

East Valley Institute of Technology

Report 1 of 2

District spent \$85.9 million on career and technical education (CTE) programs in fiscal year 2022 but did not follow requirements, recommended practices, or its policies in various areas, increasing its risk for errors, fraud, and data loss; and did not collect, validate, and use key CTE program outcome data to demonstrate how it effectively prepared students for high-need occupations

Performance Audit

March 2024

Report 24-204

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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March 25, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
East Valley Institute of Technology

Dr. Chad Wilson, Superintendent
East Valley Institute of Technology

Transmitted herewith is a report of the Auditor General, *A Performance Audit of East Valley Institute of Technology—Report 1 of 2*, conducted pursuant to Arizona Revised Statutes §§15-393.01 and 41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience. This performance audit report is the first in a series of 2 reports on the District and focuses on the District's efficiency and effectiveness in 3 key areas described in the overview section: central programs, satellite programs, and administration and support services. The second and final report will specifically focus on the District's construction spending, including building a foster youth housing facility and renovating a building on its campus for a charter school, and its plans for operating the foster youth housing facility, due to issues identified during our audit.

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 Wilson 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

East Valley Institute of Technology Report 1 of 2

District spent \$85.9 million on career and technical education (CTE) programs in fiscal year 2022 but did not follow requirements, recommended practices, or its policies in various areas, increasing its risk for errors, fraud, and data loss; and did not collect, validate, and use key CTE program outcome data to demonstrate how it effectively prepared students for high-need occupations

Audit purpose

To determine if the District was meeting its statutory purposes to prepare students for high-need occupations, spending State monies appropriately, and following best practices.

Key findings

- District did not comply with important cash-handling requirements, resulting in potential loss of CTE program monies and increased risk of fraud.
- During fiscal year 2022, the District spent nearly \$14,500 to provide food and beverages at District events without Board approval, limiting public transparency into the District's activities.
- District's IGAs with member districts did not always provide member districts sufficient time to plan satellite programs, resulting in a member district spending monies to set up a program subsequently disapproved by the Board.
- District did not follow recommended practices for collecting, validating, and using key outcome data; calculating adult education fees to cover expenses, including not addressing a deficit of more than \$1.6 million in fiscal years 2021 through 2022; establishing a fund balance policy for its \$71 million in balances; and safeguarding sensitive computerized data.

Key recommendations

The District should:

- Establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, provide prompt and intact depositing, and ensure its accurate recording.
- Stop providing food and beverages for any purposes without prior Board approval, and for each allowable District event for which it provides food and beverages, the District should document its statutory authority and the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, and maintain documentation supporting all purchases.
- Update its IGAs with member districts to provide sufficient time for member districts to plan for approved satellite programs.
- Calculate the full cost of providing each adult education program, and use this information to set tuition and fees for these programs to ensure they cover program expenses.
- Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices, and analyze all CTE program outcome data to evaluate the effectiveness of the CTE programs in preparing students for high-need occupations and to support the investment of any public monies.



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Recommendations

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District did not have policy to direct amount and purpose of its \$59.2 million unspent general fund monies at end of fiscal year 2022

District had another \$12.2 million in unspent restricted monies and should consider any restricted monies available for general fund purposes when setting general fund balance policy

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District overview

The East Valley Institute of Technology (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school and adult students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General's [November 2020](#) and [October 2017](#) CTED special reports.

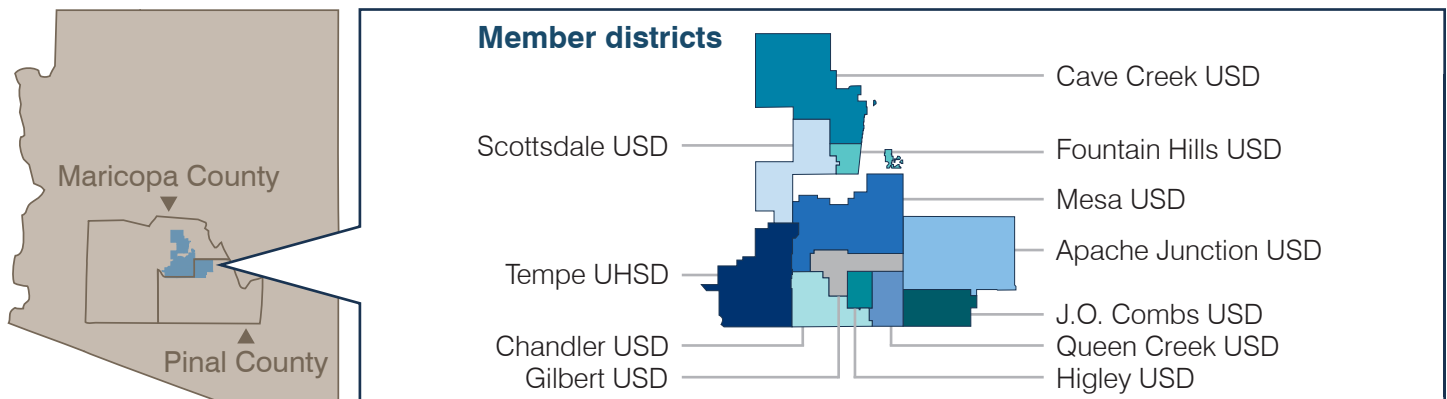
The District had 39 central programs with 8,092 enrollments and 38 satellite programs with 73,046 enrollments in fiscal year 2022.¹ See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

Key CTED terms

Member districts—Arizona public school districts that form or join a CTED.

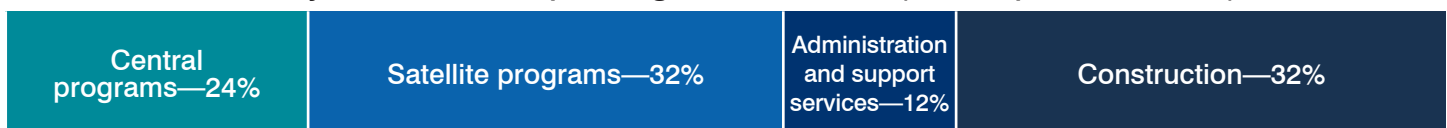
Satellite programs—CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.

Central programs—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.



This performance audit report is the first in a series of 2 reports on the District and focuses on the District's efficiency and effectiveness in the 3 key areas described in the overview section below: central programs, satellite programs, and administration and support services. The second and final report will focus on the District's construction spending, including building a foster youth housing facility and renovating a building on its campus for a charter school, and its plans for operating the foster youth housing facility, due to issues identified during our audit.

Fiscal year 2022 total spending—\$85.9 million (\$1,059 per enrollment)



¹ Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Audit results summary

Key areas reviewed

Central programs—spent over \$20.5 million on central CTE programs, but lacked complete and reliable outcome data for all central and satellite students to demonstrate that programs effectively prepared students for high-need occupations and operated its adult education program at a deficit

In fiscal year 2022, the District operated 3 central campuses, including central programs offered on-site at Apache Junction High School. However, the District's lack of complete and reliable outcome data for all central and satellite students prevents it from demonstrating how the \$85.9 million spent in fiscal year 2022, including \$20.5 million it spent on central programs, was effective in preparing students for high-need occupations (see Finding 4, page 12). Additionally, the District's adult education program tuition and fees did not cover program expenses, resulting in a deficit of approximately \$934,000 in fiscal year 2022 (see Finding 5, page 17). Finally, changes to State laws in 2022 allowed CTEDs to offer associate degree programs and the District's first associate degree program began operating in January 2024 (See Questions and Answers, page 35).

Satellite programs—spent almost \$27.9 million on satellite CTE programs, but timelines for approving satellite programs did not always provide member districts sufficient time to plan satellite programs and District did not monitor member districts to ensure they used CTE monies to supplement CTE program spending

In fiscal year 2022, the District allocated \$27.9 million in satellite funding to its member districts. However, the District's timelines for approving satellite programs did not always provide member districts sufficient time to plan satellite programs, resulting in a member district spending monies to set up a satellite program that was subsequently disapproved by the Board (see Finding 3, page 8). Additionally, the District did not ensure that member districts used allocation payments to supplement, and not supplant, their CTE spending (see Finding 7, page 24).

Administration and support services—spent almost \$10.5 million on administration and support services, but lacked important cash-handling controls, provided food and beverages at District events without Board approval, did not follow its process for distributing financial aid payments, and had several IT deficiencies increasing the risk for unauthorized access to sensitive information and data loss

In fiscal year 2022, the District's administration spending of \$4.1 million was primarily to pay for administrative salaries and benefits and insurance. The District also spent \$6.4 million on support services primarily for student support, instruction support, and plant operations salaries and benefits and central campus maintenance. However, the District lacked important cash-handling controls to ensure that it recorded all service fees in the District's receipting system or to support fee waivers, resulting in an increased risk of fraud (See Finding 1, page 3). The District also provided food and beverages at District events without Board approval, limiting public transparency into the District's activities (see Finding 2, page 6). Additionally, the District maintained a \$71.4 million unspent fund balance at the end of the year but did not have a policy regarding the purpose and amount of fund balance to maintain (see Finding 6, page 20). Further, the District did not follow its process for distributing financial aid payments, resulting in more than \$11,500 of overpayments to students and potentially preventing students with higher need from receiving financial aid (see Finding 8, page 27) and incorrectly accounted for vending machine revenues in a Gifts and Donations fund, potentially resulting in the District inaccurately reporting its financial information (see Finding 9, page 29). Finally, the District allowed excessive access to its sensitive computerized data and had other IT deficiencies, increasing the risk of unauthorized access to sensitive information, errors, fraud, and data loss (see Finding 10, page 30).

Construction services—spent over \$27 million on construction services to expand its Power campus

In fiscal year 2022, the District spent over \$27 million on construction, primarily for a new building on its Power campus. This spending was the main contributor in reducing the District's unspent fund balance by \$21.8 million in fiscal year 2022, and the District plans on continuing to use its unspent fund balance for central campus construction and remodeling costs (see Finding 6, page 20). Additionally, in fiscal year 2023, the District began construction of a foster youth housing facility on its campus for Arizona foster youth who age out of the system after receiving a \$10 million appropriation for the project. Information about the District's construction spending, including its spending to build the foster youth housing facility, will be included in our second and final performance audit report.



District did not comply with important cash-handling requirements, resulting in potential loss of CTE program monies and increased risk of fraud

Contrary to USFR cash-handling requirements, District did not implement effective controls to ensure it collected, deposited, and reconciled all cash received

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, provide prompt and intact depositing, and ensure its accurate recording.^{2,3} The USFR further requires districts to separate duties between employees with cash-handling and recordkeeping responsibilities including collecting, reviewing, and retaining supporting documentation. However, our review of the District's cash collection processes and documentation for cash received in fiscal year 2022 found that the District had not established and maintained effective policies and procedures to safeguard its cash, increasing its risk of errors and fraud. Specifically, the District:

- **Did not have procedures to ensure that all fees for services performed were recorded in the District's receipting system**—Some of the District's CTE programs, such as its Cosmetology programs, provide services to the public for a fee so that students can gain real-world experience related to their CTE program.⁴ For programs that offer these services, the District employs receptionists to welcome customers and collect service fees. Receptionists are required to check customers in and out using the District's system to record the services the customer received and payment of associated service fees. However, throughout fiscal year 2022, the District often operated its Cosmetology program without a receptionist responsible for checking customers in and out and accepting cash payments for services with fees typically ranging from \$2 to \$60 and up. When a receptionist was present, students and instructors were able to bypass the receptionist and provide services to customers without the receptionist checking the customers in or out, resulting in the District having no record of the services being performed or payment being made. Without a process to ensure that all transactions were recorded in the District's receipting system and monitoring to ensure that District instructors were following procedures, the District was unable to ensure that all fees paid for services by customers were collected and deposited, as required.
- **Did not collect, review, and retain documentation to support modifying transactions or waiving fees**—District officials reported that the District's informal policy allowed CTE program instructors to change prices for services or zero out transactions in the District's cash receipting system without providing

² The Arizona Auditor General and the Arizona Department of Education (ADE) developed the USFR pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR and related guidance 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.

³ The term "cash" used throughout this report includes cash (coins and dollars), checks, and any other physical form of payment, such as money orders. The District's cash receipting system also processed credit card transactions.

⁴ The District reported that in fiscal year 2022, its Cosmetology programs at the main and Power campuses collected a total of \$56,607 in service fees.

documentation to support that the modifications were necessary and proper. For example, District officials reported that some Cosmetology program instructors modified prices in the District's cash receipting system on a customer-by-customer basis to discount services when students made mistakes or attract more customers to the District's salon. We identified 60 zeroed-out transactions in fiscal year 2022 for salon and other haircut services without explanations or other documentation to support why the customers' transactions had been zeroed out. Due to the District's lack of documentation, we could not assess whether these modified transactions were justified and appropriate. Similarly, District officials reported that the District's informal policy allowed employees to waive parking permit fees for students after reviewing student information in the District's systems to verify students' eligibility for a waiver. However, the District did not collect, review, or retain documentation showing why 318 transactions for \$4,770 of parking permit waivers were zeroed out during fiscal year 2022. Further, our review of student information in the District's cash receipting system related to 20 of the 318 parking permit waivers identified 2 students who received waivers for which they did not appear to qualify, indicating that staff may have waived fees without assessing student eligibility.

Lack of effective cash controls resulted in potential loss of CTE program monies and increased risk of errors and fraud

The District's failure to implement important required cash controls resulted in the potential loss of CTE program monies. Specifically, in 2022, the District received allegations from a student and a District employee that 2 former Cosmetology program instructors were regularly seeing private clients in the District's salon. The District investigated the allegations and concluded that the 2 former Cosmetology program instructors had served customers in the District salon, used District products, accepted payments for services, and retained the service fees without recording the service in the District's cash receipting system. Additionally, the District's investigation report indicated that the former instructors allowed the students to also accept customers, use District products, accept payments for services, and retain the service fees without recording the service in the District's cash receipting system. At its June 27, 2022, meeting, the District's governing board (Board) considered a District recommendation to terminate the 2 instructors with cause; however, the Board instead approved a motion to terminate the instructors without cause.⁵ Due to deficiencies in the District's cash controls, the District was unable to assess the amount of public monies potentially taken as a result of instructors and students performing services for customers without collecting and recording the service in the District's system and remitting the public monies to the District. According to District officials, after terminating the 2 former Cosmetology instructors, the District provided training to the salon receptionist and the receptionist is required to ensure each salon customer has an appointment in the District's system and collects payment from customers for services. However, the District had not taken other actions, such as implementing a process to reconcile customer salon appointments in the system to cash collections and deposits, to help ensure that all salon customer appointments and payments are recorded in the District's system. The District updated its Cosmetology policies and procedures for checking in and out as well as waiving fees in November 2023. However, at the time of our review, it had not yet implemented these procedures.

