

Fowler Elementary 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 governing board approved student clubs' and organizations' fundraising events. A.R.S. §15-1121 and AG Opinion I84-018	Documentation was not provided to support the board approval for 5 of 10 student activities fundraising events reviewed.
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 publish a notice of a public hearing to adopt the FY 2023 expenditure budget.
2.	The District revised its budget on or before December 15, if ADE notified the District that its M&O or UCO Fund budgeted expenditures exceeded the GBL or UCBL. A.R.S. §15-905(E).	The District's December revised budget was filed with the CSS and Superintendent of Public Instruction on January 2, 2023, 15 days after the December 18th deadline.
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.	Seven transactions reviewed were not recorded to the correct object code in accordance with the USFR Chart of Accounts.
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 10 of 25 journal entries reviewed, journal entries were not signed and dated by a secondary reviewer.
3.	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.	Unreconciled variances were reported on the June 30, 2023, reconciliation of cash on deposit with the county treasurer. These reconciling items were later recorded by the District within the District's financial accounting software.
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 used an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.	Two Emergency Connectivity Fund revenues for a total amount of \$194,252.52 were deposited into the revolving account, and as of June 30, 2023, the deposits were still in the bank account.
2.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The miscellaneous receipts clearing bank account was not cleared to the county treasurer at least monthly. The account had deposits for every month in fiscal year 2023, and only two checks were written to the county during the fiscal year. The cash balance on June 30, 2023, was \$76,681.84.

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3.	The District used a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35	The food service clearing bank account was not cleared to the county treasurer at least monthly. The account had deposits from August 2022 to June 2023 in fiscal year 2023, but no checks were written to the county during the fiscal year. The cash balance on June 30, 2023, was \$155,632.86.
4.	The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	A payroll withholding deposit of \$3,075 for the 403(b) plan was mistakenly deposited into the student activities fund bank account.
5.	The District paid bank charges from only the M&O Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	The District paid bank fees of \$3,360.45 and \$1,113.65 from the miscellaneous receipts clearing account and food service clearing account, respectively. The District reimbursed \$1,958.03 of fees in the miscellaneous receipts clearing account by a check from the Treasurer's account. However, the District did not provide documents to support that the remaining fees were reimbursed from an allowable account.
6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 60 cash receipts tested, the deposits were not made timely.

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 3 of 5 items selected from the capital asset list and 3 of 5 items selected from the stewardship items list, the assets could not be located.
2.	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 performed a physical inventory to tag assets in May 2023. However, documentation was not maintained to support the District reconciled the inventory results to the stewardship and capital assets lists.

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 5 of 15 vendors ranging between \$10,000 and \$100,000, at least 3 written quotes were not maintained.
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 documentation that training was performed over soliciting, accepting, or agreeing to accept any personal gifts or benefits.

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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 payroll reports were properly reviewed and approved before processing and distribution to employees.	For 2 of 40 employees selected for testing, the amount paid could not be recalculated based on the employee's contract.
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 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)	The following revenues and expenditures reported on the AFR did not agree to the District's general ledger: <u>Revenues</u> Fund 160 - ESEA difference \$143,830 Funds 300-399 - Other Federal Projects difference \$35 <u>Expenditures</u> Funds 100-130 - Title I difference \$14,399 Funds 140-150 - Title II difference \$16,317 Fund 220 - IDEA difference \$38,602 Funds 300-399 - Other Federal Projects difference \$113,447 Other funds (Funds 531, 533, 591) difference \$135
2. The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The M&O Fund 001 expenditure reported in the Food Service page of the AFR did not agree to the District accounting records.
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 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 2 of 10 students tested that were enrolled in the District's AOI program, documentation was not provided to support the minutes reported or the student's FTEs.
2. 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 10 student entries reviewed, the student membership began one day before the student's first day of actual attendance. The student was enrolled and entered into the attendance system on 10/25/22 and their first actual day of attendance was on 10/26/22.

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3.	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 3 of 10 AOI students selected for testing, verifiable documentation of Arizona residency was not maintained.
4.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 8 of 10 student withdrawals reviewed, membership withdrawal date per form did not agree with the District's attendance system.
5.	The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. A.R.S. §15-901	For 4 school sites selected, membership days were overstated by 4,152.
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.	Two employees have full access to the financial system, in addition, the HR director has full access to the HR and Payroll processing sections in the financial system.
2.	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 provide signed data-sharing agreements with third-party vendors or users that had access to the financial reporting module.
Transportation support - The District should accurately report its transportation miles and eligible student riders to ADE to ensure the District receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	The District accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	When preparing the Transportation Route Report, the District did not subtract the Academic Education, Career and Technical Education, Vocational Education, and Athletic Trips miles and Other Purpose Miles from the Eligible Route Miles, resulting in an overstatement of 2,515 miles.