

**Sedona-Oak Creek Joint Unified School District**

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

List of deficiencies for the year ended June 30, 2023

**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 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 provide guidance to employees as to what constituted a conflict of interest.
2.	The District annually obtained conflict-of-interest (COI) forms that allowed governing board members and employees to make known and fully disclose a conflict of interest in any contract, sale, purchase, service, or decision, 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 and 38-503	The District did not obtain conflict of interest forms from employees.
3.	The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	A Student Activities Fund Report (beginning cash, receipts, disbursements, and ending cash) was not presented to the Governing Board on a monthly basis.
4.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	For 3 of 5 student activities cash receipts reviewed, the fundraiser was not approved as a fundraiser type by the Governing Board or Governing Board designee.

**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 proposed and final revised budgets were not uploaded to ADE in accordance with the ADE Submission and Publication Deadlines. Additionally, the District did not post the notice of public hearing for the adopted budget at least 10 days before.

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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 Chart of Accounts.	Two of 47 disbursements reviewed were not coded in accordance with the USFR Chart of Accounts. Additionally, for 5 of 50 payroll records reviewed, the employee's payroll was not coded based on the employee's position. Finally, the District inappropriately recorded lease revenue to object code 5300- Proceeds from the Disposal of Real or Personal Property, rather than to object code 1910-Rentals.
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 1 of 25 journal entries reviewed, the District could not provide supporting documentation.

**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 District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	For all 5 student activities cash receipts reviewed, the District did not retain documentation that a receipt was given to the customer. In addition, for 4 of 5 student activities cash receipts, and all 5 auxiliary receipts reviewed, the District did not prepare daily sales summaries to reconcile sales to actual cash collected.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 5 miscellaneous cash receipts reviewed, the transaction was missing the deposit receipt.
3.	The District's deposits with the county treasurer were reconciled.	The District's cash balance in the Debt Service Fund did not agree to the County Treasurer's records by \$158,676 as the District had recorded cash on deposit of \$501,884, while the County Treasurer's records reflected a balance of \$343,208.

**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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 2 of 5 items selected from the premises, the items could not be traced back to the asset listings. For 1 of 5 items selected from the stewardship listing, and 1 of 5 items selected from the capital asset listing, the items could not be physically located. For 1 of 5 items selected from the stewardship listing, there was no asset ID tag affixed.

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2.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District does not currently have in place a process by which the current year capital asset listing is compared to the prior year listing. As a result, the District's beginning balances for capital assets had unsubstantiated differences of \$2,712 in land improvements, \$5,738 in vehicles, furniture and equipment, and \$566,630 in accumulated depreciation that resulted from uncorrected errors related to the consolidation of individual school sites in a prior fiscal year.
3.	The District performed a physical inventory of all equipment at least every 3 years and reconciled the inventory results to the stewardship and capital assets lists upon completion.	The District did not reconcile its January 2022 physical inventory results to the stewardship and capital asset lists.

**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 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 4 of 47 disbursements reviewed, the purchase order was created after the invoice date. Additionally, for 1 of 47 disbursements reviewed, the expenditure exceeded the authorized PO amount. Finally, the District did not properly close out one open purchase order.
2.	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 1 of 47 disbursements reviewed, there was no evidence of client clerical checks or cancellation of supporting documentation. Additionally, for 2 of 47 disbursements reviewed, the District did not maintain documentation of when goods or services were received.
3.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District did not provide the supplanting worksheet to the CTED.

**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 the 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 1 of 5 travel disbursements, adequate documentation to support the travel was not maintained.

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**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 issued and tracked possession of all District credit cards and trained employees who make credit card purchases or process transactions on the District's policies and procedures.	The District did not maintain a current list of card users for the fuel cards. Additionally, for 7 of 10 credit cards transactions reviewed, the District did not have signed card user agreements on file.
2.	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 5 of 10 credit cards transactions, the employee making the purchase was not clearly identified.

**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 the 3 purchases that were in the written quote range, the District did not obtain at least 3 written quotes from vendors.
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 A.A.C. R7-2-1003	The District did not provide the required 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.
3.	The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. A.A.C. R7-2-1191(D)	The District did not perform adequate due diligence for purchases made with cooperatives.
4.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. A.A.C. R7-2-1004 and A.R.S. §15-213(B)	The District did not prepare and retain written determination, including how the determination was made, for any purchases made from a purchasing cooperative.
5.	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. A.A.C. R7-2-1053 and R7-2-1086	For 1 of 11 vendors identified as sole source, the District did not prepare and maintain written documentation of the Governing Board's or designee's determination that there was only 1 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.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	For 5 of 50 payroll records reviewed, the timesheet was not signed by the supervisor to indicate approval.

**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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures reported on the AFR did not agree to the most recently revised expenditure budget for the E-rate and Other Federal Projects funds.
2.	The District completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F)	Revenues and expenditures reported on the AFR did not agree to the District's accounting records for the Maintenance & Operations, Civic Center, Auxiliary Operations, Gifts and Donations, and Employee Insurance Funds.
3.	The District followed the AFR—Review, Submission, and Publication Instructions.	A link was not provided on the District's website where the AFR could be viewed by November 15. Additionally, the District did not email the signed cover page of the AFR to ADE within 5 days of submission.
4.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports	The SDER was not submitted by October 15.

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**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 entry date in the computerized attendance system agreed to the entry form and was entered into the attendance system within 5 working days after the actual date of the student's enrollment. A.R.S §15-828.	For 2 of 5 entries reviewed, the entry date per the entry form did not agree to the entry date in the student management system.
2.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 3 of 5 withdrawals reviewed, the District did not enter the withdrawal into system within 5 working days of withdrawal. Additionally, for 1 of 5 withdrawals reviewed, the date on the withdrawal form does not match the date of withdrawal in the student management system.
3.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S.§15-901(A)(1)	For 3 of 5 student attendance records reviewed for students withdrawn for having 10 consecutive unexcused absences, the students were not withdrawn as of the last day of actual attendance or excused absence.

**Information technology** - 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 has not sufficiently limited access to applications or software based on the needs of the individual's job function, and prevented unauthorized access to critical systems.
2.	The District had incident response 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 or contingency plan was not tested at least annually to identify vulnerabilities.