Finally, although the District is not required to follow the State of Arizona Accounting Manual (SAAM), SAAM indicates that any State employee is responsible for reporting suspected fraud, theft, waste, or abuse to appropriate authorities including the Arizona Department of Administration's General Accounting Office, the Arizona Auditor General, and the Arizona Attorney General, and as may be relevant, the applicable law enforcement organization. Additionally, we regularly remind districts to contact our Office if they suspect fraud or have evidence a financial crime may have occurred. However, despite receiving allegations of theft in April 2022, the District did not report the suspected fraud to appropriate authorities, and as a result these authorities were unable to fulfill their responsibilities to independently investigate the suspected fraud. District officials indicated they were unaware that they should have reported the allegations to appropriate authorities.

⁵ At the June 2022 Board meeting, 1 of the 2 former instructors addressed the Board to deny the allegations and the District's investigation findings.

The District did not follow USFR requirements and relied on informal policies because it did not have a detailed, written policy for employees and students to follow and failed to monitor the cash collection process for its programs that offer services to customers. Although the District has a Board-approved policy for accepting cash payments for school sales and services, the policy does not include important details required by the USFR, such as how cash-handling and recordkeeping responsibilities should be separated between employees. Further, the District's policy does not detail what documentation is required to be maintained when employees waive fees, such as a waiver fee application form and supporting documentation. District officials reported that they had not followed USFR requirements because of understaffing of the finance department, which led to the lack of monitoring and oversight to ensure District staff, including instructors, were following District procedures. However, this explanation does not address why the District allowed employees the ability to adjust transactions without appropriate documentation to support that adjustments were valid and appropriate.

Recommendations

The District should:

1. Comply with USFR requirements to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, provide prompt and intact depositing, and ensure its accurate recording by developing detailed written policies and procedures for District staff that addresses allowable price modifications, required documentation supporting any modifications made, and when zeroed-out transactions are allowable.
2. Develop and implement processes for monitoring District staff, including CTE program instructors, to ensure they comply with the District's cash-handling policies and procedures.
3. Ensure cash receipt reconciliations are assigned to District staff and are completed, reviewed, and retained in accordance with USFR guidelines and the District's updated policy, including reconciling salon appointments to cash collections and cash deposits and reviewing all zeroed-out transactions to ensure they are documented accordingly.
4. Provide training on USFR cash-handling and recordkeeping responsibilities and District policies and procedures for price modifications and documentation requirements to all employees involved in cash collection, deposit, review, and approval.
5. Promptly report instances of suspected fraud, theft, waste, or abuse to appropriate authorities, including the Arizona Auditor General and the Arizona Attorney General.

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



Contrary to State laws, District spent nearly \$14,500 on food and beverages for District events without Board approval, limiting public transparency into its activities

Contrary to State laws and District policy, District spent nearly \$14,500 on food and beverages for District events without Board approval

According to statute, district governing boards may provide food and beverages at district events, including trainings and other official school functions, subject to certain restrictions, including the Arizona Constitution's gift clause and laws pertaining to travel and subsistence.^{6,7} Similarly, District policy indicates that the Board may provide food and beverages at District events, including official school functions and trainings. However, we found that the District may have acted contrary to statute and did not follow its policy when it provided food and beverages at District events without Board approval, resulting in it spending District monies without demonstrating it had been authorized to do so. Specifically, during fiscal year 2022, the District spent nearly \$14,500 to provide food and beverages at various District events but could not provide evidence that the Board had approved it to do so, including:

- **\$6,203 for employee appreciation**—The District purchased \$1,540 of catered food from its culinary program to provide a Thanksgiving dinner to its employees for an employee appreciation event in November 2021, and to provide an appreciation gift of baked goods to member district bus drivers in December 2021. The District also spent \$4,663 on food at a local restaurant for another employee appreciation event in May 2022 at all 3 District campuses, serving food and beverages to over 230 employees. However, contrary to statute, the District could not provide evidence that its Board had approved it to provide food and beverages at these events.
- **\$2,919 for Board meeting catering**—The District paid for its culinary program to provide meals and snacks at Board meetings but could not document the public purpose and benefit of these meals or provide any evidence indicating its Board had approved it to provide food and beverages at these meetings.
- **\$2,820 for employee training**—The District purchased breakfast for all staff from a local catering company for a back-to-school training in July 2021 but could not provide evidence that its Board had approved it to provide food and beverages at this event.
- **\$1,900 for student training**—The District's culinary program and Bistro 13, a restaurant operated by the District's culinary program students, provided a continental breakfast and lunch on 2 separate occasions

⁶ A.R.S. §15-342(39).

⁷ Arizona Constitution, Art. IX, §7, commonly referred to as "Arizona's gift clause," requires that a governmental entity only use public monies for a public purpose and that the value to be received by the public is not to be far exceeded by the consideration being paid by the public.

for student training purposes in November 2021 and February 2022 but could not provide evidence that its Board had approved it to provide food and beverages at these events.⁸

- **\$579 for superintendent and staff working lunches**—During fiscal year 2022, the District allowed the superintendent to purchase \$488 of meals from the culinary program at Bistro 13 for working lunches. Additionally, the District spent \$91 on food at a local restaurant for an automotive program working meeting in May 2022. However, the District could not document the public purpose and benefit of these meals or provide evidence that its Board had approved it to provide food and beverages at these events.

The District reported that it believed that it had statutory authority to provide food and beverages at District events without specific Board approval for each event and related expenditure. However, as previously discussed, only governing boards are statutorily authorized to provide food and beverages at District events, subject to the gift clause and other restrictions.⁹ By spending public monies on food and beverages without obtaining Board approval for each food purchase, the District cannot demonstrate that the Board had authorized it to make those purchases, limiting public transparency into its activities and using District monies that could have been redirected for other District priorities. Additionally, by not documenting the public purpose and benefit for each District event at which it provides food and beverages, the District cannot demonstrate that its food purchases did not violate the Arizona Constitution’s gift clause.

Recommendations

The District should:

6. Stop providing food and beverages for any purposes without prior Board approval.
7. Ensure it documents the public purpose and benefit of providing food and beverages at District events. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, and maintain documentation supporting all purchases.

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

⁸ According to its website, Bistro 13 is a student-run restaurant where students gain hands-on experience in cooking and restaurant operations.

⁹ A.R.S. §15-342(39).



District’s timelines for approving satellite CTE programs did not always provide member districts sufficient time to plan satellite programs, resulting in member districts operating programs without Board approval and spending monies to set up a satellite program that was subsequently disapproved

District is required to approve or disapprove new and existing member district CTE programs annually, but program approval timelines did not always provide sufficient time for member districts to plan satellite programs, resulting in satellite programs temporarily operating without Board approval

According to the District’s intergovernmental agreements (IGAs) with its member districts, the Board is required to annually approve or disapprove all new and existing satellite CTE programs. Member districts are required to annually submit information about new and existing satellite programs to the District, and the District evaluates the program information and may recommend to the Board that programs be approved or disapproved. As shown in Figure 1, page 9, the Board approved all member district requests for new satellite programs for the 2021-2022 and 2022-2023 school years, and approved 19 of 40, or 48 percent, of new satellite programs requested by member districts for the 2023-2024 school year.¹⁰ Of the 19 satellite programs approved by the Board, 18 were programs that were not offered at the District’s central campuses and the Board disapproved nearly all requested new satellite programs that were already offered at a central campus.¹¹

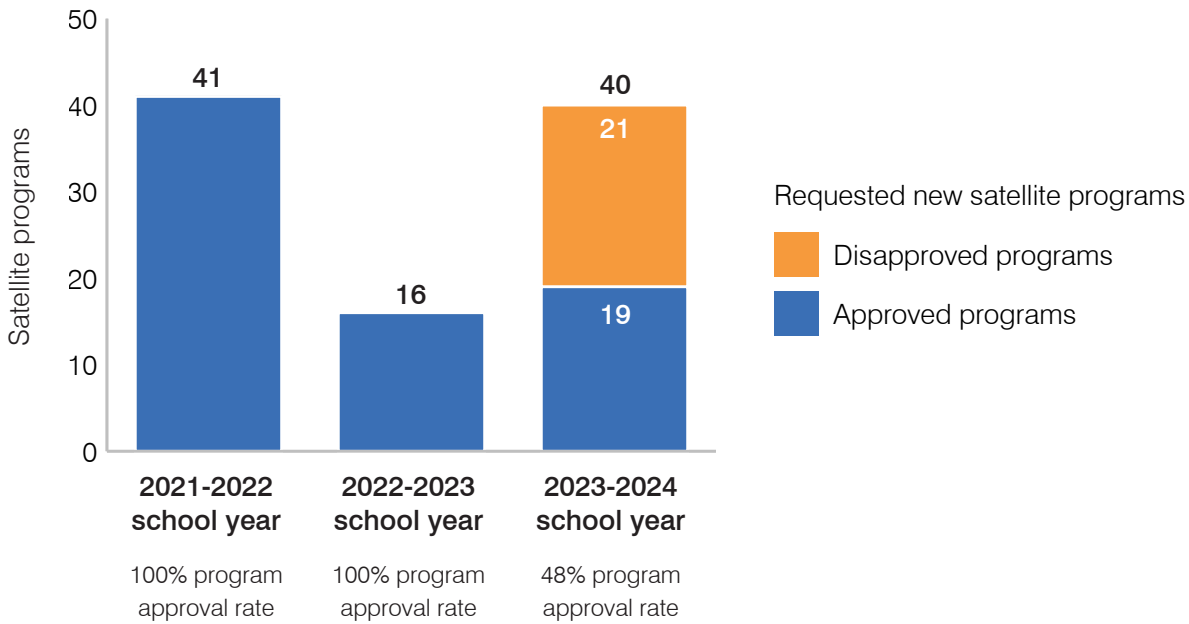
The District’s IGAs with member districts include timelines and deadlines for member districts, the District, and the Board related to their respective responsibilities for satellite program approval. Specifically, for new and existing program requests for the 2022-2023 school year, member districts were required to submit satellite program requests to the District by February 1, 2022, and the Board was required to vote to approve or disapprove satellite programs by September 30, 2022. However, the deadline for Board approval occurred after the start of the school year in which member districts requested to operate the satellite programs and the Board approved some new and existing satellite programs after the school year had started. As shown in Table 1, page 9, the Board approved all new and existing satellite programs for 5 member districts between 4 and 26 days after the start of their 2022-2023 school years, resulting in those member districts not having sufficient time to plan their satellite programs, such as by hiring teachers, planning class schedules, and enrolling students. Additionally, because the Board’s approval occurred after the school year started for these member districts, each member district operated all new and existing programs without Board approval

¹⁰ During each of these years, the Board approved all member district requests for existing satellite CTE programs.

¹¹ The Board approved 1 member district’s request for a new Engineering satellite program, a program also offered at a central campus, because students would have had to commute over 100 miles round-trip to the District’s central campus where its Engineering program is offered.

during the beginning of the school year. Member districts do not receive CTE funding for student enrollment in satellite programs that are not Board approved. Therefore, operating satellite programs without Board approval increases the risk that the member district will be required to use other monies to operate any satellite programs the Board disapproves after the start of the school year, diverting these monies from other member district priorities such as regular instructional costs or increasing teacher salaries.

Figure 1
Member districts’ requested new satellite programs approved and disapproved by Board 2021-2022 through 2023-2024 school years



Source: Auditor General staff analysis of District governing board meeting minutes from 2020-2021 through 2022-2023 school years.

Table 1
Board approved all new and existing satellite programs for 5 member districts between 4 and 26 days after the start of their 2022-2023 school years

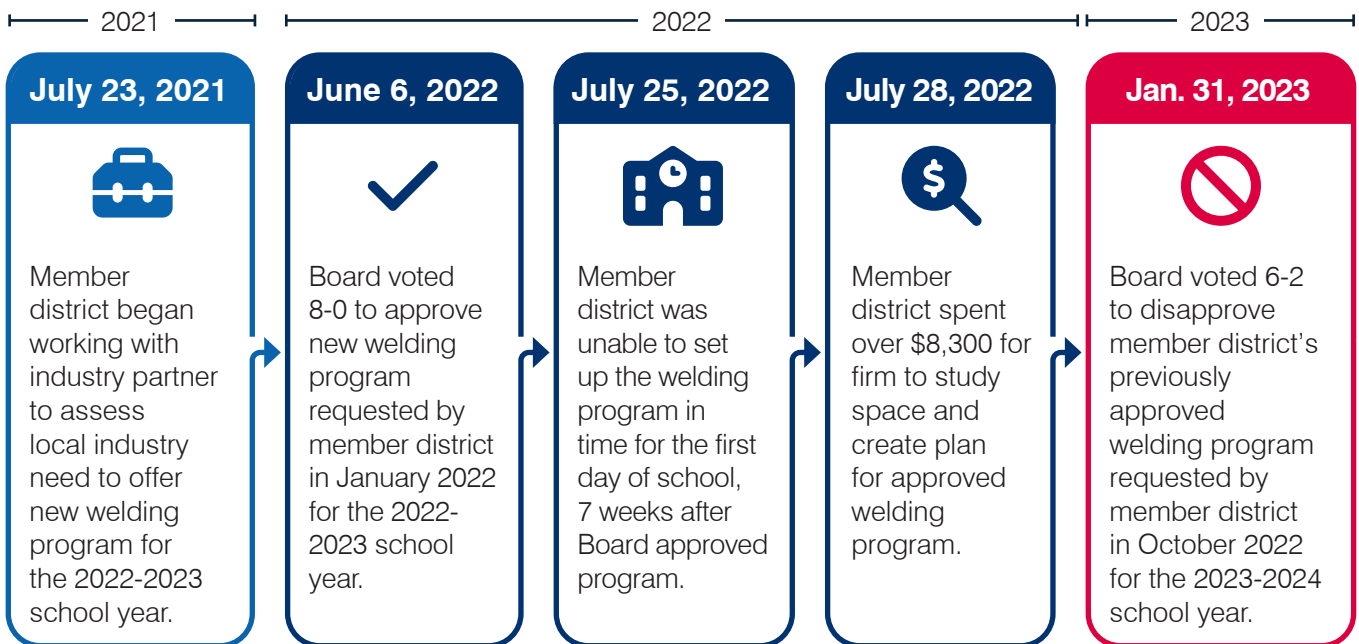
Member district with late approval date	School start date	Board approval date	Days operating without Board approval
Mesa USD	8/4/2022	8/8/2022	4 days
Tempe UHSD	8/4/2022	8/8/2022	4 days
Scottsdale USD	8/3/2022	8/8/2022	5 days
Fountain Hills USD	8/9/2022	8/22/2022	13 days
Queen Creek USD	7/27/2022	8/22/2022	26 days

Source: Auditor General staff analysis of District governing board meeting minutes from August 2022 and member districts’ school calendars for the 2022-2023 school year.

