

The August 2023 Aguila Elementary School District performance audit found that the District lacked internal controls and did not comply with requirements in multiple areas, putting public monies, student safety, and sensitive computerized data at risk. We made 20 recommendations to the District, and its status in implementing the recommendations is as follows:

Status of 20 recommendations

Implemented	2
In process	8
Not implemented	10

We will conduct an 18-month followup with the District on the status of the recommendations that have not yet been implemented.

Finding 1: District did not comply with important cash-handling and payroll requirements, putting public monies at an increased risk of errors, fraud, and improper payments

1. The District should develop and implement written cash-handling policies and procedures for cash collection, deposit, and review.

Implementation in process—According to District officials, at the beginning of fiscal year 2024, the District updated its cash collections process to require issuing prenumbered receipts or documenting receipt in a mail log for all cash collected and separating cash-handling and recordkeeping responsibilities by having separate employees prepare deposits and reconciliations. Although the District reported following this process through fiscal year 2024, the District did not create written policies and procedures until March 2024, and our review of the District’s December 2023 cash collections and reconciliation found that the District did not consistently follow its policies (see explanation for recommendation 3). We will assess the District’s efforts to implement this recommendation at the 18-month followup.

2. The District should prepare and maintain evidence, such as sequential, prenumbered receipts or a mail log, for all cash received.

Implemented at 6 months—As discussed in recommendation 1, the District’s written policies and procedures require that the District issue prenumbered receipts or document receipt in a mail log for all cash collected. Our review of the District’s cash collections for December of 2023 found that the District maintained prenumbered receipts for all cash received during the period we reviewed.

3. The District should separate cash-handling duties from employees with recordkeeping responsibilities, such as requiring a separate employee to prepare either deposits or reconciliations, but not both. If adequate separation is not possible due to the District’s limited staff size, ensure adequate management review procedures are in place, such as requiring an employee without cash-handling responsibilities to review cash receipt, deposit, and reconciliation documentation, to protect public monies from potential errors and fraud.

Not implemented—As discussed in recommendation 1, the District’s cash-handling policies and procedures require separate employees to prepare deposits and reconciliations. However, our review found that the employee

responsible for preparing cash reconciliations had also issued the receipt for 1 of 4 cash collections we reviewed, contrary to the District's policy. We will assess the District's efforts to implement this recommendation at the 18-month followup.

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

Not implemented—As of February 2024, the District had not provided formal training on USFR cash-handling requirements and its cash-handling policies and procedures to any employees involved in cash collection, deposit, and review. District officials reported that they plan to provide the training to District staff in July 2024 before the start of the 2024-2025 school year. We will assess the District's efforts to implement this recommendation at the 18-month followup.

5. The District should develop formal, written policies and procedures for its payroll process in accordance with USFR requirements and provide training to staff on these policies and procedures to reduce the risk of errors and incorrect payments.

Implementation in process—District officials reported that they established written policies and procedures for the District's payroll process in March 2024. However, our review of the District's payroll policies found that its policies did not include important details about how overtime and compensatory time would be accrued, documented, and approved. These details are important because during the audit, we found errors staff made in calculating regular and overtime hours worked that led to improper payments for 10 of 14 hourly employees across 2 separate pay periods we reviewed.¹ District officials stated that they plan to provide training to staff on these policies and procedures in July 2024 before the start of the 2024-2025 school year. We will assess the District's efforts to implement this recommendation at the 18-month followup.

6. The District should ensure it follows its payroll policies and procedures, including its procedures for rounding employee hours worked and compensatory time accrual.

Implementation in process—As discussed in recommendation 5, the District established its payroll policies and procedures in March 2024, but the policies lacked important information regarding compensatory time accrual and overtime payments. Additionally, although the District did not update its policy to formalize information regarding rounding hours, it implemented a new time clock system that rounds automatically and reduces the risk for errors. Our review of a sample of payments made to 6 employees across 2 pay periods in fiscal year 2024 did not identify any over- or underpayments to employees based on incorrect rounding, and all hours appeared to be rounded in accordance with the District's informal policy. However, without formal, written policies and procedures for when overtime would be paid or when compensatory time would be accrued, the District cannot ensure that overtime was paid or compensatory time was accrued accurately. For example, during our review, we identified 4 instances where an employee worked more than 40 hours in a week, and the District paid out overtime in 2 of the instances while the employee accrued compensatory time in the other 2 instances. District officials indicated that the District's informal policy is to pay overtime only for hours associated with driving a school bus for extracurricular activities and accruing compensatory time when employees worked extra hours performing all other duties. However, the District could not provide documentation supporting how they identified that the hours on the time sheet should have been treated as overtime or compensatory time, respectively. Without a formal, written policy and procedure for earning overtime or compensatory time accrual, the District cannot ensure that employees were paid accurately and in accordance with District policy. We will assess the District's efforts to implement this recommendation at the 18-month followup.

