

# Young Elementary School District

District had higher administrative costs than peer districts and spent unauthorized monies on its community preschool program, and its lack of compliance with important standards and requirements put public monies and sensitive information at risk

Performance Audit

December 2022  
Report 22-204

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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December 1, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Young Elementary School District

Mr. Patrick O'Donnell, Superintendent  
Young Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Young 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.

As outlined in its response, the District agrees with all the findings and recommendations and plans to implement or implement modifications to all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations.

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

## Young Elementary School District

**District had higher administrative costs than peer districts and spent unauthorized monies on its community preschool program, and its lack of compliance with important standards and requirements put public monies and sensitive information at risk**

### Audit purpose

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

### Key findings

- District spent over \$264,000 more on administration than peer districts in fiscal year 2020 primarily because of additional administrative staff and higher salaries, 1-time payouts to individuals who separated employment, and associated legal fees.
- District spent \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021.
- District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner, possibly resulting in lost cash and increasing risk of errors or fraud.
- District allowed excessive access to its sensitive computerized data and operated with other IT deficiencies, which increased the risk of unauthorized access, errors, fraud, and data loss.

### Key recommendations

The District should:

- Monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels.
- Determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. I82-136.
- Help ensure staff members comply with USFR requirements to safeguard cash.
- Limit its user access to those accounting system operations needed to perform job duties, and develop and implement a new process to assign new users appropriate access.
- Immediately remove terminated employees' network accounts, and develop and implement a process to ensure that terminated employees have their access promptly removed.
- Develop and implement an IT contingency plan and test the plan at least annually.



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Rural district in Gila County  
Grades: Kindergarten through 12th<sup>1</sup>  
Students attending: 38  
Number of schools: 1

<sup>1</sup> Despite being an elementary district, due to Young ESD's remote location, the District provides instruction to high school-aged students living within its boundaries. In fiscal year 2020, 10 of the District's 38 students were high school students.



**Total operational spending—\$1.3 million (\$34,006 per pupil)**

**Instructional—51.9% (\$17,657 per pupil)**

**Noninstructional—48.1% (\$16,349 per pupil)**

Operational overview	Measure	Young ESD	Peer average
<p><b>Administration—higher spending, unauthorized spending on preschool program, and public monies and sensitive information at risk</b></p> <p>The District spent 135 percent more per pupil on administration than its peer districts, on average. Its administrative costs were higher primarily because of additional administrative staff and higher salaries, 1-time payouts to some individuals, and legal fees. Additionally, the District spent \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021. Further, the District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner. Lastly, the District's lack of compliance with important requirements and standards put sensitive information at an increased risk of errors, fraud, unauthorized access, and data loss (see Findings 1 through 3, pages 2 through 8).</p>	Spending per pupil	\$10,864	\$4,627
<p><b>Plant operations—lower spending and no reported findings</b></p> <p>The District spent less per square foot and per pupil on plant operations than its peer districts, on average. We did not report any findings in this area.</p>	Spending per square foot	\$2.45	\$7.00
	Spending per pupil	\$2,489	\$5,369
<p><b>Food service—lower spending and no reported findings</b></p> <p>The District spent less per meal on food service than its peer districts, on average. We did not report any findings in this area.</p>	Spending per meal	\$5.14	\$7.43
<p><b>Transportation—lower spending and no reported findings</b></p> <p>The District spent less per mile and per rider on its transportation program than its peer districts averaged. We did not report any findings in this area.</p>	Spending per mile	\$2.07	\$3.23
	Spending per rider	\$634	\$768



## District spent \$264,000 more on administration than peer districts in fiscal year 2020 and \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021 that it instead could have spent on instruction or other District priorities

In fiscal year 2020, the District spent \$264,000 more on administration than peer districts, and in fiscal year 2021 it spent \$21,600 of unauthorized monies on its community preschool program that it could have spent on instruction or other District priorities. The District should monitor its administrative spending and identify and implement ways to reduce it and only spend authorized monies on its community preschool program. The District monitoring its administrative spending and ensuring that it only spends authorized monies on its community preschool program is of particular importance because the District is limited in the amount of money it can receive from property taxes in future years for ordinary District operations as a result of its primary property tax rate being frozen.<sup>1</sup>

