



MORRISTOWN SCHOOL DISTRICT #75
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December 19, 2023

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

Ms. Lindsey Perry,

Morristown Elementary School District has received and reviewed the Fiscal Year 2022 Performance Audit Report. After our review and reflection, the District agrees with the findings and recommendations. Please accept our district response to the performance audit that you have recently completed. I would like to thank you for your assistance in providing direction for our district. Your staff was very cordial and has provided us with valuable information.

After several years of maintaining IGA's with a neighboring school district to support Administration, Business Services, Human Resources, Special Education, Technology, Maintenance, and Transportation, the Governing Board made the decision as of July 1, 2023 to bring all services back to the district. We have hired new staff to take on these roles and are working diligently with the Maricopa County School Superintendent's Office to provide training, and develop necessary processes and procedures in alignment with the USFR.

We look forward to continuing to collaborate with your staff in the future, and we thank you for your assistance.

Respectfully,

Dr. Jennifer Petty

Dr. Jennifer Petty
Principal/Superintendent

Finding 1: District used informal, deficient processes in some areas after it stopped outsourcing various District responsibilities, increasing risk to District assets and student safety

Recommendation 1: The District should perform its payroll and cash-handling responsibilities in conformance with the USFR and its school bus preventative maintenance in conformance with DPS' Minimum Standards.

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

Response explanation: Prior to July 1st, 2023 we did not have any written processes for staff to follow. However, since that time we are working with MCSSO to develop processes and procedures for all tasks. We currently have written procedures for revenue process as well as the expenditure cycle.

Recommendation 2: The District should utilize external guidance, such as from MCSSO staff or resources available on the Arizona Auditor General's website, to develop and implement written policies and procedures that require it to:

- a. Separate responsibilities in its payroll process to ensure that no individual employee is responsible for preparing payroll, authorizing payroll, and distributing warrants in accordance with the USFR;

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

Response explanation: Prior to July 1st, 2023 we did not have any written processes for staff to follow. However, since that time we are working with MCSSO to develop processes and procedures for all tasks. We currently have written procedures for revenue process as well as the expenditure cycle.

- b. Separate responsibilities in its cash-handling processes to ensure that no individual employee is responsible for cash-handling and recordkeeping functions in accordance with the USFR;

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

Response explanation: Prior to July 1st, 2023 we did not have any written processes for staff to follow. However, since that time we are working with MCSSO to develop processes and procedures for all tasks. We currently have written procedures for revenue process as well as the expenditure cycle.

- c. Perform and track systematic preventative maintenance on its school buses that considers maximum mileage and time frame intervals and the maintenance work that should be completed in accordance with DPS' Minimum Standards.

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

Response explanation: Prior to July 1st, 2023 we did not have any written processes for staff to follow. However, since that time we are working with MCSSO to develop processes and procedures for all tasks. We currently have had all vehicles inspected, and our buses will be inspected every winter break, summer break, and as needed in the future.

Recommendation 3: The District should identify and provide training to staff responsible for payroll, cash-handling, and school bus preventative maintenance to ensure they follow the developed policies and procedures.

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

Response explanation: Initial training has been provided to current staff and will continue as needed.

Recommendation 4: The District should ensure it continues to develop and implement processes, including creating written policies and procedures, for responsibilities other than payroll, cash-handling, and school bus preventative maintenance that it had previously outsourced in accordance with the USFR, DPS' Minimum Standards, and other applicable requirements and train applicable staff, accordingly.

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

Response explanation: Prior to July 1st, 2023 we did not have any written processes for staff to follow. However, since that time we are working with MCSSO to develop processes and procedures for all tasks. We currently have written procedures for revenue process as well as the expenditure cycle.

Finding 2: District did not comply with legal requirements in various areas, resulting in it spending monies for an unauthorized purpose, paying unnecessary penalties and fees, and limiting transparency into District activities

Recommendation 5: 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 statutory requirements 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: The ADE requires that we provide preschool for our students with special needs. Our IDEA preschool funding is not enough to cover the cost of the preschool program therefore; we have to have funding from other sources. We have applied for additional grants but have not received them. We also contacted the attorney general's office for clarification and suggested funding sources and were told that they

are working on a solution but do not have a recommendation at this time. We will continue to look for other funding sources to support our preschool.

Recommendation 6: The District should review and update its policies and procedures to ensure that employee tax withholdings are remitted in accordance with IRS requirements to avoid penalties and interest charges.

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

Response explanation: New staff has been hired; processes and procedures have been put into place so that all employee tax withholdings are remitted in accordance with the IRS requirements.

Recommendation 7: The District should review and update its policies and procedures to ensure that if employee tax withholdings are remitted late, the late payments are resolved in a timely manner.

