

Bicentennial Union High School District

Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2022

Governing board/management procedures - The governing board and District management should establish and implement procedures as required by Arizona Revised Statutes (A.R.S.) to ensure their oversight duties are met.		
Question	Deficiency	
1. The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as part of their employment. A.R.S. §§38-502 and 38-509	The District did not annually provide guidance to all governing board members and employees on what constitutes a substantial interest and did not notify all employees that disclosing substantial interests is required as a part of their employment.	
2. The District annually obtained COI forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or service, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. A.R.S. §38-502	Two District employees did not submit a COI form for a vendor for which they had a substantial interest.	
3. Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that purchase. A.R.S. §§38-502(11) and 38-503(B)	For one of the District employees who did not submit a COI form, the employee did not refrain from participating in a purchase for which they had a substantial interest; the purchase was for \$150.	
4. The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	For one of ten employees reviewed, the employee's contract was not approved by the Governing Board.	
5. The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	Governing board approval was not obtained for student activities' fund-raising events.	
Budgeting - The District should prepare budgets based on legal requirements and allowable uses of monies and monitor spending to accurately inform the public about its planned spending and ensure it stays within those budgets.		
Question	Deficiency	
1. The budget included all funds as required by A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District did not give notice for the public hearings to adopt the proposed budget, December revised budget, and final revised budget.	

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Accounting records - The District should accurately maintain accounting records to support the financial information it reports and follow processes and controls that reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies.

	Question	Deficiency
1.	The District coded transactions in accordance with the USFR §III Chart of Accounts.	The following coding errors were noted on the District's general ledger: <ul style="list-style-type: none"> • State revenues of \$10,497 were recorded in fiscal year (FY) 2021-22 rather than FY 2022-23. • Federal revenues of \$3,500 were recorded in the Title II — Professional Development and Technology Fund rather than ARP-IDEA Basic Fund. Additionally, Federal revenues of \$279 were recorded in the IDEA Part B Fund rather than the ARP-IDEA Basic Fund. • For one of 25 disbursements reviewed, the expenditure was coded to object code 6731—Furniture and Equipment rather than object code 6643—Instructional Aids.
2.	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	For two of ten journal entries reviewed, supporting documentation, including documentation showing the journal entries were approved by someone other than the preparer, was not maintained.
3.	The District reconciled cash balances by fund monthly with the County School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The District did not research and resolve cash balance differences between the District's records and the County Treasurer's records as net unreconciled differences of \$2,950 were noted on the year-end reconciliation. Additionally, the District did not ensure its cash balances were reconciled to the County Treasurer's records on a timely basis; cash balances were not completely reconciled until February 2023.

Cash and revenue - The District should document and control cash transactions to safeguard monies, provide evidence of proper handling to protect employees involved in handling monies from unfounded accusations of misuse, and reduce the risk of theft or loss.

	Question	Deficiency
1.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1126	For two of five auxiliary operations cash receipts reviewed and three of five student activities cash receipts reviewed, the deposits were not made timely. Additionally, for one of five miscellaneous cash receipts reviewed, the District did not document when cash was received, and therefore, it could not be determined if the cash received was deposited timely.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	
3.	All District bank accounts were reconciled monthly by an employee not involved with cash-handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.	The District did not maintain documentation of bank reconciliations for the Student Activities Fund bank account, Food Service Fund clearing bank account, and Auxiliary Operation Fund bank account.

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Property control - The District should properly value, classify, and report land, buildings, and equipment on its stewardship and capital assets lists. In addition, the District should safeguard its property, which represents a significant investment of its resources, from theft and misuse.

	Question	Deficiency
1.	The District maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	The District incorrectly included assets on the capital asset listing that did not meet the District's capitalization threshold of \$5,000.
2.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, included financed assets, and contained all required information.	The District incorrectly included assets on the stewardship listing that did not meet the District's threshold of at least \$1,000.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<ul style="list-style-type: none"> • For one of five capital assets selected from the listing, the asset was not tagged. • For three of five capital assets selected from the listing, the assets could not be located. • For three of five assets selected from the premises, the tag number on the asset did not agree to the tag number on the listing. • For two of five assets selected from the premises, the assets were not included on the listing.
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District did not perform a reconciliation of capital outlay expenditures to current year outlay additions.

Expenditures - The District should ensure spending approvals document both the allowable District purpose and confirmation that spending was within budget capacity or available cash, to ensure appropriate use of public monies and compliance with budget limits, and to protect employees from unfounded allegations of misuse.

	Question	Deficiency
1.	The District separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).	The District did not have another employee review the expenditure voucher before it went to the governing board.
2.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For three of 25 disbursements reviewed, the PO was prepared after the goods or services were ordered or received.
3.	The District's expenditures were made only for allowable District purposes, properly satisfied the specific purposes required for any restricted monies spent, and were adequately supported by documentation required by the USFR.	For two of 25 disbursements reviewed, the date the goods were received was not documented. Therefore, it could not be determined whether or not the goods were received prior to payment.
4.	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	One student club had a deficit cash balance of \$354 at year end. Additionally, for one of five student activities disbursements reviewed, documentation of student approval was not maintained.