### Issue 1: District spent over \$264,000 more on administration than peer districts in fiscal year 2020

In fiscal year 2020, the District spent over \$264,000 more on administration than the average amount its peer districts spent—peer districts that served a similar number of students as Young ESD served and, like Young ESD, also operated 1 school. The District's administrative costs were higher primarily because of additional administrative staff and higher salaries, 1-time payouts to individuals who separated employment, and associated legal fees. If the District resolves these inefficiencies and does not have future unforeseen 1-time payments and higher legal fee payments due to employee turnover, it could reduce its administrative spending and could instead spend these monies on instruction or other District priorities.

**District had higher administrative staffing and salaries**—In fiscal year 2020, Young ESD employed more administrative staff than its peer districts. Specifically, the District employed 1 full-time superintendent position (3 individuals filled this role during the year due to turnover), whereas all 5 peer districts either employed a part-time superintendent or a full-time employee to spend part of the day performing superintendent duties and the other part of the day performing other nonadministrative duties such as those of a classroom teacher. Similarly, the District had 1 full-time administrative assistant, whereas most peer districts employed a part-time administrative assistant. Also, some of the District's administrative positions were paid higher salaries than peer districts paid, on average. Accordingly, had the District staffed its administration and paid administrative salaries at the same level as the peer districts, it could have saved over \$105,000 in fiscal year 2020.

**District had higher expenses due to high superintendent turnover**—In fiscal year 2020, the District paid over \$21,000 in 1-time payouts to individuals who had held the superintendent position throughout parts

<sup>1</sup> No later than December 31 each year, the Arizona Department of Revenue, Property Tax Oversight Commission, identifies which districts cannot increase their property tax rates in the following year, freezing the district's tax rate at the rate set in the previous August. See A.R.S. §42-17151.

of the year and separated employment. Further, the District spent approximately \$40,000 on legal fees in fiscal year 2020 related to superintendent turnover. This was over \$13,000 higher than what the District paid for legal fees in fiscal years 2018 and 2019, on average. District officials stated that the District had high superintendent turnover during fiscal year 2020 as the District has a limited pool of candidates due to the District's remote location, and the individuals brought into the superintendent position were not prepared for the number of duties the position required in a small district.

### **Recommendation**

1. The District should monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels.

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

## **Issue 2: District spent more than \$21,600 of unauthorized monies to operate its community preschool program in fiscal year 2021**

According to District officials, the District began providing community preschool to increase District enrollment for students who would otherwise be homeschooled. In fiscal years 2020 and 2021, the District's half-day educational community preschool program was open to any preschool-age child living within the District's community. District officials stated that the District's goal was to charge a tuition rate that was low enough to be affordable for families but high enough to keep the families committed to bringing the students to school. In fiscal years 2020 and 2021, the District charged \$50 per month for regular education preschool students, charged a reduced rate of \$25 per month for regular education students who qualified for National School Lunch Program free and reduced-price lunches, and did not charge tuition for students with developmental delays. While federal and State laws require school districts to make available an educational program for preschool children with disabilities, they do not require school districts to provide educational community preschool programs, like the District's, that are open to all preschool-age children.<sup>2</sup>

According to a formal opinion issued by the Arizona Attorney General in 1982, "a community school program must be funded by fees, tuition, grants, or donations, and ordinary school district funds may be used only for the employment of a qualified director."<sup>3</sup> The formal opinion also states that operating "community school programs" could include an educational preschool program. Although the District received enough revenue through grant and tuition monies to cover the identifiable costs, such as teacher salary and instructional materials, associated with its community preschool program in fiscal year 2020, it did not in fiscal year 2021. The primary reason for this change is that in fiscal year 2020, the District obtained and received grants for its preschool students with developmental delays, but in fiscal year 2021, it did not have any students enrolled in its community preschool program with developmental delays and therefore did not receive any grant monies for fiscal year 2021 community preschool program students.