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

Response explanation: New staff has been hired; processes and procedures have been put into place so that all employee tax withholdings are remitted in accordance with the IRS requirements.

Recommendation 8: The District should ensure it acknowledges the receipt and value of donations and that the Governing Board accepts all donations during meetings open to the public.

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

Response explanation: As of October 2023 there is an agenda item on all Governing Board Meetings to specifically accept all donations.

Recommendation 9: The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing open meetings. These policies and procedures should specifically require the Governing Board to accept donations in public meetings.

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

Response explanation: As of October 2023 there is an agenda item on all Governing Board Meetings to specifically accept all donations.

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

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

Response explanation: New staff has been hired; processes and procedures have been put into place to ensure all district actions are appropriately addressed and valid. We will also work with the Attorney General's Office to determine if an action needs to be taken for previously accepted donations.

Recommendation 11: The District should include in its employee training information regarding the importance of complying with State laws related to open meetings.

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

Response explanation: New staff has been hired; processes and procedures have been put into place to ensure all district actions are appropriately addressed and valid.

Finding 3: District did not provide required information about its retirement incentive program to ASRS, potentially resulting in unfunded liabilities and improper increases to future retirement benefits for some District employees

Recommendation 12: The District should work with the ASRS to:

- a. Determine if its termination incentive program created any unfunded liabilities and, if so, resolve them.

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

Response explanation: We are working with the ASRS to determine if there are any unfunded liabilities and if so to resolve them.

- b. Identify and correct any excess contributions that should not have been included as compensation for the calculation of ASRS benefits.

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

Response explanation: We are currently working with the ASRS to make any corrections.

Recommendation 13: The District should develop and implement written policies and procedures specifying the types of payments to employees that should be included as compensation for the calculation of ASRS benefits that comply with State laws and regulations.

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

Response explanation: We have corrected our implemented policies and are working to develop written documents to outline the procedures.

Finding 4: District increased risks to student safety by transporting a student in a vehicle that did not have important safety features and failing to ensure a school building was structurally sound

Recommendation 14: The District should ensure it transports all students to and from school using vehicles that meet all applicable safety guidelines, including DPS' substantive policy statement regarding the use of 11- to 15-passenger vans.

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

Response explanation: We are working to replace our 15 passenger van with a vehicle that meets all safety guidelines.

Recommendation 15: The District should ensure the potentially structurally unsound building on its elementary school campus does not pose a safety risk to students by taking action to remedy it, such as repairing or demolishing the building.

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

Response explanation: There are currently two structures keeping students/staff out of the building at this time and we are working on a plan to demolish the building.

Recommendation 16: The District should ensure that all school buildings meet the State's minimum school facility adequacy guidelines, including that all buildings are structurally sound.

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

Response explanation: The Arizona Department of Administration School Facilities Division was out in Dec. 2023 and provided the district with a report to verify the schools and relevant building systems meet the state's school facility adequacy guideline requirements.

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

Recommendation 17: The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employee's administrator-level access.

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

Response explanation: We worked with the MCSSO and all account access has been corrected.

Recommendation 18: The District should review and reduce the number of users with administrator-level access to its network and train employees on District policies regarding periodically reviewing network accounts to ensure access aligns with job duties.

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

Response explanation: New staff has been hired; processes and procedures have been put into place to ensure all district access to systems is correct and reviewed periodically.

Recommendation 19: The District should develop and implement a process to assign new employees 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: New staff has been hired; processes and procedures have been put into place to ensure all district access to systems is correct and reviewed periodically.

Recommendation 20: The District should work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no one person can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited, the District should implement compensating controls to limit risks of unauthorized access, errors, and fraud.

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

Response explanation: We worked with the MCSSO and all account access has been corrected.

Recommendation 21: The District should implement and enforce strong authentication controls such as multifactor authentication, including compensating controls if necessary, as required by the USFR, to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Response explanation: We use Google and have implemented multifactor authentication controls to Google. All of our other systems are third party systems and we are working to confirm they have controls in place.

Recommendation 22: The District should develop and implement policy and procedures to review the District's authentication controls against USFR requirements at least annually.

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

Response explanation: The district is currently working to develop and implement policy and procedures and they will be reviewed annually.

Recommendation 23: The District should require and track employee participation in security awareness training for employees who have not done so in the past year.

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

Response explanation: This has been implemented and we are currently 92% trained waiting on 2 participants to finish training.

Recommendation 24: The District should review its IT contingency plan to ensure that it meets USFR requirements and credible industry standards; test its plan at least annually to identify and remedy any deficiencies, which should include testing the District's ability to restore electronic data files for critical systems from backups; 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: We are working to establish and implement an IT contingency plan that is up to date with our current systems.