



CONCHO ELEMENTARY SCHOOL DISTRICT #6

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Billie Bell, District Administrator

August 1, 2024

Lindsey Perry
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018
RE: Performance Audit

Dear Ms. Perry,

Concho Elementary School District 6 has received and reviewed your auditors FY2023 Performance Audit Report. Upon review of the report, the district agrees with the findings and recommendations.

The district will be working on implementing the recommendations and hope to be in total compliance by the next time your staff requests documentation or visits our site.

Concho ESD6 strives to meet the requirements of the USFR, Arizona Revised Statutes, and the Arizona Administrative Code as it relates to a public-school district, unfortunately due to changes in staff or lack of adequate staff areas of non-compliance can occur, but when they are brought to our attention, Concho staff meets the challenge and fixes the problem.

Your staff was very thorough in their audit and we commend them on their strict adherence to protocol and to the letter of the law, all while providing a courteous working relationship.

Sincerely yours,

A handwritten signature in cursive script that reads "Billie Bell". The signature is written in black ink and is positioned above the typed name and title.

Billie Bell, MAEd, CPM
District Administrator
(Superintendent/Principal)

Finding 1: Board members and employees did not comply with conflict-of-interest requirements and recommended practices, which resulted in improper participation in matters in which they had substantial interests and reduced public transparency

Recommendation 1: The District should develop and/or update and implement conflict-of-interest policies and procedures for:

- a. Requiring all Board members and employees to complete a conflict-of-interest disclosure form upon the start of their terms or upon hire, annually, or when circumstances change, including fully describing any substantial interest or attesting that no conflicts exist, if applicable.

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

Response explanation: The oversight was without intent and was not intended to create the appearance of non-transparency. Corrective action has been taken to alleviate this problem.

- b. Helping Board members identify meeting agenda items involving their interests, such as notating Board meeting agendas and/or adding vendor names to the voucher forms or consent agenda items, to identify items for which Board members have conflicts based on the interests listed on their forms.

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

Response explanation: The particular vouchers that caused the appearance of non-transparency has been separated from the other vouchers and are approved separately. This practice will continue when any board member is doing business with the district.

- c. Ensuring Board members and employees refrain from participating in any decision, contract, sale, purchase, or service for which they have a substantial interest.

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

Response explanation: The district is strengthening its procedures to assure that staff or board members that could have a substantial interest in a contract, sale, purchase or service do not participate in the decision-making process.

Recommendation 2: The District should develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure forms to its Board members and employees including how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

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

Response explanation: We have fixed this finding and have changed the way that voucher approvals are completed, there was no intent to mislead or defraud. In the past, all staff were made aware of the conflict of interest information annually during orientation, as it is included in Concho's Staff Handbook. It is reviewed again when purchasing decisions are being made. Board Members were required to sign a Conflict of Interest Statement at the beginning of the January term when board elections are held. The district now has a fuller understanding of the Conflict of Interest requirements and will seek a third-party training to lend credibility and importance to Conflict of Interest requirements.

Finding 2: District did not comply with important cash-handling and payroll requirements, resulting in overpayments to employees and incorrect retirement withholdings, and increasing risk of errors, fraud, and improper payments

Recommendation 3: The District should develop and implement written procedures to ensure compliance with USFR requirements and District policies related to cash-handling, and train District employees with cash-handling responsibilities on these procedures.

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

Response explanation: The district has reexamined the USFR cash handling requirements and have set-up new cash handling procedures.

Recommendation 4: The District should prepare and maintain evidence for all cash received, including by issuing sequential, prenumbered receipts, and reconcile deposits to cash collection documentation to ensure all cash received was appropriately deposited.

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

Response explanation: The district has implemented the recommended cash handling procedures to ensure a complete picture of all funds received.

Recommendation 5: The District should deposit timely all front office cash collected, such as by depositing these monies at the same time as other routine District deposits.

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

Response explanation: The district has implemented a new procedure to handle intermittent receipts of cash in the front office (i.e.: copies, faxes, notary donations, etc.)

Recommendation 6: The District should identify and correct all overpayments made to employees since the beginning of fiscal year 2023.

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

Response explanation: The district will work with our attorney to determine the best way to handle this situation.

Recommendation 7: The District should develop and implement a review process in accordance with USFR requirements to ensure proper separation of responsibilities are established in payroll processing and employees are paid accurately.

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

Response explanation: The district is currently working on developing a procedure to fulfill this requirement.

Recommendation 8: The District should work with the ASRS to identify and correct any errors made when making termination payments to former employees.

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

Response explanation: The district will work with ASRS to determine how to correct any errors or over payments and what compensation caused them.

Recommendation 9: The District should develop and implement written policies and procedures specifying the types of payments to employees that should be included as compensation for the calculation of ASRS benefits that comply with State laws and regulations.

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

Response explanation: Any errors that were made were not with intent. Information on appropriate ASRS compensation is provided by ASRS, but is not always clear. The district currently has an appointment with an ASRS representative to discuss this problem. Also, when researching this finding for the auditors, it was found that the wrong template was used for the same type of leave balance payout, which provided for some of the payouts to have ASRS funds to be taken out. The District is working to create more clear templates so this mistake does not happen in the future. We are waiting on our meeting with ASRS to move further with this correction.

Finding 3: District did not comply with some State laws and District policies resulting in spending monies without Board approval and limiting public transparency into its activities

Recommendation 10: The District should ensure it acknowledges the receipt, purpose, and value of donations and that the Governing Board accepts all donations during meetings open to the public.

