

Phoenix 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' fund-raising events. A.R.S. §15-1121 and Arizona Attorney General Opinion I84-018 | Student activity cash receipt records were not maintained for all 15 deposits selected from the bank statements to ensure fund-raising events were approved by the governing board. |

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 |
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| 1. The District coded transactions in accordance with the USFR Chart of Accounts. | For 5 of 55 cash disbursements tested, expenditures for supplies were recorded to object code 6590 (other purchased services) instead of 6610 (supplies). |
| 2. The District reconciled cash balances by fund monthly with the County School Superintendent or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations. | The District did not reconcile its cash balances with the County Treasurer by fund. Additionally, the District posted \$5.7 million of activity to cash with county whereas the monies were still on deposit in the Miscellaneous Receipts Clearing account. |

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 |
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| 1. The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20). | The District did not clear the account on a monthly basis, accumulating \$5.7 million in the account on June 30, 2023. |
| 2. 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. | The District did not maintain support for cash received on all 25 transactions selected for testing. |
| 3. The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation. | Documentation was not provided to ensure cash receipts were being deposited timely. |
| 4. The District retained supporting documentation for disbursements from bank accounts. | Documentation was not provided for activity posted within the Miscellaneous Receipts Clearing Account. Specifically, for all 5 checks selected for testing, the checks were not maintained to support that the checks were only written to the county treasurer. |

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| 5. | An employee not involved with cash-handling or issuing checks reconciled all District bank accounts monthly, and an employee independent of the cash-handling process reviewed, signed, and dated the reconciliations. | Support for bank reconciliations were not provided. |
| 6. | The District tracked and reconciled the number of meals sold to the total cash collected per day. | Food service cash collection forms were not maintained for 5 samples selected for testing. |

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 |
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| 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 2 of 55 cash disbursements tested, the purchase order was dated after the invoice date. |
| 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 55 disbursements tested, the following supporting documentation was not maintained for 6 disbursements: <ul style="list-style-type: none"> a purchase order was not maintained for 2 disbursements. an invoice and purchase order were not maintained for 4 disbursements. |
| 3. The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under A.R.S. §§43-1089.01 and 15-342(24). | For 2 of 15 extracurricular activities tax credit cash disbursements tested, an invoice was not maintained to determine if the monies were expended on allowable activities. |
| 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. | For 1 of 10 student activity cash disbursements tested, an invoice or purchase order was not maintained, and no documentation was provided that the purchase was approved by the student club. |

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 |
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| 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. | For 9 of 12 credit card purchases tested, a signed user agreement was not maintained for the purchaser. |

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| 2. | The District paid credit card and p-card statements before the due date to avoid finance charges and late fees. | For 2 of 12 credit card statements tested, a total of \$40.15 was charged for late fees. |
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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 | |
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| 1. | The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4. | For 3 of 25 employee files tested, documentation was not maintained to support stipends paid. |
| 2. | The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G) | For 2 of 25 employees tested, current fingerprint clearance cards were not maintained within the employee's file. These 2 employees had fingerprint cards that had expired in 2022. |
| 3. | 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 1 of 10 hourly employees tested, the employee timecard did not agree to the payroll voucher. |

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 | |
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| 1. | Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget. | The budgeted amount on the AFR related to federal programs (300-399) did not agree to the final revised budget. |
| 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) | Multiple expenditures as reported on the AFR did not agree to the District's accounting records. |

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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 Arizona Auditor General's spending report was linked on the District's website, but it was not the most current version. |
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Student attendance reporting - The District should report accurate student membership and attendance information to Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.

| Question | Deficiency | |
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| 1. | The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry. | For 1 of 10 withdrawals tested, the withdrawal date on the withdrawal form did not match with the date reported to ADE. |
| 2. | 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 5 school sites tested, membership was understated by 247 days. |

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 | |
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| 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. | Four employees have full access to the financial reporting software without compensating controls documented. |
| 2. | The District reviewed and documented any system or software changes implemented. | Formal procedures were not documented as it related to software or system changes. |