

Willcox 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 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	Four employees did not properly disclose a potential conflict of interest.
2.	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	Student activities reports were not always presented to the Board on a monthly basis.
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 post a notice of public hearing prior to the meeting to propose the budget, or prior to the meeting to approve the May budget revision.
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.	The following coding errors were noted in the District's general ledger: <ul style="list-style-type: none"> The District misrecorded state revenue, resulting in an overstatement of revenue of \$2,388. For 1 of 50 employees reviewed, the District coded a Principal's stipend payment to function code 1000—Instruction rather than function code 2410—Office of the Principal.
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 15 journal entries reviewed, the journal entry was not approved by someone other than the preparer. In addition, for 3 of 15 journal entries reviewed, the District did not maintain supporting documentation for the entry, including documentation showing the journal entry was approved by someone other than the preparer.

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3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts–Authorized Transfers.	The District recorded an unallowable transfer of \$525 from the Indirect Costs Fund to the Professional Development and Technology Fund.
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 miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The deposits in the Miscellaneous Receipts Clearing bank account were not always remitted to the County Treasurer on a monthly basis. The ending balance in the Miscellaneous Receipts Clearing bank account at year end was \$339,983.
2.	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. §15-1125.	For all 5 Auxiliary Operations Fund deposits reviewed, the District was unable to provide documentation to support the cash received.
3.	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.	
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 5 student activities receipts reviewed, the District was unable to provide a validated deposit slip or other evidence indicating the amount and date of deposit; therefore, the auditors were unable to trace the receipt to the deposit or determine if the deposit was made timely. In addition, for all 5 auxiliary operations cash receipts, the District was unable to provide support documenting when the cash was received.
5.	The District retained supporting documentation for disbursements from bank accounts.	For 2 of 5 disbursements made from the maintenance and operation revolving bank account and 1 of 5 disbursements made from the student activities bank account, the District did not retain supporting documentation.
6.	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.	The District did not properly reconcile the High School Student Activities Fund bank account as a difference of \$2,508 was noted between the book balance on the reconciliation and the amount in the High School Student Activities club ledger.

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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 capital asset listing included several current year asset additions that did not meet the District's capitalization threshold of \$5,000. In addition, a bus purchased in the current year was not depreciated resulting in an understatement of depreciation of \$18,290.
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 fully reconcile capitalized acquisitions to capital expenditures, as there were differences in the reconciliation which were not identified. In addition, for 1 construction project reviewed, the project was substantially complete before year end and should have been moved to capital asset additions. Also, for another construction project reviewed, the project value did not include all necessary costs, the construction project was undervalued by \$45,505.
3.	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 stewardship items and for 1 of 5 capital asset items selected from the listing, the assets were not tagged. In addition, for 3 of 5 stewardship items and for 3 of 5 capital asset items selected from the listing, the assets could not be found.
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 reconcile the current year capital asset listing to the previous year's listing.
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 performed a physical inventory in June 2023, but has not fully reconciled the inventory results to the stewardship and capital assets lists.
6.	The governing board or authorized designee approved stewardship and capital asset items disposed of during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131.	The District did not maintain documentation to confirm surplus property was disposed of in accordance with A.A.C. R7-2-1131.

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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 3 of 50 disbursements reviewed, the PO was created after the invoice was received. In addition, at fiscal year-end, the District had negative cash of \$43,627 in the Instructional Improvement Fund, a cash-controlled fund.
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.	<ul style="list-style-type: none"> • For 1 of 50 disbursements reviewed, the goods were not received prior to payment. • For 12 of 50 disbursements reviewed, documentation supporting when the goods or services were received was not retained; therefore, the District's auditors could not determine if the goods or services were received prior to payment. • For 1 of 50 disbursements reviewed, the District was unable to provide an invoice for the purchase of goods or services; therefore, the District's auditors were unable to trace and agree the description and quantity of purchase to the supporting documentation.
3.	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 5 student activity disbursements reviewed, the District was unable to provide support; therefore, the District's auditors were unable to determine if there was proper student approval.

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 10 purchases reviewed, 3 written quotes were not obtained.
2.	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)	For 7 cooperative purchases reviewed, the District did not maintain documentation that adequate due diligence was performed.

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3.	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)	For 8 of 12 cooperative contracts reviewed, the District did not maintain written determinations for purchasing from the cooperatives.
4.	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 6 sole source vendors reviewed, the District did not prepare and maintain written determination that there was only 1 source and that the determination was reasonable. In addition, for 1 sole source vendor reviewed, the District did not maintain documentation that it was approved by the Governing Board.

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.	Two employees accrued more than the maximum allowed hours for vacation leave per the District's policy governing leave time.

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

	Question	Deficiency
1.	The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).	For 1 of 10 student enrollment forms reviewed, the District was unable to provide a birth certificate, therefore, the District's auditors were unable to determine if the student's name entered into the student management system agreed to the legal documents.
2.	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 1 of 10 entries reviewed, the District did not maintain verifiable documentation of Arizona residency.
3.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 2 of 10 withdrawals reviewed, the withdrawal date entered into the computerized system did not agree to the date on the withdrawal form.

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4.	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 10 entries reviewed, verifiable documentation of Arizona residency upon enrollment was not maintained. As a result, the District’s auditors could not determine if the student should have been excluded from the District’s student count and State aid calculations or if the students should have been charged tuition.
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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 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.	For 4 vendors with access to District data, the District did not have a vendor contract in place that adequately addressed controls to support security and processing integrity, and backup procedures.
2.	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.	For 1 of 4 applications reviewed, the District could not provide an audit trail report for the student attendance system.