

Window Rock Unified School District

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

List of deficiencies for the year ended June 30, 2023

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 Arizona Revised Statutes (A.R.S.) §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District submitted the meeting notice on the day of the meeting to adopt the budget, July 14.
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 District coded conference registration fees to object 6580—Travel.
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 15 of 18 manual journal entries tested, the District did not maintain documentation that the entries were reviewed by a second person.
3.	The District reconciled cash balances by fund monthly with the county school superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The District had outstanding reconciling differences between funds at year-end. Cash was reconciled in total.
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's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 31 cash receipts tested, the District did not deposit the monies in a timely manner.
2.	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 maintain documentation to support that bank reconciliations for the Employee Insurance Benefits account were reviewed and approved by someone other than the preparer who did not have the responsibility of cash receipting, recordkeeping, or custody of those assets.

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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 recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not properly capitalize all current year capital additions. The District's auditors noted expenditures within the general ledger that should have been identified by management and added to the District's capital asset additions listing. As such, audit adjustments were made to the capital asset additions listing to capitalize a total of \$2.4 million of assets.
2.	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 District did not maintain a cumulative stewardship listing because of data loss from a ransomware attack.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
4.	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 of its last full physical inventory.
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 prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	The District did not submit an Advice of Encumbrance for the current fiscal year.

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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 (ADOA) 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 3 of 4 mileage reimbursements tested, the District did not reimburse at the correct rate or did not maintain documentation to support the miles traveled. Additionally, for all 5 meals reimbursements tested, the District paid out a flat per diem, rather than reimbursing for the actual cost of meals within the ADOA limits.
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.	For all 25 transactions, the District did not maintain a signed user agreement for the employee making the purchase.
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 3 of 25 transactions, the employee making the purchase could not be 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 performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. Arizona Administrative Code (A.A.C.) R7-2-1191(D)	For all 10 cooperative agreements tested, the District did not perform due diligence.
2.	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 all 10 cooperative purchases tested, the District did not maintain written determinations.

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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 on the AFR did not always agree with the District's most recently 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)	Revenues and expenditures on the AFR did not always agree with the District's financial records.
3.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance and Operation Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	Expenditures on the Food Service AFR did not always agree with the District's financial records.
4.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	<p>The District's auditors noted the following required audit adjustments to correct District accounting record errors:</p> <ul style="list-style-type: none"> • To reverse subsequent year expenditures recorded on fiscal year 2023 encumbrance vouchers within the Building Renewal Grant Fund totaling \$0.2 million. • To post the Impact Aid Debt Service Trustee and Bond Issuance activity for the fiscal year including federal revenue of \$0.1 million, interest revenue of \$0.6 million, debt service expenditures of \$1.8 million, bond proceeds of \$23.6 million, bond premium of \$1.2 million, bond issuance costs of \$0.7 million, and the ending cash balance of \$27.3 million. • To reclassify rental payments of \$0.2 million from revenue to unearned revenue as the payments were made in advance. • To accrue grant revenues in various funds to match with current year expenditures.

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5.	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 did not post a link to the most recent Arizona Auditor General District Spending Report on its website.
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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 appropriately tracked and reported student membership and absences. A.R.S. §15-901	For 2 of 10 elementary and junior high school students tested, the District did not properly calculate partial day attendance.
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	The District overstated its membership days by 54,432.

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 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 had several employees with full administrative access to the financial software when their job function did not require it. This inappropriate level of access allowed a ransomware attacker to gain access to the entire financial software system when one of these users' accounts was compromised.
2.	The District assessed security risks for its systems and data, implemented appropriate controls to address risks, and provided employees/contractors annual security awareness training.	The District did not provide adequate security awareness training to prevent a ransomware attack when an attacker gained system access through a phishing email.
3.	The District scheduled and performed data backup-control procedures for all critical systems at least daily, or more frequently, to ensure uninterrupted operations and minimal loss of data.	The District lacked adequate backup procedures and was not able to recover 2 months of financial data lost from a ransomware attack.
4.	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 does not currently have formal contracts or agreements with all 3rd party vendors accessing District systems.

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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 did not test its disaster recovery plan during the current fiscal year.
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