access level is appropriate, disabling software is operating as expected, and ensuring access is promptly disabled when it is no longer needed.

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

Recommendation 17: Collaborate with the software vendor or IT personnel to correct the logic error in the District's software that is used to identify and disable inactive accounts.

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

Recommendation 18: Enforce strong password requirements aligned with credible industry standards to decrease the risk of unauthorized persons gaining access to its network and disrupting operations.

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

Recommendation 19: Continue the rollout of MFA for all critical systems, including updating IT security policies and providing training and support to staff to facilitate the transition to MFA for all systems.

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

Recommendation 20: Establish, implement, and enforce comprehensive policies and procedures that clearly define responsibilities for overseeing and monitoring IT operations and the District's network to promptly detect potential malicious or fraudulent activity as well as ensure effective security and access controls over information technology are in place and in compliance with USFR.

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

Recommendation 21: Provide and document regular training to District IT staff on USFR and credible industry standards information technology requirements, at least annually.

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

Recommendation 22: Consult with legal counsel regarding its unexecuted intergovernmental agreement with Maricopa County School Superintendent's Office and take appropriate steps to ensure the District's interests are protected.

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