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5.	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	For three of three expenditures reviewed that required written quotes, the District did not maintain written quotes; therefore, it could not be determined whether the District agreed expenditures to the quoted amounts.
Travel - The District should ensure employee travel is for an approved District purpose and travel reimbursements are correctly calculated and appropriately supported by travel documentation.		
	Question	Deficiency
1.	The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of Arizona Department of Administration and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred.	For four of four travel reimbursements reviewed, the District did not maintain supporting documentation. Therefore, it could not be determined whether the employees were reimbursed correctly. Additionally, the expenditures of \$800 were recorded in FY 2021-22 rather than FY 2022-23.
Credit cards and p-cards - The District should control credit cards and p-cards to help reduce the risk of unauthorized purchases and approve purchases to ensure compliance with competitive purchasing requirements in the USFR and School District Procurement Rules.		
	Question	Deficiency
1.	The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.	For one of five credit card purchases reviewed, the District did not maintain supporting documentation.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	Credit card statements were not always paid timely resulting in late fees and finance charges of \$73.
Procurement - The District should follow the School District Procurement Rules and USFR purchasing guidelines for purchases it makes to promote fair and open competition among vendors that helps ensure the District receives the best value for the public monies it spends.		
	Question	Deficiency
1.	The District requested at least 3 written quotes for purchases costing at least \$10,000 but less than \$100,000 and followed the guidelines prescribed by the USFR.	For all three purchases reviewed, the District was unable to provide documentation that three written quotes were obtained and the lowest cost vendor was selected.
2.	The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. A.R.S. §15-213(N) and R7-2-1003	The District did not maintain supporting documentation that it provided a training related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.

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3.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. R7-2-1053 and R7-2-1086	For all four sole source vendors reviewed, the District was unable to provide documentation of the Governing Board's determination that there was only one source and that the determination was reasonable.
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Payroll - The District should document the review, verification, and approval of payroll expenditures to ensure employees are appropriately compensated and payments to employees are supported by Governing Board approved contracts, pay rates, and terms of employment.

	Question	Deficiency
1.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For two of five employees reviewed, the personnel file did not include a loyalty oath form.
2.	The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	<ul style="list-style-type: none"> • For one of 10 employees reviewed, the leave hours used did not agree to the time off request slips. • For one of 10 employees reviewed, the District did not maintain documentation supporting the employee's leave hours used. • For six of 10 employees reviewed, the beginning leave hours balance did not agree to the prior year's ending leave hours balance.
3.	The District's payroll was properly reviewed and approved before processing and distribution to employees.	For one of 10 employees reviewed, the employee was not paid in accordance with the employee's hours worked resulting in an underpayment of \$50.67.

Financial reporting - The District should accurately prepare its financial reports, including its Annual Financial Report (AFR), to provide the public and oversight bodies, including bond investors and district creditors, a transparent view of the District's financial position.

	Question	Deficiency
1.	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	Actual revenues reported on the AFR for the Auxiliary Operations, Extracurricular Activities Fees Tax Credit, and Student Activities Funds did not agree with the District's accounting records by \$9,734, \$1,850, and \$25,919, respectively. Additionally, actual expenditures reported on the AFR for the Food Service, Auxiliary Operations, Extracurricular Activities Fees Tax Credit, and Student Activities Funds did not agree with the District's accounting records by \$5,225, \$5,236, \$4,189, and \$22,285, respectively.
2.	The District prepared the AFR and AFR summary (if one was prepared) with all information as required by A.R.S. §15-904, and followed the AFR Review, Submission, and Publication Instructions.	The District did not maintain support for the submission of the AFR to the CSS. Therefore, it could not be determined if the AFR was submitted before October 15.

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3.	The District's website included its average teacher salary information required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report.	The District provided a link to the District's page from the 2019 Arizona Auditor General District Spending Report, rather than from the most recent report.
4.	The District submitted the School District Employee Report (SDER) to the Arizona Department of Education (ADE), and it was accurate and timely. A.R.S. §15-941 and School Finance Reports.	For all five positions reviewed, the District did not maintain supporting documentation that agreed to the SDER submitted to ADE.

Student attendance reporting - The District should report accurate student membership and attendance information to ADE to ensure it receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For two of five entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency. As a result, it could not be determined if the student should have been excluded from the District's student count and state aid calculations or if the student should have been charged tuition.
2.	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	

Information technology (IT) - The District should adopt an IT security framework that aligns with credible industry standards and through that framework the District should implement controls that provide reasonable assurance that its financial and student data is accurate, reliable, and secure.

	Question	Deficiency
1.	The District maintained adequate separation of duties in its IT systems that prevented 1 employee from completing a transaction without additional review and approval procedures.	The District did not sufficiently limit access to its accounting system based on the needs of individuals' job functions.
2.	The District immediately and appropriately modified terminated or transferred employees' or vendors' access to all District systems.	The District did not remove access in Visions for one employee who no longer needed access to the system.
3.	The District scheduled and performed data backup-control procedures for all critical systems at least daily, or more frequently, to ensure uninterrupted operations and minimal loss of data.	The District's backups are tested by its 3rd party vendor; however, the vendor does not provide the District a report showing that the backups were tested.
4.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District's password security policy for its network did not require screen locks or repeated failed sign-on attempt lockouts. Additionally, the District did not require multifactor authentication for users with administrative access to its accounting and student information systems.
5.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	The District did not review audit trail reports from its accounting system and student information system.

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6.	The District had recovery and contingency planning documents in place to restore or resume system services in case of disruption or failure that were reviewed and tested at least annually.	The District's disaster recovery plan does not include all required elements. Additionally, the District did not review and test its recovery or contingency plan annually.
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