

Mohave Valley Elementary School District

42-Month Followup of Report 21-203

The April 2021 Mohave Valley Elementary School District performance audit found that the District subsidized its food service program with over \$167,000 that it could have spent on instruction, overpaid some employees, did not ensure all cash collected was deposited, and did not adequately protect its computerized data. Additionally, our 24-month followup report identified that for over 30 years prior to May 2021, the District had inappropriately fully paid family insurance premiums for administrators and certain classified employees even though the benefit was not explicitly included in contracts and not approved by the Governing Board as required, making it difficult to determine the payments’ public purpose. We made **16** recommendations to the District.

District’s status in implementing 16 recommendations

Implementation status	Number of recommendations
 Implemented	15 recommendations
 Partially implemented	1 recommendation

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on the District’s efforts to implement the recommendations from the April 2021 report and the 24-month followup report.

Recommendations to the District

Finding 1: District subsidized its food service program in fiscal years 2017 through 2019 with over \$167,000 that it could have spent on instruction

1. The District should analyze whether participation in the standard National School Lunch Program (NSLP) or one of its other special provisions rather than participating in the Community Eligibility Program (CEP) would be more financially beneficial to the District, and take action accordingly to help ensure that its food service program revenues cover the costs of the program.

▶ Status: **Partially implemented at 42 months.**

As reported in the previous 24-month followup report, the District analyzed its participation in the NSLP and projected that the District would financially benefit by participating in the standard NSLP rather than CEP. In April 2022, the District's Governing Board (Board) approved the District's food service program's opting into the standard NSLP for fiscal year 2023. Since fiscal year 2023, the Board has continued to approve the District's food service program participating in the standard NSLP each fiscal year. Our review found the District's food service program operated at a loss of \$38,000 in fiscal year 2024; however, the District's food service program revenues had covered the costs of the program for the previous 4 fiscal years, and the District had a food service fund balance of \$260,000 at the end of fiscal year 2024.

Finding 2: District overpaid some employees, did not ensure all cash collected was deposited, and misclassified expenditures

2. The District should pay its employees the accurate amount each pay period based on their pay rate and hours worked.

▶ Status: **Implemented at 6 months.**

In fiscal year 2022, the District strengthened its payroll process by requiring another business office employee to review for each pay period the payroll journal against employees' contracts and time sheets, pay rates, hours worked, and deductions, verifying that all employees are accurately paid. Our review of payroll and personnel documentation for a sample of 15 District employees in fiscal year 2022 found that all 15 employees were accurately paid.

3. The District should strengthen its payroll process by having a second person review payroll information, such as pay rates and salary amounts entered into the payroll system, and review all payroll amounts and supporting documentation each pay period to ensure that all employees are paid accurately.

▶ Status: **Implemented at 6 months.**

In fiscal year 2022, the District began having a second business office employee review payroll information such as pay rates and salary amounts entered into the payroll system. This second employee also reviews all payroll amounts for each pay period to ensure that employees are accurately paid. Our review of 1 pay period in November 2021 found that the District documented that a second employee reviewed payroll amounts and supporting documentation to ensure they were accurate. Additionally, our review of a sample of 15 employees' pay for fiscal year 2022 found that the District accurately paid these employees based on their pay rates and hours worked.

4. The District should provide training on the *Uniform System of Financial Records for Arizona School Districts* (USFR) cash-handling requirements to all employees involved in cash collection, deposit, and review.

▶ Status: **Implemented at 18 months.**

The District developed training on USFR cash-handling requirements in March 2022. In August 2022, the District trained administrators, administrative assistants, and teachers involved in the cash-handling process on USFR cash-handling requirements. District officials reported that they plan to provide this training at the beginning of each school year to all employees with cash-handling responsibilities.

5. The District should have an employee(s) review supporting documentation for all cash collected to ensure that pre-numbered receipts are issued; all documents, such as detailed cash collection reports and validated bank deposit receipts, are retained; and the District collected and deposited all monies it should have.