7. The District should require a supervisory review during its payroll process or develop and implement other compensatory controls to ensure that all hourly employees are paid accurately based on actual hours worked.

Implemented at 6 months—As part of its updated payroll policies and procedures the District implemented during fiscal year 2024, 2 employees verify weekly that time sheets are complete and accurate and review

¹ See Arizona Auditor General report 23-203 *Aguila Elementary School District*.

all payroll reports prior to approval. Further, the District's superintendent performs an additional supervisory review and approval of payroll reports prior to payroll processing. Our review of a sample of payments made to 6 employees across 2 pay periods in fiscal year 2024 found evidence that District staff had completed the supervisory reviews required by its policies and procedures in both pay periods we reviewed.

8. The District should identify and correct over- and underpayments made to all current hourly employees from fiscal year 2021 to the present, including the over- and underpayments we identified.

Not implemented—The District conducted an analysis that it presented to its Governing Board (Board) in November 2023 where District officials estimated the potential cost of identifying and correcting over- and underpayments made in accordance with this recommendation. Based on the District's analysis, which considered the number of pay periods it needed to review and the hourly rate and expected time of staff needed for the review, the District's Board voted unanimously that the time burden and expense outweighed the value of implementing the recommendation. Therefore, the District indicated that it does not plan to take further action to implement this recommendation.

Finding 2: District put student safety and District property at risk by not systematically performing school bus operations checks and preventative maintenance, and not restricting equipment and building access to appropriate personnel

9. The District should develop and implement written policies and procedures for school bus operations checks and preventative maintenance to ensure school passengers' safety and extend the useful life of its school buses. Specifically, to comply with DPS Minimum Standards, these policies and procedures should:

- a. Include lists of items required to be inspected by school bus drivers before a school bus is operated for the first time each day and for each subsequent operation;

Not implemented—The District has not developed or implemented written policies and procedures to ensure school bus operations checks meet all DPS Minimum Standards. Our review of a sample of 2 weeks of school bus operations checks found that the District's checklist did not address several Minimum Standards requirements. For example, the District's checklist did not include inspections of the exterior school bus body, engine fluid levels, steering components, mirrors, noise suppression switch, and closed windows, all of which are required to be inspected by Minimum Standards. Further, the District still does not require school bus drivers to perform a subsequent operations check of their school buses for afternoon drop-off trips, as required by DPS Minimum Standards. We will assess the District's efforts to implement this recommendation at the 18-month followup.

- b. Include a schedule of when mechanics should perform preventative maintenance, including maximum mileage and time frame intervals, and what maintenance work should be completed; and

Not implemented—The District has not developed or implemented written policies and procedures for performing and documenting school bus preventative maintenance. According to District officials, the District's informal maintenance policy for school buses is that each school bus should receive maintenance annually, as outlined by the vehicle manufacturers' guidelines. However, we found that as of April 2024, all 3 of the District's school buses had last received preventative maintenance in October 2022 and had exceeded the manufacturers' guidelines for preventative maintenance by approximately 6 months. By not performing and documenting timely routine preventative maintenance as required by DPS Minimum Standards, the District increases the risk of mechanical issues, which may reduce the school buses' useful lives and result in defective safety features that are important for ensuring school buses can safely transport students. We will assess the District's efforts to implement this recommendation at the 18-month followup.

- c. Train and require that District employees, including school bus drivers, perform and document required school bus operations checks and preventative maintenance in a systematic and timely manner.

Not implemented—According to District officials, the District has not provided training related to operations checks and preventative maintenance since the original audit. The District plans to provide this training in August 2024. However, it should also ensure its policies and procedures meet DPS Minimum Standards as discussed in recommendation 9a prior to providing the training. We will assess the District's efforts to implement this recommendation at the 18-month followup.

10. The District should conduct a physical key inventory to determine how many District facility keys exist, including how many are distributed and to whom.

Not implemented—At the time of our March 2024 follow-up review, the District had not conducted a physical key inventory to determine how many District facility keys exist, including how many are distributed and to whom. According to District officials, they plan to collect and document all physical keys that have been distributed at the end of fiscal year 2024. We will assess the District's efforts to implement this recommendation at the 18-month followup.

