

Hackberry Elementary School District

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

List of deficiencies

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 maintain documentation showing that it provided guidance to all governing board members or employees about what constitutes a substantial interest related to conflict-of-interest statutes.
2.	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	The District did not maintain COI forms for employees and governing board members during the fiscal year.
3.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	Documentation was not maintained to support the District appointed a student activities treasurer.
4.	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	Monthly student activity fund reports were not provided to the governing board.
5.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General Opinion I84-018	The District did not approve student activity fundraising events.

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 adopted budget was not filed with the Arizona Department of Education (ADE) until July 26th. In addition, the notice of the public hearing to adopt the budget was not properly published or posted.

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 incorrectly coded 10 percent of its expenditures totaling approximately \$66,200.

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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.	Journal entries were not reviewed and approved by someone other than the preparer. In addition, journal entries did not always include supporting documentation to provide the purpose of the entry.
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.	Journal entries posted by the CSS's office were not always reviewed and approved by someone at the District.

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 separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District's cash procedures were inadequate because the same individual was responsible for preparing cash deposits and reconciling cash deposited to cash collected.
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.	For 4 of 11 cash receipts tested, the District did not maintain a corresponding receipt or cash collection form. In addition, the District did not maintain support for the National School Lunch Program supply chain payments received.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 6 of 11 cash receipts tested, deposits were not made in a timely manner. In addition, for 4 of 11 cash receipts tested, a cash receipt or cash collection form was not maintained to determine if the deposit was made in a timely manner.
4.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	For all 5 cash receipts tested, the District did not properly track and reconcile the number of meals sold to the total cash collected per day.

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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'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 stewardship listing.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	Documentation that District equipment was tagged was not maintained.
3.	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 develop physical inventory procedures to ensure a physical inventory was being performed over capital assets by someone other than those with custodial, record keeping or purchasing responsibilities. Further, the District has not conducted an inventory of capital asset items within the last 3 fiscal years.
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.	Based on 10 cash disbursements the auditor tested: <ul style="list-style-type: none"> For 1 disbursement, the PO was created after the goods or services were received. For 1 disbursement, a PO was not maintained. For 2 disbursements, the District did not maintain documentation supporting that the goods were received (receiving report). For all 10 disbursements, invoices were not marked "paid" or otherwise marked to prevent duplicate payment. Additionally, for 10 of 38 expenditures approved between October 2023 and January 2024, District staff made 6 purchases prior to obtaining proper approval and made payments for 7 of these purchases to vendors prior to verifying that all purchases had been received and billings were accurate.
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.	
3.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	Fully executed copies of IGA's were not always maintained by the District. Two known IGA's were not provided.

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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 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 all 3 mileage reimbursements tested, the District did not reimburse employees at the correct reimbursement rate. This error led to an underpayment of \$37.52.
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.	The District did not maintain signed user agreements for employees that used credit cards, and no documentation of training was maintained.
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 2 of 8 credit card transactions tested, a credit card statement was not maintained by the District.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 4 of 8 credit card transactions tested, finance charges of \$185.91 were assessed on the related statements. In addition, for 2 of 8 credit card transactions tested, a statement was not maintained to determine if finance charges or late fees were assessed.
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 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 Arizona Administrative Code (A.A.C.) R7-2-1003	The District did not maintain documentation that training was provided related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.

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2.	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. A.A.C. R7-2-1191 through R7-2-1195	For 4 of 5 cooperative purchases tested, the District did not provide information related to participation with each cooperative purchase.
3.	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)	Due diligence documentation was not provided for cooperative contracts used.
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.	The federal programs budget for funds 300-399—Other Federal Projects and Fund 855—Employee Insurance Program Withholdings, did not agree between the AFR and the latest revised budget.
2.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance & Operation (M&O) Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	M&O Fund expenditures as reported on the Food Service AFR in object code 6400—Purchased Property Services, did not agree with the District's accounting records. It appeared that these expenditures were reported both in the Food Service Fund column and M&O column of the Food Service AFR.
3.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Transactions within the encumbrance period were not reviewed to ensure they were recorded within the correct fiscal year, resulting in accounts payable disbursements totaling \$57,272 that were improperly recorded.
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 most recent Arizona Auditor General District Spending Report was not linked within the District's website.
5.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports	The District did not submit the SDER to ADE.
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 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 2 of 5 student enrollments tested, the District did not maintain verifiable documentation of Arizona residency.

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2.	The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	For 3 of 5 student withdrawals tested, the District did not retain the Official Notice of Pupil Withdrawal form.
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's computer system includes 3 District users and 1 County user with system access allowing them to initiate and complete accounts payable and/or payroll transactions without another individual involved to verify the transactions were valid, accurate, and appropriate.
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.	Documentation was not provided to support that the District assessed security risks for unauthorized access to the District's system, network, and data including through email, Internet use, VPN, wireless access, and mobile devices. Documentation was not provided that the District provided employees with security awareness training to prevent, identify, and report suspected security risks and threats.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not establish written policies that addressed user access after employee termination.
4.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not establish written policies that provide details on password security.
5.	The District monitored and reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity and addressed noted issues.	The District did not monitor and review IT system-generated incident or error reports to identify security threats or other unusual activity.
6.	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 have a recovery and contingency planning document in place to restore or resume system services in case of disruption or failure.

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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	The District did not maintain documentation for students reported on the Transportation Route Report (TRAN55-1). Also, the District did not accurately calculate miles with an understatement of 8,091.61 miles when comparing the District's records with the TRAN55-1 report.
Records management - The District should protect and maintain its records, including hard copies and electronic files with student and employee data, and ensure that its records are disposed of securely in accordance with established time frames.		
	Question	Deficiency
1.	The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. www.azlibrary.gov/records	The District did not maintain documentation that records were properly disposed of in the current year in accordance with District policies.