Insufficient program approval timelines contributed to member district spending public monies to plan for a Board-approved satellite program that was subsequently disapproved by the Board the following year

As previously discussed, satellite program approval timelines specified in the District’s IGAs with member districts did not always allow member districts sufficient time to plan for new and existing satellite programs for the intended school year. For example, 1 member district requested, and the Board approved, a satellite welding program for the 2022-2023 school year. However, as shown in Figure 2 below, the Board approved the member district’s welding program in June 2022, 7 weeks before the start of the member district’s school year. Member district officials indicated that due to the timing of the Board’s approval, the member district did not have sufficient time to set up the program for student enrollment in the 2022-2023 school year, as planned. For example, member district officials indicated that it would have taken about 6 months to set up the new welding program and due to the timing of the Board’s approval, the member district did not have time to construct the space, hire a qualified teacher, and enroll students. However, the member district began taking steps to operate the welding program in the following school year, including creating a budget for the program and paying more than \$8,300 for a vendor to review its facilities, including its electrical capacity, and create a plan for the member district to safely operate the welding program. The member district also worked with an industry partner that was willing to provide technical support for the program, such as ensuring that available rooms would work as appropriate lab space. Subsequently, the member district requested Board approval for its satellite welding program for the 2023-2024 school year. In January 2023—less than 8 months after approving the same satellite program at the same member district for the 2022-2023 school year—the Board voted to disapprove the member district’s welding program despite the member district having dedicated staff time setting up its welding program and spending more than \$8,300 for the program. The Board indicated that it disapproved the member district’s satellite welding program because a welding program was already offered at a central campus and had capacity for additional student enrollment.

Figure 2
Member district worked with an industry partner and spent over \$8,300 in preparation of an approved welding program for the 2022-2023 school year; subsequently disapproved by the Board for the 2023-2024 school year



Source: Auditor General staff analysis of District governing board meeting minutes from June 2022 and January 2023 and documentation provided by the member district.

District updated program approval timelines in its IGAs, but new timelines contain inconsistencies that may not provide sufficient time for member districts to plan satellite programs

In 2022, the District updated its IGAs with member districts, including the timelines for member district satellite program approval, to allow more time for member districts to plan their programs. Specifically, the updated IGAs required member districts to submit satellite program requests for the 2023-2024 school year to the District by October 1, 2022, and required the Board to vote to approve or disapprove the requested satellite programs by May 30, 2023. Additionally, the updated IGAs included a deadline of February 1, 2023, for the District to notify member districts whether their new and existing satellite programs had been approved by the Board.¹² However, these conflicting deadlines required that the District notify member districts whether their programs had been approved by the Board nearly 4 months before the Board was required to vote on program approval. The inconsistent deadlines in the IGAs may be confusing to member districts and may not provide member districts sufficient time to plan their CTE programs, such as by recruiting and hiring qualified teachers, planning class schedules, and enrolling students.

Recommendation

8. The District should work with member districts to update IGAs to ensure that deadlines for satellite program approval are consistent and provide sufficient time for member districts to plan for approved satellite programs.

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

¹²The Board voted on all new and existing member district program requests for the 2023-2024 school year by January 31, 2023, except for new program requests from 1 member district it delayed approving until April 24, 2023. The District informed its member districts of program approval on February 7, 2023, which was 6 days after the deadline to notify member districts.



District’s lack of complete and reliable key outcome data prevents it from demonstrating how the \$85.9 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

District is responsible for preparing students for high-need occupations and has been directed to collect, validate, and use key student outcome data to help assess program effectiveness

According to State statute, Arizona’s high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation.¹³ Additionally, statute requires CTEDs to contractually agree to provide ongoing evaluation and support of their member districts’ satellite campus programs to ensure quality and compliance.¹⁴ Therefore, it is important that CTEDs determine whether their programs are preparing students for high-need occupations and then use that information to evaluate and support their member districts’ satellite campus programs to ensure quality and compliance. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including the number of students obtaining jobs related to their CTE program after graduation and number of students earning industry certifications. Additionally, recent reports from national research organizations like Advance CTE have also identified these student outcome measures as important for evaluating CTE programs’ effectiveness.¹⁵ These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

Key term

High-need occupations—occupations that the Arizona Office of Economic Opportunity and ADE have identified as being high-skill, high-wage, or in-demand occupations within the State.

¹³ A.R.S. §§15-781, 15-391.

¹⁴ A.R.S. §15-393(L)(10)(b).

¹⁵ Advance CTE is a national nonprofit that represents state CTE directors and leaders and seeks to advance high-quality CTE policies and best practices. New Skills for Youth, Advance CTE, Council of Chief State School Officers, Education Strategy Group, Data Quality Campaign, and Workforce Data Quality Campaign. (2019). *The state of career technical education: Improving data quality and effectiveness*. Retrieved 2/20/24 from https://cte.careertech.org/sites/default/files/files/resources/State_CTE_Data_2019.pdf; New Skills for Youth, Council of Chief State School Officers, Advance CTE, Education Strategy Group, and Achieve. (2019). *Making career readiness count 3.0*. Retrieved 2/20/24 from https://cte.careertech.org/sites/default/files/files/resources/Making_Career_Readiness_Count_2019.pdf; and Results for America and MDRC. (2019). *What works in career and technical education: Evidence underlying programs and policies that work*. Retrieved 2/20/24 from <https://www.mdrc.org/publication/what-works-career-and-technical-education/file-full>.

Consistent with these national research organization reports, the District and other CTEDs and ADE have been directed to collect and report data related to student postgraduation employment and industry certifications earned to assess their CTE programs' effectiveness in preparing students for high-need occupations as follows:

- To implement accountability measures for Arizona CTE programs and to help ensure CTE programs equip students with the tools needed to enter the workforce after high school in jobs that demand highly skilled employees, statute requires ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTEDs' annual achievement profiles.¹⁶ Further, in our October 2017 and November 2020 Arizona CTED special studies, we recommended that CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, and use this data to help evaluate the effectiveness of their CTE programs in preparing students for jobs related to their CTE program.¹⁷
- To determine CTE programs' quality and compliance with statutory requirements, CTEDs, member districts, and ADE collaborated to create the *Quality and Compliance Monitoring Document* (Monitoring Document) which ADE began using to review CTED programs in fiscal year 2021. The Monitoring Document identifies the collecting, reporting, and use of data for continuous evaluation and program improvement as an element of a quality CTE program. Specifically, the Monitoring Document indicates that CTEDs should collect valid and reliable outcome data, including student job placement and industry certification information, to determine whether CTE programs meet State-determined performance levels.¹⁸ The Monitoring Document also specifies that CTEDs should implement a formal process for the systematic and continued use of data for program improvement, which should include a professional development plan to teach CTE staff and teachers how to use and analyze data for program improvement.
- To comply with federal Perkins Act accountability requirements, districts that received federal Perkins Act funding were directed to track and report student job placement data and industry certifications students earned to ADE.¹⁹
- To receive Arizona Industry Credentials Incentive Program (Incentive Program) monies, districts that voluntarily participated in the Incentive Program were required to track and report student industry certification data to ADE.²⁰

¹⁶ Laws 2016, Ch. 4, §§4,8, enacted A.R.S. §15-393.01 and included legislative intent language that stated that CTEDs "are an important component of a well-rounded education system by providing access to Career and Technical Education programs that offer training to students to equip them with the tools needed to enter the workforce after high school in jobs that demand highly-skilled employees. Restoring funding to CTEDs and implementing accountability measures to the programs was an important priority of members of the Arizona House of Representatives."

¹⁷ See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*. In May 2023, we issued a follow-up report on the implementation status of the recommendations from our November 2020 special study. Of the 10 recommendations made in our report, we found that 8 were in the process of being implemented, and 2 had not been implemented.

¹⁸ The State-determined levels of performance for each measure are included in the State's *Perkins V State Plan* that ADE submits to the U.S. Department of Education for review and approval.

¹⁹ The Perkins Act requires each state receiving Perkins Act funding to report certain outcome measures, such as positive student placements, meaning that students are employed, attending postsecondary school, or serving in the military or on a religious mission. Beginning in fiscal year 2020, states were also required to report industry certifications earned by students. The District and all member districts with satellite programs received federal Perkins funding in fiscal year 2022. One member district did not operate satellite programs and therefore did not receive federal Perkins funding in fiscal year 2022.

²⁰ A.R.S. §15-249.15. The Incentive Program provided an incentive award of up to \$1,000 to school districts, charter schools, and CTEDs for high school graduates who complete a CTE program and obtain a qualifying certification, credential, or license. The District and 8 of 11 member districts participated in the Incentive Program in fiscal year 2022. The Incentive Program has not received additional funding since fiscal year 2022, and ADE plans to distribute unexpended monies from previous fiscal year appropriations. For fiscal year 2023, ADE distributed incentive awards based on the CTE programs for high-need sectors for the 2022-2023 school year and each graduate generated no more than \$361.27. In fiscal year 2023, the District and member districts that participated in the program received a total of almost \$520,000.

Although District collected and validated some certification and postgraduation placement data, it did not collect complete data or use key student outcome data to help assess program effectiveness

District collected and validated some certification and student job placement data but did not collect complete data to help assess program effectiveness in preparing students for high-need occupations—In fiscal year 2022, the District and its member districts collected and reported to ADE some certification and job placement data on former students who had completed a CTE program. However, the District and its member districts did not collect all the data necessary to demonstrate whether their students earned industry certifications and obtained jobs in high-need occupations. The District was responsible for collecting outcome data for central campus students and each member district was responsible for collecting its own outcome data and used various data collection strategies for doing so. For example, the District and member districts collected job placement and certification data from CTE program graduates by collecting student and family contact information before the students graduated, contacting students on social media, sending surveys to students, and/or reviewing National Student Clearinghouse data to determine whether students were enrolled in postsecondary education.²¹ Despite these efforts, our review of the District's postgraduation placement data collected in fiscal year 2022 found that the District did not have placement information for 778 of 1,707 students, or 46 percent, who graduated from its programs in fiscal year 2021. Additionally, the various data collection strategies and efforts used by member districts resulted in varying levels of data quality and completeness among member districts. For example, 1 member district whose CTE teachers were responsible for tracking postgraduation placement data by contacting students directly collected placement data for 287 of 353 CTE fiscal year 2022 program graduates we reviewed. Another member district reported that it did not prioritize collecting job placement and certification data and reported to ADE in fiscal year 2022 that none of its 364 CTE program graduates were employed 6 months after graduation.

Additionally, despite ADE's Monitoring Document identifying valid and reliable outcome data as an important component of outcome data collection and analysis, the District and its member districts did not have documentation to support all certifications they reported students earned and did not validate the job placement data they collected. For example, while 1 member district retained copies of 273 of 282 certifications, or 97 percent, it reported students earned in fiscal year 2022 for the 3 programs we reviewed, another member district retained copies of only 31 of 78 certifications, or 40 percent, it reported students earned in fiscal year 2022 for the 3 programs we reviewed.²² District officials retained copies of at least 1 certification earned for 439 of 475 students, or 92 percent, of the students it reported earned at least 1 certification in fiscal year 2022 for 6 central programs we reviewed.

Additionally, our review identified instances where the District reported to ADE that CTE program graduates were placed in jobs related to their CTE programs, when their reported job instead appeared to be unrelated to their CTE program (see Table 2, page 15). For example, the District reported that 1 student who graduated from the Law and Public Safety program was placed in a job using program skills when the data it collected indicated the graduate was working as a caregiver for an in-home health service. The District reported another student who completed the Physical Therapy Assistant program as placed in a job using program skills when the data it collected indicated the graduate was working as a shift leader at a restaurant. We also identified instances where the District reported to ADE that students who had graduated were placed in jobs unrelated to their CTE programs although these graduates appeared to be working in jobs related to their CTE program. For example, the District reported that 3 Dental Assisting program graduates were placed in jobs not using program skills when the data it collected indicated these graduates were employed as dental assistants at

²¹ The National Student Clearinghouse is a national nonprofit organization that partners with nearly 3,600 postsecondary education institutions to collect data on students' postsecondary enrollment.

²² Our sample reviewed multiple industry certifications awarded for the 3 programs, all of which were related to the program and on ADE's fiscal year 2022 Identified Industry Certifications for CTED Eligibility list. Engineering students earned Autodesk Certified User certificates for both Fusion 360 and Inventor credentials as well as Certified SolidWorks Associate certificates, Marketing students earned RISE Up – Retail Industry Fundamentals and RISE Up – Customer Service and Sales certificates, and Sports Medicine students earned OSHA 10 – Healthcare certificates.

dental practices. Similarly, the District reported that 1 Fire Service program graduate was placed in a job not using program skills when the data it collected indicated the graduate was employed at a local fire district as a firefighter. By not taking steps to validate its job placement data, such as correcting apparent errors like those we identified, the District may not be accurately reporting its program outcomes to ADE, which could impact its federal Perkins Act funding.

Table 2
District’s placement data contained apparent errors

District program title	Postgraduation employment	Job duties	District reported
Law and Public Safety	Home health	Caregiver	Using program skills
Physical Therapy Assistant	Food service	Shift leader	Using program skills
Fire Service	Rural fire district	Firefighter EMT	Not using program skills
Dental Assisting	Pediatric dental practice	Dental assistant	Not using program skills

Source: Auditor General staff analysis of District’s fiscal year 2022 placement data reported to ADE.

District did not use outcome data it collected to assess the quality of its programs and could not demonstrate the \$85.9 million it spent on programs was effective in preparing students for high-need occupations—As previously discussed, although the District collected some key outcome data for its CTE program graduates, it did not validate and use the data it collected related to industry certifications earned and jobs obtained by its students to assess the quality of its programs. As a result, the District could not demonstrate to students, parents, the public, and State policymakers that its programs were effective in achieving its statutory purpose of preparing students for entry into high-need occupations. Although the District may be able to show on a limited basis that a student in 1 program obtained a job after graduation related to their CTE program or another student in a different program obtained a certification, the District could not demonstrate overall whether the \$85.9 million it spent in fiscal year 2022 enabled its programs to meet the statutory purpose. Further, the District could not provide students and parents necessary information to know whether attending the District’s programs would likely result in the student obtaining a high-need industry job. Finally, by not validating and monitoring complete key student outcome data, the District was unable to know whether public monies used on its specific programs may have been better spent on other, more effective programs.

Additionally, in fiscal year 2022, the District paid bonuses of \$2.56 per central program certification earned and \$1.80 per central program placement to each District employee based on this incomplete and potentially unreliable postgraduation placement and certification data.²³ District staff did not validate the placement data that was used to calculate bonus payments, and as discussed previously, the District maintained documentation of 92 percent of reported certifications for the 6 programs we sampled, indicating that the District may have paid bonuses to employees for certifications students reported earning, but for which the

²³ The District’s fiscal year 2022 Prop. 301 program included base pay and performance pay for instructional staff. In addition, instructional staff and noninstructional staff were paid additional monies based on students’ earned certifications and postgraduation placements for employment, attending postsecondary school, or serving in the military or on a religious mission. Bonuses were paid for the first reported certificate earned and the first reported postgraduation placement for each student, even if the postgraduation placement was not related to the student’s CTE program.