▶ Status: **Implemented at 12 months.**

Our review of 2 months' cash collections and deposits at 2 District schools in fiscal year 2022 found that employees documented and reviewed student activities and auxiliary operations cash collections. School club sponsors and other employees issued prenumbered receipts when collecting cash from students or parents and provided the cash and receipts to administrative employees responsible for receiving cash at each school. The administrative employee who received the cash confirmed that the club sponsor or other employee provided the correct amount of cash and then deposited the cash at the bank. Another employee reconciled all bank deposits to prenumbered receipts ensuring all cash for which a receipt was issued was deposited.

6. The District should implement procedures to ensure that all cash is deposited at least weekly as required by the USFR.

▶ Status: **Implemented at 12 months.**

The District implemented new policies and procedures requiring cash to be deposited at least weekly. Our review of 2 months' cash receipts and bank deposit documentation from fiscal year 2022 found that the District deposited cash collections within 7 days of receipt, in accordance with its policy and USFR requirements.

7. The District should ensure staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and upon notification of changes, and implement its guidance to accurately account for and present the District's spending.

▶ Status: **Implemented at 6 months.**

The District reported that the business manager and accounting staff annually review the Uniform Chart of Accounts for school districts to identify any classifications that need to be revised. Additionally, the District stated that these employees review all changes made to the Uniform Chart of Accounts for school districts when notified of updates and update their expenditure classifications accordingly. Our review of a sample of payroll and accounts payable expenditures from July through October 2021 found that the District correctly classified the transactions we reviewed based on USFR guidance and our classification recommendations made during the audit.

Finding 3: District did not adequately protect its computerized data, which increased risk of unauthorized access to sensitive information, errors, fraud, and data loss

8. The District should better protect its sensitive computerized data from unauthorized access, errors, fraud, and data loss by:

- a. Reviewing industry password standards at least annually and implementing and enforcing strong network password requirements consistent with credible industry standards.

▶ Status: **Implemented at 18 months.**

The District's IT technician reported that he now reviews credible industry standards between the fall and spring semesters each year to ensure that he is aware of any changes to credible industry standards that impact password requirements. Our November 2021 and September 2022 reviews of the District's network found that the District's network password requirements were consistent with credible industry standards.

- b. Reviewing and reducing the number of users with administrator-level access to its network.

▶ Status: **Implemented at 6 months.**

- c. Limiting users' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside of the business office.

▶ Status: **Implemented at 42 months.**

Our October 2024 review of the District's accounting system user access reports for all 19 District employee users found that the employees' access in the accounting system was limited to only those accounting system functions needed to perform their job duties. Additionally, the District had appropriate administrator-level access assigned within the accounting system.

- d. Immediately removing all unnecessary user accounts currently in its network and implementing additional procedures to regularly review users' network access and disable it when it is no longer needed and regularly review accounts to identify those that are no longer needed and promptly remove them.

- ▶ Status: **Implemented at 18 months.**

Our review of the District's November 2021 network users found that the District removed all unnecessary user accounts identified during the initial audit. Additionally, the District developed and implemented new procedures in August 2022 to review all user accounts and access levels in its network to identify and remove accounts that are no longer needed and ensure all active accounts are associated with current District employees. The District performed the first review for fiscal year 2023 in August 2022, and our review of September 2022 network users did not identify any unnecessary user accounts. The District reported that it conducts a monthly review of its user accounts and removes any unnecessary accounts identified.

- e. Reviewing its information technology (IT) contingency plan to ensure it is complete, testing it at least annually to identify and remedy any deficiencies, and documenting the results of the tests.

- ▶ Status: **Implemented at 42 months.**

The District has developed and implemented an IT contingency plan that identifies all critical systems; contains procedures for restoring its critical systems and the order in which they should be restored; outlines who is responsible for which activities in the event of a disaster; contains contingencies for continued business operations in the event of a disaster; and is reviewed and updated annually. Additionally, the District tested its IT contingency plan in October 2024 and made necessary updates to the plan. The IT contingency plan was most recently reviewed, updated, and approved by the appropriate staff in October 2024.