11. The District should develop and implement a written policy for distributing, tracking, and collecting keys that requires employees to sign user agreements outlining their responsibilities as a key holder and that would allow the District to account for all distributed and collected keys.

Implementation in process—Although the District has not yet developed and implemented a written policy for distributing, tracking, and collecting keys, it implemented a user agreement for employees who are assigned keys. However, our April 2024 review of signed key agreements found that 4 of the District's 32 employees who were assigned keys had not signed an agreement. We will assess the District's efforts to implement this recommendation at the 18-month followup.

Finding 3: District's excessive access to its sensitive computerized data and lack of security awareness training increased risk of unauthorized access, errors, fraud, and data loss

12. The District should protect its sensitive computerized data by limiting users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employee's administrator-level access.

Implementation in process—We recently reviewed the District's accounting system access levels for the 4 District employee accounts as of March 2024 and found that 3 employees had more access than needed to perform their job duties and could initiate and complete purchasing and/or payroll transactions without an independent review and approval. Our recent review resulted in identifying 1 more account with excessive access than we had found during our 2023 performance audit. However, since the audit, the District removed administrator-level access for the 1 business office employee. We will assess the District's efforts to implement this recommendation at the 18-month followup.

13. The District should establish and implement written policies and procedures to assign and periodically review accounting system access for employee accounts in the accounting system to ensure they have access to only those accounting system functions needed to perform their job duties.

Not implemented—At the time of our March 2024 review of accounting system users' access, the District had not created written policies and procedures to assign or periodically review employees' accounting system access. The District reported that it plans to create these policies by July 2024. We will assess the District's efforts to implement this recommendation at the 18-month followup.

14. The District should immediately disable or remove all network accounts associated with terminated employees.
- Not implemented**—Our review of active user accounts with access to the District's network as of April 2024 found 2 active accounts associated with terminated employees. Both accounts remained active for approximately 18 months after the employees left District employment. Additionally, both employees left District employment after we conducted our work for the August 2023 performance audit, indicating that the District continues to not immediately disable accounts upon employees' termination. We will assess the District's efforts to implement this recommendation at the 18-month followup.
15. The District should evaluate and document the effects of terminated employees having accessed the District's network after their employment ended, such as any unauthorized activities or changes that may have occurred as a result of the improper access, and remedy any identified effects.
- Not implemented**—At the time of this follow-up review, the District had not determined the effects of terminated employees having accessed the District's network after their employment ended. The District reported that it plans to complete this analysis by July 2024. We will assess the District's efforts to implement this recommendation at the 18-month followup.
16. The District should establish and implement written policies and procedures to ensure terminated employees' network access is promptly removed.
- Implementation in process**—Since the audit, the District created written procedures for removing terminated employees' network access. These procedures state that the District should remove network access after the Board's acceptance of a termination. However, because the Board generally meets only once per month, these new procedures do not ensure that all terminated employees' network access is promptly removed, as required by the USFR, and increases the risk that terminated employees may improperly access sensitive District information. We will assess the District's efforts to implement this recommendation at the 18-month followup.
17. The District should require and track employee participation in security awareness training for employees who have not done so in the past year.
- Implementation in process**—Although the District began tracking employee participation in security awareness training in fiscal year 2023, our follow-up review found that as of March 2024, 11 of the District's 36 employees were not included on the District's tracking sheet and had not completed security awareness training during the past year. We will assess the District's efforts to implement this recommendation at the 18-month followup.
18. The District should establish and implement written policies and procedures to conduct security awareness training that meets USFR requirements and follows credible industry standards, is provided to its employees at least annually, and includes documentation of training completion.
- Implementation in process**—Since the audit, the District updated its cyber security policy to require security awareness training covering password management, data protection, and phishing awareness for all employees. Although the policy states that employees will complete security awareness training during onboarding, it does not require employees to complete security awareness training annually thereafter, contrary to USFR requirements and credible industry standards. Our follow-up review also found that 4 of the 11 employees identified as not having completed security awareness training (see recommendation 17) as of March 2024 were newly hired and therefore, according to District policy, should have completed the training during onboarding. Finally, the District was unable to provide documentation that the April 2023 training covered topics beyond phishing awareness, so we were unable to determine whether the District's training included all topics that were required to be covered according to the District's updated policy. We will assess the District's efforts to implement this recommendation at the 18-month followup.