District officials stated that they had looked into other grants and additional funding for its community preschool program but have had difficulty applying for the funding due to the program's small size. As a result, in fiscal year 2021, contrary to the Attorney General opinion, the District used more than \$21,600 of District monies

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<sup>2</sup> 20 U.S.C. §1412(a)(1)(A) and Arizona Revised Statutes (A.R.S.) §15-771.

<sup>3</sup> Op. Atty. Gen. No. 182-136. See also A.R.S. §15-1142, which allows a school district governing board to establish and operate an educational community school program and establish tuition and fee charges for educational community school programs. In fiscal years 2020 and 2021, the District employed a part-time director to oversee its community preschool program.

intended to be used for its required K-12 instructional program, to pay for its community preschool program.<sup>4</sup>

## Recommendation

2. The District should determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. 182-136.

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

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<sup>4</sup> The District's spending of \$21,600 includes only those costs that we could identify, including the salary and benefits costs of the community preschool program's staff and amounts spent on the community preschool program's instructional materials. It does not include costs for heating, cooling, and maintaining the classroom space. Those items were not separately identified in the District's accounting data to allow us to include them in this analysis. Additionally, the \$21,600 does not include the salary and benefits costs for the community preschool program's part-time director as ordinary school district monies may be used for the employment of a qualified director. See Op. Atty. Gen. No. 182-136 and A.R.S. §15-1142.

## District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner, possibly resulting in lost cash and increasing risk of errors and fraud

The *Uniform System of Financial Records for Arizona School Districts* (USFR) requires districts to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, and provide prompt and intact depositing and ensure accurate recording of it.<sup>5,6</sup> Specifically, the USFR requires districts to prepare evidence of sequential prenumbered receipts for each cash or check payment received and that it be deposited at least weekly, or daily when significant. Further, it requires districts to reconcile those recorded prenumbered receipts to cash deposits to ensure all cash received was deposited. In fiscal year 2020, the District collected cash from various sources, such as preschool tuition, cafeteria and yearbook sales, student fundraisers, and community organizations. However, our review of the District's cash collections totaling \$145,658 in fiscal year 2020 found that the District did not follow several USFR requirements designed to safeguard cash, possibly resulting in lost cash and increasing the District's risk of errors and fraud. Specifically, the District:

- Did not always use prenumbered receipts and did not prepare receipts for certain types of cash collected**—The District did not always prepare sequential prenumbered receipts for each cash payment received and did not prepare receipts for some checks received through the mail as required by the USFR. Specifically, the District used copies of cash receipt forms and manually assigned a receipt number for all \$15,476 of its extracurricular activities fees tax credit and student activities cash collections, and it did not prepare receipts for \$117,305 of cash received through the mail from other governments, community organizations, and vendors. Without using sequential prenumbered receipts for all cash collections, the District would not be able to identify any cash missing from its deposits because manually assigned receipt numbers are more susceptible to risks of errors and fraud. District officials reported to us that the District wanted to have strong controls, and its practice required staff members to prepare receipts, but they may have had a lack of knowledge about specific USFR requirements.
- Did not always deposit cash timely**—The District deposited \$19,117 between 12 and 147 days after being collected contrary to the USFR requirement for timely cash deposits—meaning at least weekly, or daily when significant. The longer a district holds on to its cash before depositing it, the greater its risk of theft, loss, or misuse. Although District officials reported to us that the District's remote location makes it difficult to deposit cash weekly, which could allow the District to have an exception to USFR requirements, most deposits we reviewed were deposited many months after being received, which is not timely. Therefore, we recommend that the District establish a process to address this issue.

<sup>5</sup> The Arizona Auditor General and the Arizona Department of Education (ADE) developed the USFR pursuant to A.R.S. §15-271. The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

<sup>6</sup> The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other form of payment, such as money orders.