District had no documentation to support. By not validating the certification and placement data it uses to calculate District staff bonuses, the District cannot ensure the bonuses it pays to each employee, which totaled \$1.4 million in fiscal year 2022, or nearly \$6,000 per employee, are based only on certifications earned and students placed after graduation.²⁴

District reported it did not validate and use complete student job placement and industry certification data because it is difficult and would require significant investment

District officials and CTED member district CTE program administrators were aware of ADE's requirement that CTEDs and member districts collect and report complete student outcome data to ADE. However, District officials reported that they did not collect and report valid and reliable outcome data because of the difficulty in tracking and validating all job placements and certifications, the significant investment that would be required to obtain complete and reliable key outcome data, and turnover in staff responsible for collecting and monitoring this outcome data. Further, District officials stated that it was the member districts' responsibility to collect and report outcome data for their students to ADE and they were unaware that some member districts were having difficulty collecting student job placement and certification data. However, as previously discussed, the District is responsible for determining if member district programs are preparing students for high-need occupations, and the District cannot do so without receiving complete and valid outcome data, such as student job placement and certification data, for its central and satellite campus students.

District officials implemented a new process in fiscal year 2023 that requires teachers in central programs to collect student contact information at the end of each school year. District officials further stated that the District plans to implement a new student information system (SIS) that will help the District to improve communication with graduates completing a CTE program in fiscal year 2025, which they expect to help them improve collection of student outcome data.

Recommendations

The District should:

9. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.
10. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies, and use the results of its evaluations to make changes to its programs to ensure they are meeting their statutory purpose of preparing students for high-need occupations.

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

²⁴ In fiscal year 2022, the District paid bonuses for certifications and placements to 237 employees.



District’s adult education program tuition and fees did not cover program expenses, resulting in a combined deficit of more than \$1.6 million in fiscal years 2021 and 2022

Contrary to best practices, District did not calculate the full cost of providing adult education services to provide a basis for setting program tuition and fees

The Government Finance Officers Association (GFOA), an association of over 20,000 public finance officials from all levels of government whose mission is to advance excellence in public finance, has developed best practices that governments, including school districts, should follow for establishing charges and fees.²⁵ Specifically, GFOA best practices recommend calculating the full cost of providing a service in order to provide a basis for setting the charges or fees for recipients who benefit from the service. Entities should also review and update charges and fees periodically and provide information on charges and fees to the public. GFOA best practices also recommend that entities use long-term forecasting to ensure that charges and fees anticipate any future costs to provide a service, and when an entity does not recover the full cost of providing a service through the charges and fees paid by recipients, the entity should provide a rationale or explanation for not having done so.

However, in fiscal years 2021 and 2022 the District did not calculate the full cost of providing adult education services to provide a basis for setting tuition and fees for its adult education programs or use long-term forecasting to help ensure its program tuition and fees cover future program costs. Instead, District officials reported that they set adult education programs’ tuition and fees to be competitive with other comparable programs available to adult students. Specifically, District officials reported that the District set its adult education program tuition and fees by researching costs for other local schools offering similar adult education programs.

District operated its adult education programs at a combined deficit of more than \$1.6 million in fiscal years 2021 and 2022

Our review of the District’s adult education program revenues and expenditures found that the District operated these programs at a combined deficit of more than \$1.6 million in fiscal years 2021 and 2022. Specifically, in fiscal year 2021, the District spent \$673,000 more on providing adult education programs than it received in tuition and fees from adult students. In fiscal year 2022, the District spent an additional \$934,000 more on this program than it received.²⁶ District officials reported that they were unaware that the program operated at a

²⁵ GFOA. (2014). *Establishing government charges and fees*. Retrieved 2/20/24 from <https://www.gfoa.org/materials/establishing-government-charges-and-fees>.

²⁶ According to District officials, all adult education expenditures (Program 700) were paid for from Community Schools Fund revenues (Fund 520) in fiscal year 2022, and those revenues were used exclusively for adult education program costs.

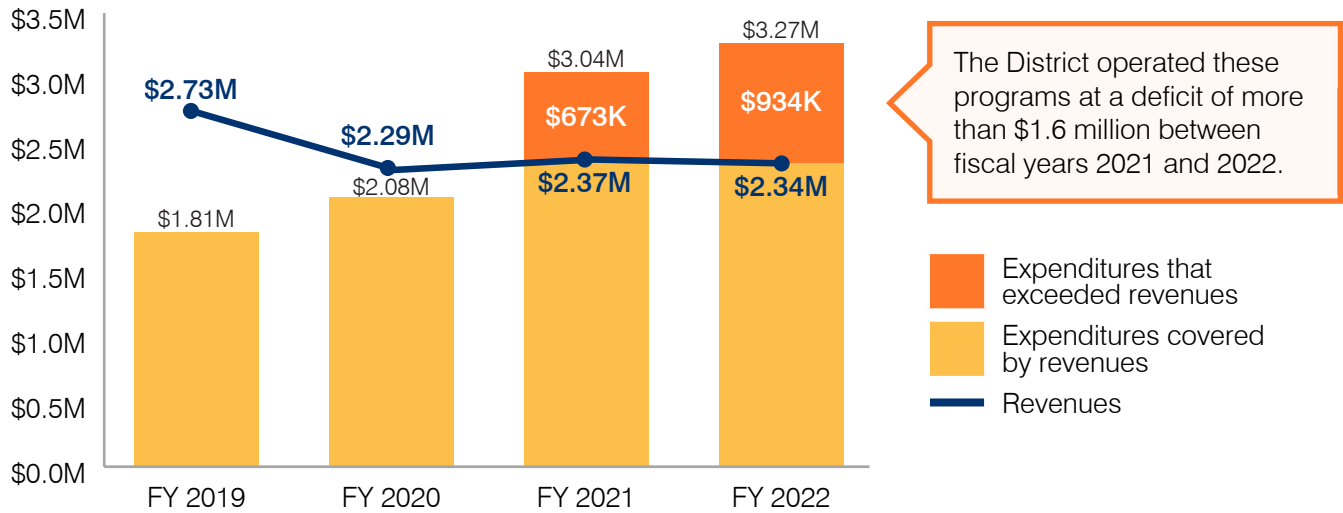
deficit because they did not have processes for monitoring adult education spending by program and had not completed an analysis to determine why adult education spending significantly increased in the prior 2 fiscal years. Although District officials stated that they have performed a program-level review of adult education programs, they were unable to provide any documentation that they conducted this review for any adult education programs.

Figure 3

District’s adult education deficit grew from \$673,000 in fiscal year 2021 to \$934,000 in fiscal year 2022, putting continued operation of programs at risk

Fiscal years 2019-2022

(Unaudited)



Source: Auditor General staff analysis of District-reported accounting data from fiscal years 2019 through 2022.

Although the District ended fiscal year 2022 with a Community Schools Fund balance of \$2.97 million for adult education programs, the District could deplete this fund balance in about 3.5 years if it continued to operate its adult education programs at a deficit similar to fiscal years 2021 and 2022. Further, community school programs are required to be funded by fees, tuition, grants, or donations.²⁷ Additionally, the District reduced tuition and fees for 7 of the 12 adult education programs by an average of over \$1,000 per program for fiscal year 2024.²⁸ For example, the District decreased the tuition and fees for their adult education welding program by \$2,260, from \$8,100 for fiscal year 2023 to \$5,840 for fiscal year 2024. District officials stated that they are lowering tuition and fees because the District is no longer providing some materials such as textbooks and equipment that students use in the programs. The District further reported lowering tuition for some programs being condensed to run for a shorter duration, which the District indicated may increase enrollment in those programs. However, the District was unable to provide documentation or an analysis to support how it arrived at these reductions. Additionally, if enrollment in those programs does not increase as expected or if the additional revenue from increased enrollment does not exceed the lost revenue from lower tuition and fees, these changes could further increase the District’s deficit for adult education programs and cause the District to deplete its Community Schools Fund balance sooner. In December 2023, District officials indicated they

²⁷ Op. Atty. Gen. No. I82-136. 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. Ordinary school district funds may be used for the employment of a qualified adult education program director, but the District did not employ an adult education program director in fiscal year 2022.

²⁸ The District reduced tuition in these 7 programs by between \$40 and \$2,260 per program. For the District’s 5 other adult education programs, the District raised tuition by between \$40 and \$300 per program for 4 programs and did not change tuition and fees for 1 program.

had identified \$950,000 in federal grant monies they planned to use to cover recent adult education program deficits. However, these federal grants were 1-time monies and the District cannot rely on receiving additional grant monies to cover future adult education program deficits.

By not setting adult education program tuition and fees to cover program costs, District risks having to discontinue or find other monies to continue operating adult education programs

Based on the District's fiscal year 2023 *Annual Financial Report* (AFR) presented to the District's Board on October 13, 2023, the District continued to operate its adult education programs at a deficit of approximately \$310,000 during fiscal year 2023. By continuing to operate its adult education programs at a deficit, the District increases the risk that it may deplete its accumulated Community Schools Fund balance. Further, the District began offering its first associate degree program in January 2024, which could cause the District to deplete this fund balance more quickly if it similarly does not set associate degree program tuition and fees to cover program costs. If the District depletes its Community Schools Fund balance, it will be required to find other monies that are allowed to be used to pay for adult education programs or may be required to discontinue some adult education programs to reduce its costs. Doing so may cause disruptions for enrolled students or make it more difficult for students to attend adult education programs. Additionally, the GFOA states that well-designed charges and fees not only reduce the need for additional revenue sources, but also promote efficiency for the service provided. By setting tuition and fees that do not cover the full cost of providing its adult education programs, the District risks that services offered to students may be negatively impacted if the District uses insufficient or substandard materials to save costs or is required to cut the hours of operation, the number of sections offered in certain programs, or support available to students, such as career guidance and counseling.

Recommendations

The District should:

11. Calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered, and provide updated program tuition and fees information to its Board.
12. Monitor adult education spending and complete long-term forecasting to anticipate future costs of providing adult education programs, including associate degree programs, to ensure its adult education program tuition and fees cover program expenses.

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



District accumulated over \$71 million in fund balances by end of fiscal year 2022 but did not have policy regarding amount to be maintained in its general fund or its intended purpose

To help ensure public transparency and accountability, best practices recommend District establish a fund balance policy for unspent monies in its general fund

The GFOA recommends that governments, including school districts, establish a formal policy for general fund balances. Specifically, the policy should include how much should be maintained in reserve as well as the intended purpose for those balances and should be adopted by appropriate policy bodies.²⁹ The unrestricted fund balance in the District's general fund consists of monies that it is able to spend on any allowable purpose. According to the GFOA, a government should consider its own unique circumstances and risks, including the predictability of its revenues and the volatility of its expenditures, when establishing this policy. Further, the GFOA recommends a government include in its formal policy the identified risks and other factors that were considered when adopting its fund balance policy to help explain to stakeholders the rationale for a seemingly higher or lower than normal fund balance. Finally, although there are no general Arizona school district-specific requirements regarding how much they can or should maintain in their general fund or for what purpose, the GFOA recommends that governments, including school districts, maintain a fund balance of at least 2 months of operating expenditures or revenues but notes that this can vary significantly based on each government's unique circumstances.

District did not have policy to direct amount and purpose of its \$59.2 million unspent general fund monies at end of fiscal year 2022

The District ended fiscal year 2022 with \$59.2 million in unrestricted and unspent monies in its general fund but did not have a formal policy specifying the amount to be maintained in its general fund or purpose for those monies as recommended by best practices.^{30,31} District officials stated that they were not aware of GFOA's recommendations and did not know that having such a policy was a best practice. During the audit in September 2023, the District's Board adopted a policy to manage capital reserves, but the policy did not include some GFOA-recommended provisions, such as how much should be maintained in reserve or plans to replenish the fund balance if it falls below this level.

²⁹ GFOA. (2015). *Fund balance guidelines for the general fund*. Retrieved 2/20/24 from <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund>.

³⁰ The \$59.18 million in the District's general fund comprises the District's Maintenance and Operation (M&O) and Unrestricted Capital Outlay funds.

³¹ Although not included as part of our review, the District's fiscal year 2023 AFR indicates that in fiscal year 2023, the District spent approximately \$83.5 million in monies from its general fund, and its general fund balance decreased to approximately \$42.8 million as of June 30, 2023.

The District's large fund balance in its general fund was the result of its annual revenues, which are primarily generated by the District's central and satellite programs, exceeding its expenditures annually between fiscal years 2018 through 2020, resulting in an unspent general fund balance of \$87.8 million at the end of fiscal year 2020. In fiscal years 2021 and 2022, the District's general fund expenditures exceeded its revenues by \$28.6 million, resulting in the District's \$59.2 million unspent general fund balance at the end of fiscal year 2022. The GFOA recommends a general fund balance of (at least) 2 months of operating expenditures or revenues. The District's unrestricted fund balance of \$59.2 million in its general fund at the end of fiscal year 2022 was approximately 9 months of operating expenditures, or 76 percent of its fiscal year 2022 general fund expenditures of \$77.6 million. In terms of revenues, the District's general fund balance was almost 13 months of general fund revenues. These amounts well exceeded the GFOA-recommended fund balance amount in the general fund and absent a formal fund balance policy for its general fund, the District was unable to demonstrate the purpose of its \$59.2 million unrestricted fund balance in its general fund.

District had another \$12.2 million in unspent restricted monies and should consider any restricted monies available for general fund purposes when setting general fund balance policy

District should consider monies available in all funds when establishing fund balance policy for its general fund—The GFOA's guidance states that financial resources available in other funds should also be considered when assessing the adequacy of the unrestricted fund balance in the general fund. Some balances in restricted funds may include resources available to pay for items that typically would require the use of the unrestricted fund balance monies and, in those cases, should also be considered when establishing a fund balance policy for the general fund. Accordingly, the District should assess whether monies in its restricted funds are available for general fund purposes when developing a fund balance policy for its general fund.

Additionally, the District stated in its fiscal year 2022 financial statements disclosure that when it incurred an expenditure that could be paid from either restricted or unrestricted fund balances, it used restricted fund balances first. The possibility of the District's continued expenditure, when allowable, of restricted funds before unrestricted funds further supports its need to consider the availability of restricted monies when establishing a fund balance policy for its general fund.

