

Coconino County Regional Accommodation 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 all governing board members and employees on what constitutes a substantial interest and notified all employees that disclosing substantial interests is required as a part of their employment.
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.	A link was not provided on the District's website to view the proposed and adopted budgets on the Arizona Department of Education's (ADE) website.
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.	Student fees revenue of \$587 were miscoded to Fund 336—Other Federal Projects and expenditure object 6737—Technology-Related Hardware and Software rather than Fund 525—Auxiliary Operations and revenue object 1900—Other Revenue from Local Sources.
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.	Two of 10 journal entries reviewed were not reviewed and approved by a second authorized person.
3.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue postings or journal entries) for propriety and researched and resolved any differences.	The District did not review financial transactions initiated by the CSS monthly as this review was only done at year end.
4.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The District did not perform monthly cash reconciliations to the CSS timely as all fiscal year 2023 reconciliations were not performed until February 2024.
5.	The District reconciled total revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported.	A reconciliation of District records of revenues, expenditures, and cash balances by fund, program, function and object code was not performed at year end.

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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 2 of 5 miscellaneous cash receipts reviewed, the District could not provide a receipt to support cash received. Additionally, for 1 of 5 miscellaneous cash receipts reviewed, supporting documentation could not be provided.
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, supporting documentation could not be provided. Additionally, for 2 of 5 miscellaneous cash receipts reviewed, the District did not provide a receipt, so it could not be determined if the deposit was made timely.
3.	The District safeguarded signature stamps, signature plates, and electronic or digital signatures used for approving accounting transactions, checks, and other District documents to ensure that access was limited to only the employee whose signature they represented.	Access to signature stamps was not limited to the person whose signature the stamp represented.
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's right-to-use assets were not included in the capital asset listing.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not investigate variances on the capital outlay reconciliation.
3.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The stewardship listing does not include the location for all items listed. Additionally, the stewardship listing inappropriately contained short-term noninstructional software subscriptions.
4.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 items selected from the premises, the item could not be traced back to the stewardship list. Additionally, for 1 of 5 items selected from the stewardship listing, the item was located on the premises; however, there was no tag to identify the asset. Finally, for 4 of 10 items selected from the stewardship and capital asset listings, the items could not be located on the premises.

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5.	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 maintain documentation supporting the reconciliation of the physical inventory to the capital asset listing.
<p>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.</p>		
	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 require annual training for all credit card users and employees involved with processing transactions. Additionally, for 2 of 5 credit card transactions reviewed, the District did not maintain signed card user agreements for the employees making the purchase.
2.	The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.	Several credit card statements were missing from February and July through October; therefore, it could not be determined if a review of credit card purchases, and vendor usage was performed.
3.	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 paid timely, resulting in late fees for 2 credit cards.
<p>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.</p>		
	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 1 purchase in the written quote range reviewed, the District did not obtain 3 written quotes.
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 training and guidance to employees, their supervisors, and others who participate in the planning, recommending, selecting, or contracting for materials, services, goods, construction, or construction services related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.
<p>Classroom site fund (CSF) - The District should ensure it appropriately spends the State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as required by law.</p>		
	Question	Deficiency
1.	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF FAQs.	For 3 of 5 employees paid from CSF monies reviewed, the District did not maintain documentation that the employee met the criteria in the performance-based teacher compensation plan.

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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 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.	For 2 of 3 employees reviewed, leave was not accrued in accordance with District policy. Additionally, for 1 of 3 employees reviewed, 1 day of leave was not supported by a leave slip.
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 National Forest Fees Fund.
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)	Actual revenues reported on the AFR did not agree to the District's accounting records for the Classroom Site, National Forest Fees, Civic Center, and Intergovernmental Agreements Funds. Additionally, expenditures reported on the AFR did not agree to the District's accounting records for the Maintenance and Operation Fund.
3.	The District followed the AFR—A.R.S. §15-904, and followed the Review, Submission, and Publication Instructions.	The District did not provide a link on its website to ADE's website where the District's AFR could be viewed.
4.	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's website did not include its average teacher salary information.
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 maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (AOI) program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	For 1 of 3 AOI attendance records reviewed, the District did not obtain an intended FTE statement or documentation that the students' FTE was redetermined at the end of the year or after withdrawal. Additionally, for 1 of 3 AOI attendance records reviewed, the hours reported on the guardian-approved or District computer-generated daily log did not agree to the hours reported to ADE by an overstatement of 1.0 hour.

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2.	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 1 of 5 student entries reviewed, the date in the computerized attendance system did not agree to the date on the entry form.
3.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17	For 1 of 5 entries reviewed, documentation showing membership began with the first day of actual attendance was not maintained. Additionally, for 1 of 5 entries reviewed, membership did not begin with the first day of actual attendance.
4.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 1 of 5 entries reviewed, the District did not maintain verifiable documentation of Arizona residency.
5.	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 1 of 5 attendance records reviewed for students withdrawn for having 10 consecutive unexcused absences, membership and absence information uploaded to ADE did not agree to the District's computerized attendance system.
6.	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)	For 1 of 5 entries reviewed, the District did not maintain verifiable documentation of Arizona residency. Therefore, it could not be determined if the District excluded a non-resident student from the District's student count and State aid calculation and charge tuition as applicable.
<p>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.</p>		
	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 applications or software based on the needs of the individual's job function and prevent unauthorized access to critical systems. Specifically, 2 registrars had access to the accounts payable functions such as purchase order approval and invoice processing.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District system access was not removed for terminated or transferred employees.

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3.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	The District did not maintain a vendor contract or data sharing agreement for the services provided from one software vendor.
4.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not require multifactor authentication for its student attendance system. Additionally, the District's repeated failed sign-on attempt lockouts were not in place for the 2 software systems.
5.	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 has not performed a test of the disaster recovery plan.