- **Did not reconcile receipts to deposits or provide documentation showing all monies from fundraisers were deposited**—Although the USFR requires reconciliations of cash receipts to cash deposits, the District did not do such a reconciliation. Therefore, we could not always locate receipt copies within deposit documentation, and we were unable to confirm whether 27 cash receipts totaling \$1,827 were deposited. For example, when we were attempting to reconcile receipts to deposits, the District could not locate \$600 of fundraiser cash collected by its Future Farmers of America student group. District officials reported that the \$600 was located in the safe when the District office closed due to the COVID-19 pandemic but could not provide evidence that these monies were subsequently accounted for and deposited into a District bank account. Because of the District’s lack of a reconciliation process and lack of documentation as well as several staff members having access to the District safe, we could not confirm whether those monies were deposited or lost to theft, loss, or misuse.

District officials stated that they understood the importance of following USFR requirements for cash collections and agreed to implement procedures to use and prepare sequential prenumbered receipts for all cash received, including those collections received through the mail, and reconcile receipts to deposits. They also stated they would consider implementing the USFR requirement for timely deposits. Further, establishing written policies and procedures and training staff members would help ensure the District complies with USFR requirements.

### **Recommendation**

3. The District should help ensure its staff members comply with USFR requirements to safeguard cash by:
  - a. Developing and implementing written cash-handling policies and procedures over cash collection, deposit, and review.
  - b. Using and preparing sequential prenumbered receipts for all cash received.
  - c. Maintaining evidence for all cash deposits.
  - d. Reconciling cash receipts to cash deposits.
  - e. Establishing a process for depositing cash at least weekly. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the requirement with guidelines and required secondary approvals.
  - f. Providing training on USFR cash-handling requirements and its District cash-handling policies and procedures to all employees involved in cash collection, deposit, and review.

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



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

### **District assigned some employees too much access to its accounting system, increasing its risk of unauthorized access, errors, and fraud**

The USFR requires that districts limit users' access to information and restrict the types of access to only what is necessary for them to carry out their assigned duties. However, our May 2021 review of accounting system access levels for the District's 4 business office employees and 1 consultant found that all 5 users' access allowed them to be able to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. In addition, the District granted administrator-level access to its accounting system to 2 of these business office employees. This type of access gave the 2 employees full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system. According to District officials, the District granted broad accounting system access, including administrative access, to business office employees to ensure they have sufficient access to maintain and continue business office operations. However, users with broad or administrative-level access could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees without detection. Additionally, none of the employee's job responsibilities required them to have this broad access. Although we did not identify any improper transactions in the items we reviewed, granting such broad access increased the District's risk of unauthorized access, errors, and fraud.

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

The USFR requires that upon termination of employment, access to information systems should be removed. However, our September 2021 review of District network user accounts found that 4 network user accounts were linked to terminated employees who were 2 months to almost 2 years post termination. Additionally, 1 of these accounts had broad, administrative network privileges. The District did not have a process to revise employees' access when they terminated employment and was not timely performing detailed reviews of user accounts and assessing their need for network access to ensure that access was disabled when it was no longer needed. The District allowing terminated employees access to its network increased the risk of unauthorized individuals accessing sensitive information. Further, not disabling administrative access from terminated users increased its risk of security breaches because hackers typically target administrator accounts for their greater access privileges, which could result in unauthorized access to and loss of sensitive data or disruption of District operations.

## District lacked an IT contingency plan, increasing its risk of interrupted operations and data loss

In fiscal year 2021, the District did not have a written, up-to-date IT contingency plan. To help ensure continued operations and data recovery in the event of a system outage, the USFR requires and credible industry standards, such as those developed by the National Institute for Standards and Technology, recommend that districts develop and implement an IT contingency plan. The plan should identify all critical systems, including the order in which they should be restored or criticality of the systems; clearly outline who is responsible for which activities during a system outage or attack; contain contingencies for continued business operations during a system outage; and contain detailed procedures for restoring critical systems and equipment. In addition to developing and implementing a comprehensive contingency plan, the District should test the plan at least annually to help ensure it is effective, which should include ensuring all parties understand their roles and responsibilities, identifying internal and external vulnerabilities, taking action to update equipment or remedy any issues identified, testing its ability to restore electronic data files for critical systems from backups, and documenting the results of the tests. District officials stated that they maintained backups of District data but were not aware of industry standards related to IT contingency plans. Not having a comprehensive contingency plan exposes the District to an increased risk of being unable to continue operations and restore the District's systems in the event of a system outage.