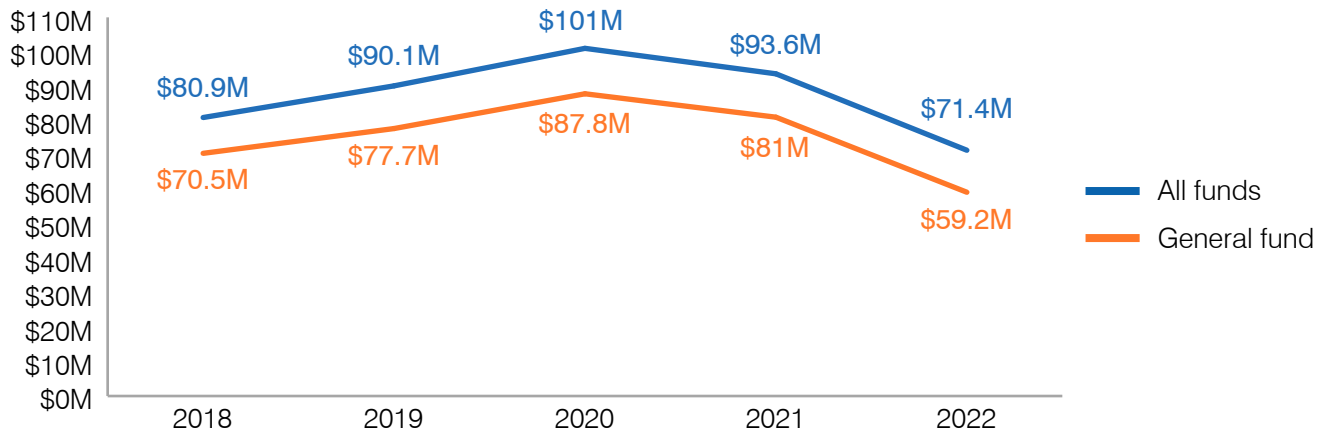
The District had \$12.2 million in unspent restricted fund balances at the end of fiscal year 2022—These monies were restricted to use primarily for instructional programs, instructional improvement, and adult education. Monies in some of these funds, like its Classroom Site Fund, Instructional Improvement Fund, and Community School Fund, were restricted to supplement spending on specific general fund purposes or allowed to be used for general fund purposes once other spending requirements in these funds had been met.

Large fund balances accumulated due to statutory change and District's planned expansion and remodeling of central campuses

As shown in Figure 4, page 22, the District's total fund balances (see All Funds trend line)—both unrestricted general fund and restricted funds—have increased annually between fiscal years 2018 through 2020. Part of the growth in total fund balances was due to annual growth in the District's general fund, also shown in Figure 4. The District's general fund was able to accumulate a large fund balance partly because of a 2016 State law change. Before the change, school districts were restricted to carrying forward only 4 percent of their revenue control limit in their M&O Fund's (included in its general fund) budget balance to the next fiscal year. In fiscal year 2016, the Legislature eliminated the 4 percent budget balance carryforward cap and also removed the statutory requirement for school districts to use any remaining cash balances beyond the cap to reduce taxes.³² These changes have allowed the District's M&O Fund's budget balance to grow well beyond what the cap would have allowed.

³² Laws 2016, Ch. 364, §§1 and 2.

Figure 4
District accumulated large fund balances
Fiscal years 2018 through 2022



Source: Auditor General staff analysis of District’s audited financial statements’ ending fund balance data for fiscal years 2018 through 2022.

District officials indicated that the District accumulated large unspent fund balances to prepare for expanding and remodeling its central campuses. Specifically, the District’s general fund balance decreased by approximately \$21.8 million, or about 27 percent, in fiscal year 2022, which District officials reported was because these monies were used to pay for the construction of a new building on its Power Campus.³³ Additionally, the *Superintendent’s Update* from May 2023 stated that remodeling began on several buildings at the District’s main campus and would continue through calendar year 2024. As of October 2023, District officials indicated the remodeling at its main campus was about 50 percent complete and that the District has spent approximately \$21 million to date on the project. The May 2023 *Superintendent’s Update* further indicated that construction began to widen the main entrance to the Power Campus, which District officials reported would cost approximately \$2.4 million.³⁴ Finally, the *Superintendent’s Update* stated that by January 2025, the District’s Board would seek to expand the Power Campus or secure land for a third central campus in the southern part of the District, but District officials reported as of October 2023 that they had not yet determined if this expansion was feasible and therefore did not have an estimate of its expected cost.

District’s fund balances do not appear to be result of underfunding its CTE programs

In January and February 2023, we visited 8 District satellite campuses and all 3 District central campuses. During our visits we did not observe substantial differences in equipment between the same programs at different campuses. We also did not observe any CTE classroom facilities that appeared clearly substandard and underfunded. Additionally, none of the CTE directors or teachers we spoke with told us that they had unmet equipment or funding needs in their classrooms and programs, and the District’s administrators were unaware of any additional equipment member districts wanted for their programs.

³³ As previously discussed, the District’s fiscal year 2023 AFR indicates that its general fund balance decreased to approximately \$42.8 million at the end of fiscal year 2023.

³⁴ District’s superintendent posts monthly updates in the *Superintendent’s Update* on the District’s website. See *Superintendent’s Update* (May 2023). Retrieved 2/20/24 from <https://www.evit.edu/about-evit/district-departments/evit-leadership-old/superintendents-updates/april-2023-superintendents-update-clone-clone>.

While the District's programs do not appear to be underfunded based on our observations, opportunities may exist for the District to spend its fund balance in its general fund, above any cap it may adopt in its policy, on efforts to improve its key student outcomes and improve its efficiency. Specifically, the District could explore whether it needs additional personnel:

- To collect, validate, and analyze central and satellite program certification and job data. With complete and high-quality data, the District could evaluate whether its programs prepare students to earn certifications and fill jobs in high-need occupations (see Finding 4, page 12, for more information).
- To develop, implement, and monitor policies and procedures to improve the effectiveness of the District's CTE programs, including increasing the number of students passing certification exams and filling jobs in high-need occupations.

Recommendations

The District should:

13. Implement GFOA's best practices recommendations and update its fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.
14. Develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

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



District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

CTEDs should ensure member districts use CTE monies to supplement CTE satellite program spending

Statute requires member districts to use all CTED monies received to supplement and not supplant base year member district spending on CTE courses. The base year is defined as the complete school year in which voters elected to join the CTED. Supplementing occurs when a member district spends monies received from the CTED in addition to the amount the member district spent in the base year on CTE programs. Supplanting occurs when a member district uses monies received from the CTED to replace some or all of its base year spending amount on CTE programs. For example, a member district that spent \$1,000 per student on CTE courses in its base year is required to continue annually spending at least \$1,000 per student of non-CTED monies for its CTE programs.³⁵ If after joining the CTED the member district reduced its spending of non-CTED monies to \$300 per student for its CTE programs and used CTED monies to cover the remaining \$700 per student that it previously spent on CTE courses with non-CTED monies, it potentially supplanted \$700 in spending per student, contrary to statute.^{36,37}

Statute further requires member districts to report to their CTED's governing board and ADE how monies the member district received from the CTED were used to supplement, and not supplant, their base year CTE spending.³⁸ Our Office developed a worksheet that member districts are required to annually complete to determine if they potentially used CTED monies to supplant CTE program spending in the current year. Further, the District's IGAs with member districts require member districts to complete and submit supplanting worksheets and supporting documentation to the District annually by October 31. Finally, statute requires CTEDs to contractually agree to provide ongoing evaluation and support of its member districts' satellite campus programs and courses to ensure quality and compliance, which can include whether member districts are supplanting CTE program spending.³⁹

³⁵ The CTED supplanting worksheet adjusts the District's base year per student spending amount for inflation.

³⁶ A.R.S. §15-393(AA)(1) defines base year as the complete school year in which voters of a school district elected to join a CTED.

³⁷ A.R.S. §15-393(D)(7).

³⁸ A.R.S. §15-393(D)(7). Member districts are required to include a copy of the CTED supplanting worksheet when submitting their AFR to ADE annually by October 15.

³⁹ A.R.S. §15-393(L)(10)(b).

District did not monitor whether member districts supplanted CTE program spending, potentially resulting in lower-quality satellite programs

Despite the various requirements previously discussed for member districts to annually report information about its CTE program spending, District officials reported that its member districts had not provided the District with any supplanting worksheets or supporting documentation in fiscal year 2022 to demonstrate that they were using monies received from the District to supplement base year CTE program spending, as required by each member district's IGA with the District, and the District had not taken action to obtain these worksheets and supporting documentation from its member districts. Further, District officials were unaware whether member districts provided statutorily required information to ADE or the District's Board. Our review of the fiscal year 2022 worksheets member districts provided to ADE found that 3 of the District's 10 member districts that offered satellite programs did not submit required worksheets to ADE prior to the annual reporting deadline.⁴⁰ Additionally, we found that 3 of the 7 member districts that submitted the required worksheets appeared to be supplanting their base year CTE program spending, contrary to statute.⁴¹ However, the District was unaware of this information until we brought it to their attention and had not taken appropriate action to ensure member districts complied with the statutory requirements previously discussed.

By not monitoring member district spending to ensure that member districts did not supplant base year CTE program spending, the District could not identify its member districts that appeared to be supplanting CTE program spending and take appropriate action. Additionally, if member districts improperly supplanted base year CTE program spending, the District's satellite program quality may have been impacted because it had fewer resources to dedicate to providing quality equipment and supplies.

District officials reported that they did not monitor member district spending because they were unaware of member districts' statutory requirement to provide supplanting worksheets to the District's Board and ADE. Additionally, despite the requirement in its IGAs with member districts for member districts to not supplant base year spending, the District did not have a process to monitor CTE monies provided to member districts to ensure they were not being used to supplant member district CTE program spending. Further, although the District's IGAs require member districts to complete and submit supplanting worksheets and supporting documentation to the District each year, the IGA lists an outdated report, USFR Memorandum 219, which was replaced by the required worksheet and instructions in September 2017. Finally, the District did not have formal guidance or a documented process, such as within its IGAs for member districts, for taking appropriate action when it identifies member districts supplanting CTE program spending.

Recommendations

The District should:

15. Ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.
16. Ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to the District, ADE, and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

⁴⁰ Cave Creek USD, Chandler USD, and Fountain Hills USD did not submit required fiscal year 2022 worksheets to ADE.

⁴¹ Gilbert USD, Scottsdale USD, and Tempe UHSD appeared to be supplanting in fiscal year 2022.

17. Ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

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



District awarded more financial aid to 31 students than allowed by its procedures, potentially preventing students with higher need from receiving financial aid

District developed procedures for awarding emergency financial aid to students, but did not consistently follow its procedures, resulting in more than \$11,000 in overpayments to 31 students

The federal Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) provided the U.S. Department of Education approximately \$22.7 billion to distribute to institutions of higher education to prevent, prepare for, and respond to the coronavirus pandemic through the Higher Education Emergency Relief Fund II program (HEERF II).^{42,43} Through these laws, the District received approximately \$118,000 in March 2021 that it was required to use and provide emergency financial aid grants to its adult students. In determining how to distribute financial aid awards to students, the CRRSAA required the District to prioritize students with exceptional financial need, such as those eligible to receive Pell grants.^{44,45}

The District developed an application form for students requesting emergency financial aid grants from HEERF II monies and students were required to provide financial information as part of the application form to allow the District to determine applicants' financial need, consistent with requirements. Specifically, the District's written procedures required each applicant to report their monthly income and expenses and the District would calculate applicants' financial need based on this information. The District's procedures indicated that all applicants would receive a minimum of \$100, regardless of financial need, and applicants reporting a monthly deficit because they reported more monthly expenses than income would be awarded 3 times their monthly deficit, up to a maximum award of \$1,500.

Between May and August 2021, the District received applications and awarded \$118,541 to 242 students who applied for emergency financial aid grants. We reviewed the District's financial need calculations for all 242 applicants and found that 31 of 242 students were awarded more financial aid than they should have been awarded according to the District's written procedures, resulting in \$11,558 in total overpayments. For example, the last 9 students who submitted their applications for emergency financial aid grants between July and August 2021 were each paid the maximum award of \$1,500 regardless of the students' reported financial need. However, based on the District's procedures, 7 of these 9 students received emergency financial assistance award overpayments ranging from \$600 to \$1,400, resulting in \$8,677, or 75 percent, of the overpayments we

⁴² U.S. Department of Education. (2021). *HEERF II Public and Private Nonprofit Institution (a)(1) Programs (CFDA 84.425E and 84.425F) Frequently Asked Questions*. Retrieved 2/20/24 from <https://www2.ed.gov/about/offices/list/ope/updatedfaqsfora1crrssaheerfii.pdf>.

⁴³ Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, § 314, 134 Stat. 1182, 1932.

⁴⁴ HEERF II monies were made available to institutions serving post-secondary students, and only the District's adult students enrolled in the District's adult education programs were eligible to receive financial aid payments. All students mentioned in this finding are adult students.

⁴⁵ Pell Grants are awarded to undergraduate students who display exceptional financial need and have not earned a degree.

identified. Five of these 9 students reported monthly income equal to or more than their expenses, indicating that their emergency financial assistance award should have been \$100 each, rather than the maximum award of \$1,500, according to the District's procedures. The District did not have documentation to support why it deviated from its procedures in awarding emergency financial aid grants to these applicants. We additionally found that the District overpaid 24 other students a total of \$2,881 based on their District-calculated financial need without documenting why it deviated from its procedures in awarding emergency financial aid grants to these applicants. District officials indicated that the employees who were responsible for calculating financial need and determining award amounts were no longer employed by the District and they could not provide an explanation for why the award amounts were inconsistent with District procedures.

District lacked controls to ensure it complied with its procedures for awarding financial aid to students, and as a result, District may not have followed requirement to prioritize students with exceptional need

As previously discussed, the District received approximately \$118,000 in HEERF II monies that it was required to use to provide emergency financial assistance to students, prioritizing students with exceptional need. Although the District's procedures appear to have been developed to prioritize students with the highest need, the District lacked important controls to ensure it followed its procedures. For example, District officials reported that 2 former District employees were responsible for calculating applicants' financial need and determining the financial aid award amounts but were unsure if they performed a secondary review. District officials reported that its expenditure approval processes did not specifically consider if award payments were calculated in accordance with the District's procedures before disbursing the payments. By lacking controls to ensure that financial aid awards to students were accurately calculated consistent with its procedures, the District increased its risk for errors and may not have prioritized students with exceptional financial need as required by CRRSAA.

Recommendation

18. The District should ensure its established procedures for disbursing grant monies meet applicable federal guidelines and follow these established procedures when disbursing grant monies to students.

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



District incorrectly accounted for vending machine revenues, potentially affecting the accuracy of its financial reporting

The USFR establishes and prescribes the Chart of Accounts that school districts are required to follow when accounting for its revenues and expenditures. According to the USFR, revenues and expenditures arising from miscellaneous district-related operations should be accounted for in the Auxiliary Operations fund. The USFR also states that Gifts and Donations funds should account for the revenues and expenditures of gifts and donations made to a district for an intended purpose. However, our review of the District's fiscal year 2022 accounting data found that, contrary to USFR requirements, the District deposited approximately \$4,800 of vending machine revenues and associated interest into a Gifts and Donations fund, and had done so for many years.⁴⁶ The District's accounting of its vending machine revenues as Gifts and Donations is contrary to the USFR's description of the Gifts and Donations fund and these revenues should have been deposited into the Auxiliary Operations fund because they were revenues from miscellaneous district-related operations. By not properly accounting for these revenues, the District may have inaccurately reported its financial information. District officials acknowledged that the District's vending machine revenues were not Gifts and Donations, and that these revenues should have been accounted for as Auxiliary Operations monies.