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

Response explanation: The district has mitigated this finding. The oversight of this requirement was without intent. All donations of any size are now provided to the board for approval. The board was made aware of donations in a general way, especially when they were large, but an agenda item was not included for their approval. It should be noted that although particular donations were not officially approved by the board, every quarter the board receives a financial report which shows ALL the District's funds that includes revenues, expenses, and balances. In this way, the board does see if the District's gifts and donations fund has increased during the last quarter.

Recommendation 11: The District should, in consultation with legal counsel, strengthen existing policies and develop and implement written policies and procedures governing open meetings. These policies and procedures should specifically require the Governing Board to accept donations in public meetings and require the District to acknowledge the contribution's receipt, purpose, and value during public meetings.

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

Response explanation: As of July 1, 2024 the Governing Board with consultation of our attorney accepted updated polices which states that "The Governing Board has exclusive authority to accept gifts, grants and donations to the District (3-106)." All donations since learning of this requirement have been brought to the board for approval, previous to this policy being approved.

Recommendation 12: The District should consult with legal counsel and the Arizona Attorney General's Office to ensure that any District actions taken contrary to open meeting laws are appropriately addressed to be made valid.

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

Response explanation: The district will contact the Attorney General's office to determine if previous donations need to be brought to the board for ratification/approval.

Recommendation 13: The District should include in its employee training information regarding the importance of complying with State laws related to open meetings.

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

Response explanation: Staff responsible for receiving gifts and donations have been notified that all gifts and donations must be brought to the board for approval, so that the board and public realize that there are funds that can be utilized for either a given purpose (as determined by the giver) or as an amount that can be used for appropriate district expenses.

Recommendation 14: 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 understood ARS 15:342(39) to allow for schools to provide refreshments at school district events. Unfortunately, district administration did not understand that all expenses needed to be first approved by the governing board **before** any event and not with the consent agenda. Upon further investigation, the district has found an Attorney General Opinion (110-003 (R09-040) that predates the addition of ARS 15:342(39) that further delineates when refreshments may be appropriate, what funds can be used and how the Governing Board should approve them.

Recommendation 15: The District should, after Board approval, 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 a different method of dealing with the finding will be implemented.

Response explanation: Concho's Governing Board has chosen to institute a blanket approval to cover the specific meetings, orientation, workshops, and family nights with a public purpose that would necessitate the addition of refreshments to show gratitude/goodwill to staff, parents, and community members for their attendance and will fulfill the requirements of the Attorney General's Opinion (110-003 (R09-040).

Finding 4: District's excessive access to its sensitive computerized data and other IT deficiencies increased risk of unauthorized access to sensitive information, data loss, errors, and fraud

Recommendation 16: The District should limit employees' access in the accounting system to only those accounting system functions needed to perform their job duties, including transferring administrator-level access to someone outside the business office.

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

Response explanation: The district, as much as can be done in a small district with limited staff, has removed access to areas not needed by particular employees. The district is working on new procedures that will provide double checks in those sensitive areas.

Recommendation 17: The District should develop and implement a process to assign new employees appropriate accounting system access, change employees' access if their assigned duties change, and periodically review users' access to help ensure employees have only the system access necessary to perform their job duties.

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

Response explanation: When there are changes to personnel or duties in regards to the finance system, the District will enter a work ticket through the County help desk to make those changes/updates.

Recommendation 18: The District should develop and implement policies and procedures to periodically review network accounts to ensure access aligns with job duties and change access, as necessary, when the periodic reviews identify accounts with more access than necessary or accounts that are no longer needed.

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

Response explanation: This recommendation has been implemented Human Resources/Payroll has created a procedure with the Systems Specialist, Registrar, and Facilities Manager to give information about those who are hired, terminated, or change positions, so that the appropriate changes can be made to each different software system that we have. IT will perform an audit of its accounts at least annually to determine the appropriateness of each employee's network access.

Recommendation 19: The District should work with the County to review and limit the access of County accounting system user accounts to only those functions needed to support the District and ensure that no single user can initiate and complete a transaction without an independent review and approval. If County users' access cannot be limited due to the responsibilities they perform for the District, the District should implement compensating controls such as a process for regularly reviewing County employee user activity logs and documenting these reviews to limit risks of unauthorized access, errors, and fraud.

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

Response explanation: There does not seem to be a report that can capture the information needed to demonstrate that a review has taken place. The District is investigating the best way to show that it is reviewing the County's access/use.

Recommendation 20: The District should develop and implement a process to ensure that network and accounting system user accounts are promptly disabled or removed when they are no longer needed.

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

Response explanation: District Administrative staff has developed a process with IT to remove and/or change network access to those employees who have changed positions or left the district. Previously, the district was unable to remove or change accounting system users, but has since been given access.

Recommendation 21: The District should implement and enforce strong authentication controls such as multifactor authentication for all critical IT systems as required by the

USFR, to decrease the risk of unauthorized persons gaining access to sensitive District information and disrupting operations.

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

Response explanation: The district has been working on this problem, but has not found a program that works with our system. We have had some success but there have been glitches of one kind or another that has prevented complete compliance. We are currently looking at vendors that have been recommended by our cyber security insurer that looks promising.

Recommendation 22: The District should develop and implement policy and procedures to review the District's authentication controls against USFR requirements at least annually and update its authentication controls as necessary to ensure they align with USFR requirements.

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

Response explanation: The District will develop and implement a procedure to review the District's authentication controls against USFR requirements at least annually or as IT becomes aware of cyber security problems through webinars and professional development activities.