### Recommendations

The District should:

4. Limit 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.
5. Develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to help ensure employees' have only the access necessary to accomplish their job duties.
6. Immediately remove all network accounts associated with terminated employees and develop and implement a process to ensure that terminated employees have their access promptly removed.
7. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

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



# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 7 recommendations to the District

The District should:

1. Monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels (see Finding 1, pages 2 through 4, for more information).
2. Determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. I82-136. (see Finding 1, pages 2 through 4, for more information).
3. Help ensure its staff members comply with USFR requirements to safeguard cash by:
  - a. Developing and implementing written cash-handling policies and procedures over cash collection, deposit, and review (see Finding 2, pages 5 through 6, for more information).
  - b. Using and preparing sequential prenumbered receipts for all cash received (see Finding 2, pages 5 through 6, for more information).
  - c. Maintaining evidence for all cash deposits (see Finding 2, pages 5 through 6, for more information).
  - d. Reconciling cash receipts to cash deposits (see Finding 2, pages 5 through 6, for more information).
  - e. Establishing a process for depositing cash at least weekly. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the requirement with guidelines and required secondary approvals (see Finding 2, pages 5 through 6, for more information).
  - f. Providing training on USFR cash-handling requirements and its District cash-handling policies and procedures to all employees involved in cash collection, deposit, and review (see Finding 2, pages 5 through 6, for more information).
4. Limit 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 (see Finding 3, pages 7 through 8, for more information).
5. Develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to help ensure employees' have only the access necessary to accomplish their job duties (see Finding 3, pages 7 through 8, for more information).
6. Immediately remove all network accounts associated with terminated employees and develop and implement a process to ensure that terminated employees have their access promptly removed (see Finding 3, pages 7 through 8, for more information).
7. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results (see Finding 3, pages 7 through 8, for more information).



## Objectives, scope, and methodology

We have conducted a performance audit of Young Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2020 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. 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 2020 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 3 of the 30 individuals who received payments in fiscal year 2020 through the District's payroll system and reviewed supporting documentation for 12 of the 393 fiscal year 2020 accounts payable transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2020 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's 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 through 3 (see pages 2 through 8).

**Peer groups**—We chose not to report the District's percentage of students passing State assessments because the population of test takers was too small and providing the information could identify individual student results. For similar reasons, the Arizona State Board of Education did not report a letter grade for the District.

To compare the District's operational efficiency in administration, plant operations and maintenance, food service, and transportation, we developed peer groups in each area. For administration, 5 peer districts were selected that served a similar number of students as the District in fiscal year 2020. For plant operations and maintenance, 5 peer districts were selected that served a similar number of students and maintained a similar amount of square footage as the District in fiscal year 2020. For food service, 5 peer districts were selected that served a similar number of students and meals as the District in fiscal year 2020. For transportation, 5 peer districts were selected that drove a similar number of miles and transported a similar number of riders as the District in fiscal years 2016 through 2020.