Recommendations

The District should:

19. Ensure it accurately accounts for its vending machine revenues consistent with USFR's Chart of Accounts, including depositing those to the Auxiliary Operations fund.
20. Evaluate its existing Gifts and Donations fund balance to identify and reclassify all previously misclassified vending machine revenues consistent with USFR's Chart of Accounts.

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

⁴⁶ District officials reported the District established the fund no later than 2009 and that the fund held only District deposits related to vending machine contracts and associated interest revenue payments. As of June 30, 2022, the fund balance was approximately \$234,500.



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

District has not complied with important IT security requirements and recommended practices

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 several 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. Additionally, the District was the target of a ransomware attack in January 2024 and, as of February 2024, was working with external legal counsel and data security consultants to investigate the cyber incident, demonstrating the importance of the District addressing the deficiencies we identified.

Deficiency 1: District did not regularly review and limit user access to its network and critical systems, increasing its risk of unauthorized access to sensitive information, data loss, 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 users to carry out their assigned duties. The USFR further requires that when user accounts are no longer needed, such as accounts associated with employees who leave District employment, access to information systems should be immediately disabled. Credible industry standards recommend that districts develop policies and procedures to regularly review and limit user access, which would help the District ensure it meets these USFR requirements. However, our February 2023 review of accounts on the District’s network, SIS, and accounting system found the District did not regularly review and limit users’ access to what they need to perform job duties (see Table 3, page 31). Additionally, contrary to credible industry standards, the District did not require employees with administrative access to the District’s network and SIS to use separate, non-administrative accounts to perform their day-to-day activities.

Further, our June 2023 review of accounting system access levels for the District’s 68 active users at the time of our review found that 15 users’ access was more than what was necessary to complete their job duties and allowed these users the ability to initiate and complete payroll transactions without another employee reviewing and approving the transactions. Additionally, 11 of these 15 users’ access also allowed them to initiate and complete purchasing transactions without another employee reviewing and approving the transactions. As a result, the District increased its risk of unauthorized access to its systems and any sensitive information on those systems and potential data loss. Further, although we did not identify any improper transactions due to these deficiencies, system access beyond what is needed for an employee’s job duties increases the risk of errors and fraud.

Table 3**District did not meet USFR requirements to restrict user access across critical IT systems**

Requirement	Network	Student information system	Accounting system	Summary
Limit the number of users with administrator-level access	X	✓	X	We identified 7 network and 7 accounting system administrator accounts that did not require this level of access.
Disable/remove accounts that no longer need access	X	X	X	We identified at least 23 network, 4 SIS, and 6 accounting system accounts that were no longer needed.
Adequately remove terminated employees' access	X	✓	X	We identified 5 network and 2 accounting system user accounts that were associated with terminated employees. ¹

¹ When we brought these accounts to the District's attention, it terminated access for all 7 of the accounts, which had been active for between 3 and 18 months after the associated employees no longer worked for the District.

Source: Auditor General staff analysis of February 2023 District network, student information system, and accounting system accounts and June 2023 accounting system access levels.

We also reviewed the District's June 2023 accounting system user access report and found 6 active County employees with administrator-level access. This level of access allowed County employees the ability to initiate and complete payroll and purchasing transactions without a District employee reviewing and approving the transactions. However, as stated previously, this level of access is contrary to USFR requirements, because users with administrator-level access have full control over all system settings and can grant themselves full access to view and edit all system information, which increases the risk of errors and fraud. District officials reported that they have not discussed with the County whether these 6 user accounts require administrator-level access and had not considered any changes to County access since the District switched internal administrator-level access from the business office to the IT department. Credible industry standards, such as those developed by NIST, recommend that compensating controls be used to reduce risk to an acceptable level as they provide alternative and suitable security and privacy protections to facilitate risk management.⁴⁷ Further, the U.S. Government Accountability Office (GAO) states that while entities may have external parties perform certain operational processes for them, such as County employees providing support for the District's accounting system, District management retains responsibility for the processes assigned to external parties.⁴⁸ However, the District had not implemented compensating controls, such as reviewing County employee user activity logs, to ensure that the activities performed by the County users with administrator-level access are necessary and appropriate. Further, although we did not identify any improper transactions due to these deficiencies, unauthorized activities performed by County users with administrator-level access may go undetected by the District, increasing the risk of errors and fraud.

⁴⁷ NIST. (2020). *NIST Special Publication 800-53B: Control baselines for information systems and organizations*. Gaithersburg, MD. Retrieved 2/20/24 from <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53B.pdf>.

⁴⁸ U.S. GAO. (2014). *Standards for internal control in the federal government*. Washington, DC. Retrieved 2/20/24 from <https://www.gao.gov/assets/gao-14-704g.pdf>.

Deficiency 2: District’s authentication controls did not meet USFR requirements and credible industry standards, putting District operations at risk

The USFR requires that districts implement strong passwords that align with credible industry standards as well as multifactor authentication (MFA) for all users with remote access, administrative access, and access to its critical IT systems, or implement compensating controls if any of these systems are not capable of implementing MFA. However, as of February 2023, contrary to USFR requirements, the District’s password requirements were not aligned with credible industry standards, such as those developed by NIST, and the District did not require MFA to sign into some systems or implement compensating controls for systems not capable of implementing MFA to adequately secure any systems and related data. As a result, the District increased the risk that unauthorized individuals could access sensitive District information and disrupt District operations.

Deficiency 3: District did not conduct security awareness training for new staff, increasing employees’ vulnerability to cyberattacks

According to the USFR and credible industry standards, basic security awareness training that addresses prevention and detection of technology-related threats should be provided to all users at least annually. This is important because cyberattacks commonly use social engineering techniques to trick employees into giving up sensitive information or downloading dangerous software. As of February 2023, District officials reported that although the District requires employees to take security awareness training annually, it did not require new employees to take security awareness training when they started their employment with the District. Providing security awareness education and training to new employees would help the District ensure that its employees are aware of the need to protect District systems and the risks associated with information security, the importance of complying with District policies, and their individual information security responsibilities.

Deficiency 4: District’s IT contingency plan lacked key components, increasing its risk of interrupted operations and data loss

To help ensure continued operations and data recovery in the event of a system outage, the USFR requires and credible industry standards 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 stored offsite, and documenting the results

Figure 5 District’s contingency plan missing key components

- ✓ Identify all critical systems.
- ✗ Indicate system restoration order.
- ✓ Outline individual responsibilities.
- ✗ Contain plans for business continuity.
- ✗ Include detailed restoration steps.
- ✗ Test and update plan annually.

Source: Auditor General staff review of District’s contingency plan, USFR requirements, and credible industry standards.

of the tests. However, our review of the District's contingency plan in February 2023 found that it was missing key components, such as indicating the order in which critical systems would be restored in the event of an outage and detailed restoration steps, as well as a plan for business continuity. Additionally, the District had not updated its plan since at least December 2021 and did not provide evidence that they had tested the plan annually, as recommended by credible industry standards. Not having a comprehensive contingency plan that is regularly updated and tested 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.

District reported a lack of knowledge of requirements and credible industry standards and staff turnover contributed to its failures to comply with IT requirements

District officials reported various reasons for the IT deficiencies we identified. For example, the District reported that its authentication controls, security awareness training, and contingency planning did not align with credible industry standards because the District was unaware of the USFR requirements for IT security and credible industry standards. However, the USFR, which all school districts are required to follow, provides guidance and resources for districts to implement IT security requirements. Additionally, District officials stated that the District granted broad accounting system access to business office employees because ongoing staff turnover in the accounts payable and payroll departments made it difficult to separate duties until newly hired staff were fully trained. However, the District did not adjust accounting system access after business office employees had been trained. Finally, the District had not taken steps required by the USFR, such as developing policies and procedures, to ensure it complied with important IT security requirements.

Recommendations

The District should:

21. Review and reduce the number of users with administrator-level access to its network and critical systems to only those individuals with a business need for administrator-level access.
22. Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assess their access level and need for network and critical systems access to ensure that access level was appropriate, and access was promptly disabled when it was no longer needed.
23. Improve procedures to ensure that terminated employees have their network and accounting system access promptly removed to reduce the risk of unauthorized access.
24. Limit employees' access in the accounting system to only those accounting system functions needed to complete their job duties.
25. Develop and implement formal processes to assign new employees appropriate access in the accounting system and to change employees' access if their assigned duties change to help ensure users have only the access necessary to complete their job duties.
26. Work with the County to 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 require administrator-level access to perform their job duties, the District should implement compensating controls, such as reviewing activity logs, to limit the risk of unauthorized access, errors, and fraud.
27. Implement and enforce strong authentication controls such as MFA and strong passwords, or compensating controls when MFA is not possible, that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

28. Develop and implement a formal process to review the District's authentication controls against industry standards at least annually.
29. Establish and implement a District policy to conduct mandatory employee security awareness training, at least annually, including security awareness training for new staff when they start their District employment.
30. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards, perform documented tests against the plan, at least annually, to identify and remedy any deficiencies, and update the plan based on the results of these tests.

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



District Associate Degree Programs—Statutory requirements and District actions as of January 2024

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Question 1: What authorizes CTEDs to offer associate degrees and what does statute require CTEDs to do to offer these programs?

Laws 2022, Ch.198, §1, created a new State law, A.R.S. §15-398, which allows CTEDs to offer associate degrees for certain CTE programs. Specifically, CTEDs may only offer an associate degree program that meets all applicable accreditation and state licensure requirements and that is for a CTED program on the in-demand regional education list.⁴⁹

Before a CTED offers an associate degree program, it is statutorily required to:

- Apply for accreditation from a regional accreditation agency.
- Submit a report to its governing board before the board authorizes the associate degree program that includes various program information, such as the mode of instruction; total credit hours necessary to complete the program; projected enrollment by year for the first 3 years; evidence of market demand; new resources required including a long-term plan for faculty recruitment; and proof of transferability of credits earned in the proposed degree program to another accredited institution for each program offered, among other information.
- At least 60 days before submitting the required report to its governing board, notify public universities and community college districts with main campuses located in the same county as the CTED that the CTED is developing an associate degree program.

⁴⁹ A.R.S. §15-393(Y) requires the Arizona Office of Economic Opportunity, in collaboration with ADE, to compile an in-demand regional education list of the approved CTE programs that lead to a career path in high-demand jobs.

A CTED's governing board is statutorily required to make its determination on whether to offer an associate degree program based on all the following criteria:

- Industry demand for the program.
- A financial analysis showing the short- and long-term impacts to initiate and sustain the program including the source of monies, facilities requirements, faculty, personnel, and administrative costs.
- Whether the program would unnecessarily duplicate degree programs offered by other in-state higher education institutions.
- The ability of the CTED to support the program with facilities, faculty, administration, libraries, and other resources.

Additionally, CTEDs that offer an associate degree program are statutorily required to provide students at the time of enrollment in the associate degree program a list of institutions to which the student's associate degree is transferrable.

Question 2: What information must be reported and what are the required reporting deadlines for CTEDs offering associate degree programs?

CTEDs offering an associate degree program must meet various reporting requirements to the Governor, President of the Senate, the Speaker of the House of Representatives, the Joint Legislative Budget Committee (JLBC), and the Joint Legislative Audit Committee (JLAC) related to associate degree program operations, such as information about the total number of applicants, students admitted, and students completing associate degrees; average cost of tuition per credit hour for each associate degree program; and information regarding job placement of students completing associate degree programs. Specifically, on or before December 1 each year, CTEDs offering associate degrees are required to report to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the JLBC all the following information for the preceding school year:

- The total number of students pursuing an associate degree at the CTED.
- The total number of associate degrees completed at the CTED.
- Workforce data showing demand for each associate degree program offered at the CTED.
- The average cost of tuition per credit hour for each associate degree program offered at the CTED.

Additionally, CTEDs offering associate degrees are required to submit a report to the JLAC on or before October 1 of the fifth year after initially offering an associate degree program. The report is required to review the first 5 years of the associate degree program at the CTED and to include all the following:

- The number of associate degree programs implemented at the CTED.
- For each associate degree program, the number of applicants; the number of applicants admitted; the number of applicants enrolled; and the number of applicants who received degrees.
- The costs of each associate degree program, including cost per degree and the funding sources that are used to finance each degree program.
- Current trends in workforce demands that require associate degrees in each specific associate degree program offered.
- Current completion and continuation rates, if available, for each cohort of students participating in each associate degree program.

- The extent to which each associate degree program fulfills identified workforce needs for new associate degree programs.
- Information on the job placement of graduates of each associate degree program.
- For each associate degree program, the costs to students, the amount of financial aid offered, and the student debt levels of graduates.
- Time-to-degree rates and completion rates for each associate degree program.

District officials indicated that the District was prepared to comply with the various reporting requirements for its associate degree programs. However, as reported in Finding 4, page 12, the District did not collect complete and reliable post-graduation job placement data for its high school CTE programs, and therefore could not demonstrate that its programs were effective in achieving the statutory purpose of preparing students for jobs in high-need occupations. Therefore, the District should similarly ensure it develops and implements consistent data collection protocols for its associate degree programs to ensure it has the necessary information to comply with statutory reporting requirements.

Question 3: What associate degree programs does the District offer and plan to offer?

The District began operating its Surgical Technology program in January 2024 and is in the process of planning 2 additional associate degree programs, Paramedic and Registered Nursing, that it expects to begin offering later in 2024. District officials stated that they chose these 3 associate degree programs because of industry need and waitlists for these programs at other institutions. Additionally, District officials reported that one of the District's accrediting agencies, the Commission on Accreditation of Allied Health Education Programs, required the District to offer its Surgical Technology program as an associate degree program to maintain program accreditation, which is why the District has prioritized this program.

We reviewed District-provided information in December 2023 to assess whether the District had met the statutory requirements to offer its Surgical Technology associate degree program and found that the District had met all requirements we reviewed. For example:

- The District is accredited by the Council of Occupational Education (COE) and obtained COE approval for its Surgical Technology program in June 2023.⁵⁰
- The District notified a public university and a community college district with main campuses in the same county as the District of its Surgical Technology program in August 2023.
- The District presented its planned Surgical Technology program to the Board for approval in October 2023 and the Board voted unanimously to approve the program.

However, District officials indicated that they have not met all these requirements for the 2 programs planned to operate later in 2024. For example, District officials reported that they are currently in the process of pursuing COE approval for the 2 additional associate degree programs and program licensure for its Registered Nursing program from the Arizona Board of Nursing.