Additional deficiencies identified in 24-month followup

For over 30 years prior to May 2021, District inappropriately fully paid family insurance premiums for administrators and certain classified employees even though benefit was not explicitly included in contracts and not approved by Governing Board as required, making it difficult to determine payments' public purpose

During our previous 24-month followup, we reviewed and reported on an issue that the District self-reported to our Office in November 2021. Specifically, the District reported that it had fully paid family medical and dental premiums for certain District employees—a benefit not provided to all employees, even though the employees' contracts or compensation agreements did not explicitly provide for these benefits. Further, there was no evidence that this practice was approved by the District's Governing Board. We made 4 additional recommendations to the District regarding these deficiencies. See below for the status of each recommendation.

9. The District should determine the amount of public monies it may have gifted in violation of the Arizona Constitution’s gift clause as a result of fully paying certain employees’ family insurance premiums and seek legal counsel to determine what legal action is necessary to address the District’s violation of the gift clause, including action related to the former District superintendents who administered this benefit without Board approval.

▶ Status: **Implemented at 42 months.**

As reported in our previous 24-month followup report, the District hired a certified public accounting firm to perform an accounting review of the fully paid family insurance premiums. The August 2021 review concluded that the District may have violated the Arizona Constitution’s gift clause by providing a benefit not included in the employees’ contracts or compensation agreements and not approved by the Board.¹ Further, our 24-month followup report determined that from July 2018 to May 2021, the District paid \$221,444 to fully pay 9 administrators’ and 3 classified employees’ family insurance premiums. However, District officials stated that due to records retention laws, the District is unable to determine an amount that may have been paid to fully pay certain employees’ family insurance premiums other than what the certified public accounting firm reported and our Office concluded. The District determined that it does not appear possible to rectify its possible violation of the gift clause and that it would not seek action related to the former District superintendents who administered this benefit without Board approval.²

10. The District should report its potential gift clause violations to the Arizona Attorney General’s Office, including the amount of monies it may have improperly gifted.

▶ Status: **Implemented at 42 months.**

The District reported its potential gift clause violations to the Arizona Attorney General’s Office in September 2024 through a certified letter, including the amount of monies it may have improperly gifted.

11. The District should specify the benefits that an employee is entitled to receive in employment contracts or in Board-adopted policies that are incorporated into employment contracts.

▶ Status: **Implemented at 42 months.**

The District specified the benefits that each employee is entitled to receive in fiscal year 2024 employment contracts, and the Board approved each District-provided benefit at an April 2023 Board meeting. Additionally, our October 2024 review of fiscal year 2024 insurance benefits provided to a judgmental sample of 15 of 115 employees found that the District provided and paid for only Board-approved medical and dental insurance benefits.

¹ Arizona caselaw interpreting the Arizona Constitution’s gift clause, Art. IX, §7, requires that payment of public monies is for a public purpose and the value to be received by the public is not far exceeded by the consideration being paid by the public. *Wisturber v. Paradise Valley Unified School Dist.*, 141 Ariz. 346, 678 P.2d 354 (1984), *Turken v. Gordon*, 223 Ariz. 342, 224 P.3d 158 (2010), and *Schires v. Carlat*, 250 Ariz. 371, 480 P.3d 639 (2021).

² According to District officials, 3 former District superintendents administered the fully paid family medical and dental benefits without Board approval. At the time of the 42-month followup, 2 of the 3 former District superintendents who administered these benefits were deceased and the third was retired.

12. The District should present detailed information to the Board regarding all salaries and benefits to be provided to employees when the Board approves annual compensation packages in a public meeting, including all insurance premium amounts paid for by the District.

▶ Status: **Implemented at 42 months.**

Our January 2025 review found that the District presented detailed information to the Board regarding all salaries and benefits to be provided to employees in fiscal year 2025. Specifically, the District presented the fiscal year 2025 medical and dental insurance premium amounts it would pay to the Board in March 2024. Further, since November 2024, the District has presented each new certified and classified employee's name, job position, hire date, and salary to the Board for review and approval.