**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 scoped operational areas 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*, District-wide building reports provided by the School Facilities Board, transportation safety reports provided by the Department of Public Safety, and reports required for the federal school lunch program. Additionally, we reviewed food service-monitoring reports, transportation route reports, Basic calculations for Equalization Assistance Reports, and Districtwide Budget Report provided by ADE. We also reviewed District-submitted compliance questionnaire results that its contracted external audit firm completed and District-provided fiscal year 2022 accounting system and network user account reports.
- **Documentation reviews**—We reviewed various sets of District documentation including statements for both District credit card accounts for fiscal year 2020; bank statements for 2 external bank accounts for fiscal year 2020; conflict-of-interest policies and disclosures; preschool tuition cash receipts for fiscal year 2020 and 2021; all District cash receipts, with the exception of cafeteria deposits for fiscal year 2020; and school bus driver files for the District's 1 school bus driver.
- **Analysis**—We reviewed and evaluated fiscal year 2020 spending on administration, plant operations and maintenance, food service, and transportation and fiscal year 2020 staffing and salaries for administration and compared them to peer districts'. We also compared the District's square footage per student, use of building space, building age, and meals served per student to peer districts'. Additionally, we reviewed the District's revenues and expenditures associated with its preschool program and food service program to determine whether the District was covering all its costs.

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



**YOUNG SCHOOL  
DISTRICT#5**

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Patrick O'Donnell, Superintendent

Young Elementary District #5  
PERFORMANCE AUDIT RESPONSE

Lindsey Perry  
Office of the Auditor General  
2910 N. 44th Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Perry, Young Elementary District #5 has received and reviewed the Fiscal Year 2020 Performance Audit Report. The District appreciates the professionalism (and understanding concerning our personnel changes) while conducting this audit. After review and reflection, the District agrees with the findings and recommendations. The District has implemented the recommendations and will work diligently to improve the processes and procedures as provided in the findings and look forward to working with the team in the follow-up period. Please find attached the District's response to each finding and recommendations.

Sincerely,

Patrick O'Donnell  
Superintendent

**Finding 1:** District spent \$264,000 more on administration than peer districts in fiscal year 2020 and \$21,600 of unauthorized monies on its community preschool program in fiscal year 2021 that it instead could have spent on instruction or other District priorities.

**Recommendation 1:** The District should monitor its administrative spending and identify and implement ways to reduce it, including by specifically assessing its administrative staffing and salary levels.

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

Response explanation: N/A

**Recommendation 2:** The District should determine whether it should continue offering its community preschool program and, if it does, charge fees or student tuition rates and/or obtain grants or donations that cover the costs of operating the program consistent with statute and Arizona Attorney General opinion No. 182-136.

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

Response explanation: N/A

**Finding 2:** District did not always use prenumbered receipts or ensure all cash collected was deposited in a timely manner, possibly resulting in lost cash and increasing risk of errors and fraud

**Recommendation 3:** The District should help ensure its staff members comply with USFR requirements to safeguard cash by:

- a. Developing and implementing written cash-handling policies and procedures over cash collection, deposit, and review.

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

Response explanation: N/A

- b. Using and preparing sequential prenumbered receipts for all cash received.

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

Response explanation: N/A

- c. Maintaining evidence for all cash deposits.

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

Response explanation: N/A

- d. Reconciling cash receipts to cash deposits.

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

Response explanation: N/A

- e. Establishing a process for depositing cash at least weekly. If the District cannot always timely deposit cash, it should establish a process for documenting exceptions to the requirement with guidelines and required secondary approvals.

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

Response explanation: The District will strive to deposit cash and checks in a timely manner, at least weekly, but it may be challenging due to our remoteness from a bank.

- f. Providing training on USFR cash-handling requirements and its District cash-handling policies and procedures to all employees involved in cash collection, deposit, and review.

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

Response explanation: N/A

**Finding 3:** District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access, errors, fraud, and data loss

**Recommendation 4:** The District should limit 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.

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

Response explanation: N/A

**Recommendation 5:** The District should develop and implement a process to assign new users appropriate access in the accounting system, a process to change employees' access if their assigned duties change, and a process to periodically review users' access to help ensure employees' have only the access necessary to accomplish their job duties.

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

Response explanation: N/A

**Recommendation 6:** The District should immediately remove all network accounts associated with terminated employees and develop and implement a process to ensure that terminated employees have their access promptly removed.

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

Response explanation: N/A

**Recommendation 7:** The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards and test the plan at least annually to identify and remedy any deficiencies and document the test results.

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

Response explanation: N/A