Additionally, as reported in Question 1, the District is required to provide students with a list of institutions to which the student's associate degree is transferrable at the time of enrollment, and the District provided documentation that it shared with students indicating that credits from students' general education courses are transferrable to 1 for-profit institution. However, District officials indicated having difficulty entering into articulation agreements or memorandums of understanding with in-State universities and community college districts for its Surgical Technology program. For example, the District provided correspondence from 1 in-

⁵⁰ The District is required to be accredited by COE to offer associate degree programs. Additionally, COE must approve each associate degree program.

State public university indicating that the university only accepted transfer credits from regionally accredited post-secondary institutions, and the District was not regionally accredited. The District applied for regional accreditation in September 2023.

The District began operating its Surgical Technology program in January 2024, with program tuition costing \$19,120 per student. District officials plan to operate the other 2 planned associate degree programs later in 2024, but the costs for those programs had not been presented to the Board at the time of our review. However, as reported in Finding 5, page 17, the District's adult education programs have operated at a deficit over the last 3 fiscal years because the District did not set tuition and fees to cover the full cost of offering the programs. Therefore, the District should ensure that it sets tuition and fees for its associate degree programs such that they cover the full cost of operating the programs and should monitor program spending and conduct long-term forecasting to ensure program tuition and fees cover expenses.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 30 recommendations to the District

The District should:

1. Comply with USFR requirements to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, provide prompt and intact depositing, and ensure its accurate recording by developing detailed written policies and procedures for District staff that addresses allowable price modifications, required documentation supporting any modifications made, and when zeroed-out transactions are allowable (see Finding 1, pages 3 through 5, for more information).
2. Develop and implement processes for monitoring District staff, including CTE program instructors, to ensure they comply with the District's cash-handling policies and procedures (see Finding 1, pages 3 through 5, for more information).
3. Ensure cash receipt reconciliations are assigned to District staff and are completed, reviewed, and retained in accordance with USFR guidelines and the District's updated policy, including reconciling salon appointments to cash collections and cash deposits and reviewing all zeroed-out transactions to ensure they are documented accordingly (see Finding 1, pages 3 through 5, for more information).
4. Provide training on USFR cash-handling and recordkeeping responsibilities and District policies and procedures for price modifications and documentation requirements to all employees involved in cash collection, deposit, review, and approval (see Finding 1, pages 3 through 5, for more information).
5. Promptly report instances of suspected fraud, theft, waste, or abuse to appropriate authorities, including the Arizona Auditor General and the Arizona Attorney General (see Finding 1, pages 3 through 5, for more information).
6. Stop providing food and beverages for any purposes without prior Board approval (see Finding 2, pages 6 through 7, for more information).
7. Ensure it documents the public purpose and benefit of providing food and beverages at District events. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, and maintain documentation supporting all purchases (see Finding 2, pages 6 through 7, for more information).
8. The District should work with member districts to update IGAs to ensure that deadlines for satellite program approval are consistent and provide sufficient time for member districts to plan for approved satellite programs (see Finding 3, pages 8 through 11, for more information).
9. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data (see Finding 4, pages 12 through 16, for more information).

10. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies, and use the results of its evaluations to make changes to its programs to ensure they are meeting their statutory purpose of preparing students for high-need occupations (see Finding 4, pages 12 through 16, for more information).
11. Calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered, and provide updated program tuition and fees information to its Board (see Finding 5, pages 17 through 19, for more information).
12. Monitor adult education spending and complete long-term forecasting to anticipate future costs of providing adult education programs, including associate degree programs, to ensure its adult education program tuition and fees cover program expenses (see Finding 5, pages 17 through 19, for more information).
13. Implement GFOA's best practices recommendations and update its fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund (see Finding 6, pages 20 through 23, for more information).
14. Develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes (see Finding 6, pages 20 through 23, for more information).
15. Ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219 (see Finding 7, pages 24 through 25, for more information).
16. Ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to the District, ADE, and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet (see Finding 7, pages 24 through 25, for more information).
17. Ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending (see Finding 7, pages 24 through 25, for more information).
18. The District should ensure its established procedures for disbursing grant monies meet applicable federal guidelines and follow these established procedures when disbursing grant monies to students (see Finding 8, pages 27 through 28, for more information).
19. Ensure it accurately accounts for its vending machine revenues consistent with USFR's Chart of Accounts, including depositing those to the Auxiliary Operations fund (see Finding 9, page 29, for more information).
20. Evaluate its existing Gifts and Donations fund balance to identify and reclassify all previously misclassified vending machine revenues consistent with USFR's Chart of Accounts (see Finding 9, page 29, for more information).

21. Review and reduce the number of users with administrator-level access to its network and critical systems to only those individuals with a business need for administrator-level access (see Finding 10, pages 30 through 33, for more information).
22. Develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assess their access level and need for network and critical systems access to ensure that access level was appropriate, and access was promptly disabled when it was no longer needed (see Finding 10, pages 30 through 33, for more information).
23. Improve procedures to ensure that terminated employees have their network and accounting system access promptly removed to reduce the risk of unauthorized access (see Finding 10, pages 30 through 33, for more information).
24. Limit employees' access in the accounting system to only those accounting system functions needed to complete their job duties (see Finding 10, pages 30 through 33, for more information).
25. Develop and implement formal processes to assign new employees appropriate access in the accounting system and to change employees' access if their assigned duties change to help ensure users have only the access necessary to complete their job duties (see Finding 10, pages 30 through 33, for more information).
26. Work with the County to 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 require administrator-level access to perform their job duties, the District should implement compensating controls, such as reviewing activity logs, to limit the risk of unauthorized access, errors, and fraud (see Finding 10, pages 30 through 33, for more information).
27. Implement and enforce strong authentication controls such as MFA and strong passwords, or compensating controls when MFA is not possible, that align with credible industry standards to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations (see Finding 10, pages 30 through 33, for more information).
28. Develop and implement a formal process to review the District's authentication controls against industry standards at least annually (see Finding 10, pages 30 through 33, for more information).
29. Establish and implement a District policy to conduct mandatory employee security awareness training, at least annually, including security awareness training for new staff when they start their District employment (see Finding 10, pages 30 through 33, for more information).
30. Develop and implement an IT contingency plan that meets USFR requirements and credible industry standards, perform documented tests against the plan, at least annually, to identify and remedy any deficiencies, and update the plan based on the results of these tests (see Finding 10, pages 30 through 33, for more information).



District’s fiscal year 2022 spending

Tables 4, 5, and 6 detail the District’s fiscal year 2022 spending. Table 4 shows the District’s spending for satellite programs shown by member district, the number of student enrollments in satellite programs at each member district, and the District’s spending per enrollment at each member district.⁵¹ Most of the District’s spending for satellite programs was in the form of allocation payments to its member districts based on the funding those programs generated for the District and in accordance with the IGAs the District established with its member districts. In fiscal year 2022, the District received more than \$33.7 million in revenues generated from student enrollments in satellite programs and spent approximately \$27.9 million on allocation payments to its member districts. In addition to the District’s spending for satellite programs shown in Table 4, member districts spent over \$20.3 million in fiscal year 2022 on their satellite programs from other funding sources,

Table 4
District spending for satellite programs by member district
Fiscal year 2022

Member district	District spending amount	Student enrollments	District spending per enrollment
Chandler Unified School District	\$6,329,939	14,977	\$423
Mesa Unified School District	5,904,591	16,880	350
Tempe Union High School District	5,073,672	12,407	409
Gilbert Unified School District	3,760,915	12,020	313
Scottsdale Unified School District	1,984,420	4,413	450
Higley Unified School District	1,981,819	4,788	414
Queen Creek Unified School District	1,671,527	4,499	372
J.O. Combs Unified School District	648,656	1,691	384
Cave Creek Unified School District	523,194	1,195	438
Fountain Hills Unified School District ¹	-	176	-
Apache Junction Unified School District ²	-	-	-
Total	\$27,878,733	73,046	\$382

¹ According to District and member district officials, the District did not provide allocation payments to Fountain Hills USD in fiscal year 2022 because the member district failed to report CTE enrollment to the District. However, the member district reported its fiscal year 2022 CTE program enrollment to ADE and provided us with reports to support the enrollment figure reported in Table 4.

² Apache Junction USD did not operate any satellite programs in fiscal year 2022.

Source: Auditor General staff analysis of fiscal year 2022 member district-reported accounting and enrollment data.

⁵¹ Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

primarily M&O monies. This spending is not included in the amounts shown in Table 4, page a-1. A.R.S. §15-393 requires member districts to use the monies generated from student enrollments in satellite programs to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED (see Finding 7, page 24, for more information about the District not ensuring its member districts used allocation payment monies to supplement and not supplant their CTE program spending).

Table 5 below shows the District's spending for central programs shown by CTE program, the number of student enrollments in each CTE program, and the District's spending per enrollment for each CTE program, including central programs offered on-site at Apache Junction High School. The District's central program spending also includes salaries and benefits for the District's teachers, classroom supplies, textbooks, and student certification testing fees. Additionally, the District spent almost \$1.7 million on instructional spending that was not associated with a specific CTE program for substitute teachers who taught classes for multiple programs and for purchases such as uniforms, technology, and software subscriptions used by multiple central campus programs. Table 5 also does not include almost \$3.2 million the District spent in fiscal year 2022 for its adult education programs (see Finding 5, page 17, for more information about the District's adult education programs operating at a deficit).

Table 5
District spending for central programs by CTE program
Fiscal year 2022

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Cosmetology and Related Services	Help others care for their hair, skin, and nails	\$1,796,359	838	\$2,144
Air Transportation	Apply skills in flying and/or navigation of a fixed wing aircraft	1,506,170	339	4,443
Medical Assisting Services	Provide medical office administrative services and perform clinical duties such as patient intake and care	1,116,815	887	1,259
Nursing Services	Provide routine nursing-related care of patients in hospitals or long-term facilities	978,479	546	1,792
Welding Technologies	Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment	914,213	506	1,807
Culinary Arts	Apply technical knowledge and skills for food production and service in commercial food service establishments	819,026	341	2,402

Table 5 continued

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Veterinary Assisting	Prepare students to provide veterinary patient management, care, and clinical procedures assistance	795,579	469	1,696
Automotive Technologies	Repair, service, and maintain all types of automobiles	742,980	633	1,174
Music and Audio Production	Prepare students for production of sound recordings	675,901	135	5,007
Fire Service	Apply principles, theory, and practices of fire operations and firefighting services	529,208	215	2,461
Dental Assisting	Prepare students to provide dental patient care, conduct dental radiographs, and discharge office administrative functions	453,200	365	1,242
Emergency Medical Services	Prepare students to recognize, assess, and manage medical emergencies in a prehospital environment	428,475	170	2,520
Law and Public Safety	Apply management and criminal justice practices to law enforcement administration and operations	417,100	265	1,574
Aesthetics	Develop an understanding of aspects of industry basics including: waxing, makeup techniques, facials, and general knowledge of spa industry	395,051	214	1,846
Graphic Design	Design and create visual concepts for commercial and promotional needs	350,355	147	2,383
Engineering	Prepare students to apply basic engineering principles and technical skills in support of engineers	323,538	151	2,143

Table 5 continued

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Digital Animation	Prepare students to use computer applications to create animations and other visual effects	266,839	155	1,722
Diesel Engine Repair	Apply skills to repair, service, and maintain diesel engines	248,668	165	1,507
Software and App Design	Prepare students to support engineers in developing, implementing, and evaluating computer software and program applications	247,550	99	2,501
Therapeutic Massage	Provide relief and improved health and well-being to clients	235,109	43	5,468
Technology Devices Maintenance	Prepare students for the design, development, installation, implementation, use, and management of computers and various computer devices	231,537	85	2,724
Network Security	Assess security needs and manage implementation of security devices, systems, and procedures	207,021	97	2,134
Construction Technologies	Prepare students to apply technical knowledge and skills to residential and commercial building construction and remodeling	206,998	188	1,101
Barbering	Hair color, cut, style, shave, and skin care	177,310	71	2,497
Baking and Pastry Arts	Baking and decorating pastries	171,491	105	1,633

Table 5 continued

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Early Childhood Education	Learn about child growth and development to provide appropriate learning activities and care for preschool-aged children	159,989	130	1,231
Physical Therapy Assistant	Assist physical therapists and chiropractors in treatment of patients with functionally-limiting injuries	153,308	123	1,246
Film and TV Production	Produce digital films and videos and learn traditional and emerging video production techniques	150,483	74	2,034
Mental and Social Health Technician	Introduction to social and mental health case work, which involves patient and family counseling and testing and evaluation procedures	143,773	62	2,319
Interior Design and Merchandising	Prepare students for designing, equipping, and furnishing residential and commercial interior spaces	133,713	57	2,346
Fashion Design and Merchandising	Prepare students for fashion design production, apparel sales, and custom fashion design	118,546	69	1,718
Pharmacy Support Services	Develop a foundation of knowledge, skill sets, and resources for understanding the pharmacist's role in health promotion and disease prevention	105,026	70	1,500
Precision Machining	Develop technical skills to properly use precision measuring tools	78,463	40	1,962
Heating, Ventilation, and Air Conditioning	Repair, install, and maintain heating, air conditioning, and refrigeration systems	75,279	16	4,705
Auto Collision Repair	Repair, reconstruct, and finish automobile bodies and external features	69,866	97	720

Table 5 continued

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per enrollment
Plumbing	Develop skills in piping and plumbing for residential and business environments	64,806	50	1,296
Finance	Prepares students to plan, manage, and analyze financial and monetary aspects and performance of business enterprises	60,625	40	1,516
Occupational Therapy Aide	Help patients develop and recover daily skills	55,019	26	2,116
Hospitality Management	Prepare students for employment in positions that provide customer-focused services in such facilities as hotels, resorts, convention centers, national parks, travel agencies, and cruise lines	7,360	9	818
Non-program specific central spending for CTE programs	District instructional spending for CTE programs that was not coded to a specific CTE program. This spending included costs for substitute teachers who taught among multiple programs and technology and equipment purchases that were for multiple central CTE programs.	1,691,932	8,092	209
Total		\$17,303,160	8,092	\$2,138

Source: Auditor General staff analysis of ADE's CTE program descriptions, District's course catalog, and fiscal year 2022 District-reported accounting and enrollment data.

Table 6 below shows the District's spending for construction, administration, and support services shown by spending category, including a brief description of the primary expenditures in each category, and the spending per enrollment for each category. Spending per enrollment in Table 6 is calculated using the District's fiscal year 2022 total satellite and central program enrollment of 81,138 students.

Table 6
District spending for construction, administration, and support services
Fiscal year 2022

Spending category	Spending description	District spending amount	District spending per enrollment
Construction	Primarily includes spending for costs associated with construction of a new central campus building.	\$27,035,048	\$333
Administration	Primarily includes salaries and benefits for administrative staff and spending for insurance payments.	4,090,188	51
Other support services	Primarily includes salaries and benefits for plant operations staff and maintenance of central campuses.	3,923,173	48
Instruction support and student support services	Primarily includes salaries and benefits for support staff.	2,467,645	30
Total		\$37,516,054	\$462

Source: Auditor General staff analysis of fiscal year 2022 District-reported accounting and enrollment data.



Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2022 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing CTE statutes, rules, and policies and procedures; interviewing District and member district staff; and reviewing District documentation, and interviewing officials from ADE and reviewing information from ADE's website. We also used the following specific methods to meet the audit objectives:

- To determine if the District spent CTED monies consistent with requirements and to enhance its central programs, we reviewed its detailed accounting records, statutory requirements and best practices, enrollment reports, and interviewed District staff.
- To determine if adult education tuition rates were sufficient to cover program costs, we evaluated the District's adult education program revenues and expenditures for fiscal years 2017 through 2022 and reviewed tuition and fees for adult education programs for fiscal years 2021 through 2024. Additionally, we interviewed District staff and reviewed statutory requirements, fee-setting best practices, and program enrollment reports.
- To determine whether the District spent CTED monies consistent with requirements and to enhance its satellite programs, we reviewed District AFRs and audited financial statements, funding the District received for its central and member districts' satellite programs, allocation payments it made to its member districts, and its unspent fund balances; reviewed IGAs between the District and its member districts; researched best practices for fund balance policy; and interviewed District staff about whether the District had a policy pertaining to how much unspent monies the District could accumulate and for what purpose(s). We also toured some of the District's central programs and member districts' satellite programs and interviewed member district staff about their satellite program needs.
- To determine whether the District complied with the applicable satellite program approval requirements in its IGAs with member districts, we reviewed the IGAs between the District and its member districts, reviewed statutory requirements related to satellite CTE program approval, and conducted interviews with District and member district staff. We also interviewed 2 current Board members, reviewed District Board meeting agendas and minutes for fiscal years 2021 through 2023, and reviewed recordings of the January 23, 2023, and January 31, 2023, Board meetings. Additionally, we reviewed supporting documentation related to member districts' requested programs provided by District and member district staff.
- To determine which outcome measure data the District collected and reviewed and whether it used that information to assess its programs' effectiveness in preparing students to earn certifications or licenses and for jobs in high-need occupations, as required by statute, we reviewed CTE performance measure reports and conducted interviews with District and member district staff. Additionally, we judgmentally selected and reviewed outcome measure data for 6 District central programs and 3 satellite programs at each of 3 member districts to assess if the District's and member districts' records supported the outcome measure data, including job placement and certifications data, reported to ADE in fiscal year 2022.

- To assess the District's program spending and evaluate differences in per student spending by program, we reviewed the District's and member districts' operating and equipment spending by program, calculated the District's and member districts' spending per student enrollment by program, and compared this spending to the member districts' weighted average spending per student enrollment by program. We also conducted interviews with District officials to assess whether the District monitored and investigated differences in program spending between member districts to ensure the differences in spending were reasonable and justified and that programs were operating efficiently.
- To determine whether the District ensured that monies paid to member districts were used to supplement and not supplant base year spending on CTE satellite programs, we reviewed fiscal year 2022 supplanting worksheets member districts provided to ADE, IGAs between the District and its member districts, and statutory requirements related to reporting and evaluating member district CTE program spending. We also conducted interviews with District and member district staff.
- To determine whether the District followed USFR cash-handling requirements, we reviewed the District's cash-handling policies and procedures to determine if the District deposited all monies received by its Cosmetology and Barbering programs in March and April 2022, recorded fees in the District's receipting system for all services performed, and had support for waiving certain fees. Additionally, we reviewed the District's investigation report and a recording of the June 27, 2022, Board meeting.
- To determine whether the District complied with State laws and District policy for providing food and beverages at District events, we reviewed purchase orders and receipts for the District's food and beverage purchases we identified in fiscal year 2022 that were provided at District events, evaluated the funding source the District used to pay for food and beverage purchased, and requested documentation of the public purpose and Board approval for each food purchase.
- To determine whether the District complied with federal regulations and District policy for awarding emergency financial aid to adult students, we reviewed all 242 adult students' applications for HEERF II financial aid and the District's associated payment calculations in fiscal years 2021 and 2022 as well as supporting documentation, such as purchase orders and warrants, for financial aid payments made to 3 adult students in fiscal year 2022.
- Our work on assessing internal controls, including information system controls, included reviewing the District's policies and procedures; interviewing District staff; and, where applicable, testing the District's compliance with its policies and procedures, the USFR and related guidance, and IT industry frameworks. We also evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2022 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 9 individuals who received payments in fiscal year 2022 and reviewed supporting documentation for 25 of 11,598 fiscal year 2022 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives. We reported our conclusions on applicable internal controls in Findings 1, 2, 8, 9, and 10 (see pages 3 through 7 and 27 through 34).

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, as well as member districts' staff, for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

March 5, 2024

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N 44th St, Ste 410
Phoenix, AZ 85018

Dear Ms. Perry:

Please accept EVIT's response to the performance audit that has recently been completed. The administration and governing board do accept the findings, have already implemented some recommendations and will continue to implement the rest.

On behalf of the EVIT team, I would like to thank the audit team who have worked with us throughout this process for their patience and professionalism as we gathered the information requested and responded to questions.

We appreciate the audit's recommendations. This will help EVIT in our efforts to use our resources wisely as we provide quality career training for high school and adult students in the East Valley.

We strive at EVIT to change lives by loving our students and serving our community, including the taxpayers who fund our institution. Thank you for working with us in a positive way to help us be who we expect ourselves to be.

Sincerely,

Dr. Chad Wilson
Superintendent
East Valley Institute of Technology

Finding 1: District did not comply with important cash-handling requirements, resulting in potential loss of CTE program monies and increased risk of fraud

Recommendation 1: The District should comply with USFR requirements to establish and maintain effective policies and procedures to safeguard cash, prevent its loss or misuse, provide prompt and intact depositing, and ensure its accurate recording by developing detailed written policies and procedures for District staff that addresses allowable price modifications, required documentation supporting any modifications made, and when zeroed-out transactions are allowable.

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

Response explanation: The district has updated procedures to comply with USFR requirements.

Recommendation 2: The District should develop and implement processes for monitoring District staff, including CTE program instructors, to ensure they comply with the District's cash-handling policies and procedures.

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

Response explanation: A cash handling policy has been put in place for Cosmetology and Barbering programs.

Recommendation 3: The District should ensure cash receipt reconciliations are assigned to District staff and are completed, reviewed, and retained in accordance with USFR guidelines and the District's updated policy, including reconciling salon appointments to cash collections and cash deposits and reviewing all zeroed-out transactions to ensure they are documented accordingly.

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

Response explanation: The district will implement written procedures to comply with USFR requirements.

Recommendation 4: The District should provide training on USFR cash-handling and recordkeeping responsibilities and District policies and procedures for price modifications and documentation requirements to all employees involved in cash collection, deposit, review, and approval.

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

Response explanation: The district will provide training on USFR cash-handling and recordkeeping responsibilities.

Recommendation 5: The District should promptly report instances of suspected fraud, theft, waste, or abuse to appropriate authorities, including the Arizona Auditor General and the Arizona Attorney General.

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

Response explanation: The District will promptly report instances of suspected fraud, theft, waste or abuse to appropriate authorities, including the Arizona Auditor General and the Arizona Attorney General.

Finding 2: Contrary to State laws, District spent nearly \$14,500 on food and beverages for District events without Board approval, limiting public transparency into its activities

Recommendation 6: The District should stop providing food and beverages for any purposes without prior Board approval.

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

Response explanation: The District will no longer provide food or beverages without prior Board approval.

Recommendation 7: The District should ensure it documents the public purpose and benefit of providing food and beverages at District events. For each allowable District event, the District should document its statutory authority, document the public purpose and benefit of providing food and beverages at the event, ensure the event and all purchases are in accordance with its policies, and maintain documentation supporting all purchases.

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

Response explanation: The District will no longer provide food or beverages without prior Board approval and will identify public purpose, the statutory authority, and funding source when requesting approval. The District will maintain supporting documentation for all purchases.

Finding 3: District's timelines for approving satellite CTE programs did not always provide member districts sufficient time to plan satellite programs, resulting in member districts operating programs without Board approval and spending monies to set up a satellite program that was subsequently disapproved

Recommendation 8: The District should work with member districts to update IGAs to ensure that deadlines for satellite program approval are consistent and provide sufficient time for member districts to plan for approved satellite programs.

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

Response explanation: EVIT will continue to work with its partnering districts through its IGA process to develop and implement a program approval timeline(s) that support the efficiency, effectiveness, and outcomes of CTE satellite programs and planning.

Finding 4: District's lack of complete and reliable key outcome data prevents it from demonstrating how the \$85.9 million it spent on programs in fiscal year 2022 effectively prepared students for high-need occupations

Recommendation 9: The District should develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

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

Response explanation: EVIT will continue to work with its partnering districts to establish data collection protocols for all CTE programs, central and satellite, to demonstrate compliance with statutory and ADE requirements and recommended practices.

Recommendation 10: The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies, and use the results of its evaluations to make changes to its programs to ensure they are meeting their statutory purpose of preparing students for high-need occupations.

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

Response explanation: EVIT will work to analyze all CTE program outcome data, both central and satellite, to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations to support the investment of any public monies, and use the results of its evaluations to make changes to its programs. This will include, but is not limited to, the evaluative process EVIT has already begun to monitor, measure, and provide recommended best practices in additional indicators such as student persistence in programs, focus on workforce placement, and seeking to add certifications that carry "currency" of better employment.

Finding 5: District's adult education program tuition and fees did not cover program expenses, resulting in a combined deficit of more than \$1.6 million in fiscal years 2021 and 2022

Recommendation 11: The District should calculate the full cost of providing each adult education program and use this information to set tuition and fees for these programs, including providing an explanation if the full cost of providing these programs will not be recovered, and provide updated program tuition and fees information to its Board.

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

Response explanation: The district has updated procedures for calculating full cost of each adult education program to determine tuition.

Recommendation 12: The District should monitor adult education spending and complete long-term forecasting to anticipate future costs of providing adult education programs, including associate degree programs, to ensure its adult education program tuition and fees cover program expenses.

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

Response explanation: The district has implemented this recommendation.

Finding 6: District accumulated over \$71 million in fund balances by end of fiscal year 2022 but did not have policy regarding amount to be maintained in its general fund or its intended purpose

Recommendation 13: The District should implement GFOA's best practices recommendations and update its fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.

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

Response explanation: The District adopted a Management of Capital Reserves Policy on September 25, 2023.

Recommendation 14: The District should develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

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

Response explanation: The District adopted a Management of Capital Reserves Policy on September 25, 2023.

Finding 7: District did not ensure monies it provided to its member districts were used to supplement CTE spending, potentially impacting satellite program quality

Recommendation 15: The District should ensure its IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219.

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

Response explanation: EVIT will work to ensure, through a collaborative process, that IGAs with member districts are up to date, including updating the IGAs to require member districts to provide the required CTED supplanting worksheet rather than USFR Memorandum 219. This recommendation has already been implemented at the time of the report.

Recommendation 16: The District should ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to the District, ADE, and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the required worksheet. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when a member district does not submit the required worksheet.

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

Response explanation: EVIT will ensure all member districts complete the required CTED supplanting worksheet and provide the worksheets and any supporting documentation to the District, ADE, and the District's Board annually by required deadlines and take appropriate action when member districts do not complete the report.

Recommendation 17: The District should ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE and developing and implementing a process, such as within its IGAs with member districts, to describe the District's and member districts' responsibilities and resulting actions when it identifies supplanting in CTE program spending.

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

Response explanation: EVIT will work to ensure that CTE monies provided to member districts are being used to supplement their required level of CTE spending and, if it identifies supplanting, take appropriate action. Appropriate action could include working with ADE when it identifies supplanting.

Finding 8: District awarded more financial aid to 31 students than allowed by its procedures, potentially preventing students with higher need from receiving financial aid

Recommendation 18: The District should ensure its established procedures for disbursing grant monies meet applicable federal guidelines and follow these established procedures when disbursing grant monies to students.

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

Response explanation: The district will ensure established procedures meet applicable federal guidelines.

Finding 9: District incorrectly accounted for vending machine revenues, potentially affecting the accuracy of its financial reporting

Recommendation 19: The District should ensure it accurately accounts for its vending machine revenues consistent with USFR's Chart of Accounts, including depositing those to the Auxiliary Operations fund.

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

Response explanation: The district has updated procedures to account for vending machine revenue consistent with USFR's Chart of Accounts.

Recommendation 20: The District should evaluate its existing Gifts and Donations fund balance to identify and reclassify all previously misclassified vending machine revenues consistent with USFR's Chart of Accounts.

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

Response explanation: The district is in the process of evaluating and reclassifying all previous vending machine revenue consistent with USFR's Chart of Accounts.

Finding 10: 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 21: The District should review and reduce the number of users with administrator-level access to its network and critical systems to only those individuals with a business need for administrator-level access.

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

Response explanation: The district is in the process of implementing this recommendation.

Recommendation 22: The District should develop and implement a formal process to regularly perform, at least annually, detailed reviews of administrative and user accounts and assess their access level and need for network and critical systems access to ensure that access level was appropriate, and access was promptly disabled when it was no longer needed.

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

Response explanation: The district is in the process of implementing this recommendation.

Recommendation 23: The District should improve procedures to ensure that terminated employees have their network and accounting system access promptly removed to reduce the risk of unauthorized access.

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

Response explanation: The district is in the process of implementing this recommendation.

Recommendation 24: The District should limit employees' access in the accounting system to only those accounting system functions needed to complete their job duties.

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

Response explanation: The district has implemented this recommendation.

Recommendation 25: The District should develop and implement formal processes to assign new employees appropriate access in the accounting system and to change employees' access if their assigned duties change to help ensure users have only the access necessary to complete their job duties.

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

Response explanation: The district is in the process of implementing this recommendation.

Recommendation 26: The District should work with the County to 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 require administrator-level access to perform their job duties, the District should implement compensating controls, such as reviewing activity logs, to limit the risk 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: The district has implemented this recommendation.

Recommendation 27: The District should implement and enforce strong authentication controls such as MFA and strong passwords, or compensating controls when MFA is not possible, that align with credible industry standards 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: The district is in the process of implementing multi-factor authentication.

Recommendation 28: The District should develop and implement a formal process to review the District's authentication controls against industry standards 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 in the process of developing and implementing a formal process to review the District's authentication controls.

Recommendation 29: The District should establish and implement a District policy to conduct mandatory employee security awareness training, at least annually, including security awareness training for new staff when they start their District employment.

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

Response explanation: The district is in the process of establishing a District policy to conduct mandatory employee security awareness training.

Recommendation 30: The District should develop and implement an IT contingency plan that meets USFR requirements and credible industry standards, perform documented tests against the plan, at least annually, to identify and remedy any deficiencies, and update the plan based on the results of these tests.

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

Response explanation: The district is in the process of developing and implementing an IT contingency plan that meets USFR requirements and credible industry standards.

