

Elfrida 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 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 retain COI forms from employees nor provide proof that annual trainings were completed.
2.	The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees as part of their employment.	
3.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	For the only student activity fundraising revenues tested, the governing board did not approve the student fundraising event.
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 notice of the public hearing/board meeting was not electronically transmitted to Arizona Department of Education (ADE) no later than 10 days before the meeting took place. The notice was posted 6 days before the meeting to adopt the budget.
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance and Operation (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the General Budget Limit (GBL) or Unrestricted Capital Budget Limit (UCBL). A.R.S. §15-905(E).	The District received notification through the BUDG25 letter that a revision was necessary by December 15th. A revision was not prepared in December and no documentation was maintained to support that the District was within the GBL by December 15th.

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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.	<p>The District improperly recorded the following transactions:</p> <ul style="list-style-type: none"> • A fuel charge to object code 6580—Travel instead of object code 6626—Unleaded Fuel. • Insurance proceeds from personal property damages to Fund 530—Gifts and Donation rather than Fund 550—Insurance Proceeds. • Three non-technology related repair and maintenance expenses to object code 6300—Purchased Professional and Technical Services instead of 6430—Repairs and Maintenance Services.
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 all 5 adjusting journal entries tested, the entry and related support were not maintained.
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.	The District did not maintain documentation that journal entries prepared by the CSS were reviewed and approved by District management.
4.	The District reconciled cash balances by fund monthly with the CSS or county treasurer’s (CT) records, as applicable, and properly supported, documented, and dated the reconciliations.	The District did not establish a system of internal controls over cash held with the CT to ensure that the cash balances were reconciled between the District’s general ledger and the CT. The District retained documentation that cash balances agreed to those reported at the CSS office; however, there were reconciling items between the CSS and the CT. Reconciling items totaling \$26,503 were recorded within the CSS reconciliation that were not reviewed or investigated by the District. In addition, the District did not review the reconciliations prepared by the CSS. This also led to a qualified opinion within the financial statements.

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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 extracurricular activities fees tax credit (tax credit) monies were included in the Auxiliary Operations Fund and/or separately accounted for in an Extracurricular Activities Fees Tax Credit Fund. A.R.S. §15-341(A)(19) and (20).	The District inappropriately deposited a \$400 tax credit deposit into its Student Activities bank account.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 13 cash receipts tested, the deposit was not made in a timely manner.
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.	<p>The District's auditors noted the following regarding the capital assets list and additions:</p> <ul style="list-style-type: none"> • The District has not updated the capital assets list since June 30, 2020. • The District's list did not include information related to purchase method, tag numbers, fund codes, and location. • The District did not reconcile its capital outlay expenditures or update its capital assets listing for the fiscal year ending June 30, 2023. The District's auditors tied out capital additions to the related invoices and entered them in the financial reporting software with the direction of management. • The District did not tag current year additions and the many assets on the capital assets list did not have an associated tag number.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	
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'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.

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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.	Documentation that the District performed a physical inventory of all equipment within the past 3 years was not provided.
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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 13 of 25 cash disbursements tested, the PO was created after the goods or services were received by the District. In addition, for 2 of 25 cash disbursements tested, an invoice was not maintained to determine if the PO was approved before the goods or services were purchased.
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 2 of 25 cash disbursements tested, an invoice and related supporting documents were not maintained to support the purchase. In addition, for 3 of 25 cash disbursements tested, a receiving report was not maintained to show when and if the goods were received. Lastly, for 1 of 25 cash disbursements tested, a warrant was not maintained to support the purchase made.
3.	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	For 2 of 25 cash disbursements tested, the District did not provide procurement documentation supporting that the contract pricing and terms agreed to the expenditure amounts.
4.	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 IGAs were not provided.

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.	Signed credit user agreements were not provided for card users and support that a training occurred for all card users was not maintained.

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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.	Written quotes were not maintained for all 3 vendors tested within the written quote range.
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)	Due diligence documentation was not provided for the only cooperative contract tested.
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 the only cooperative contract tested, a written determination was not prepared for specified professional services.
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	The District documented 24 individual sole source providers. However, that listing was comprised of vendors that are not the sole provider of a specific service or product. In addition, the sole source listing was comprised of utilities and cooperatives that should be removed from the listing as they are exempt from procurement.
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 budget for funds 300-399—Other Federal Projects did not agree between the AFR and the latest 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)	For Fund 001—Maintenance and Operation and Fund 220—IDEA Part B, the revenues and expenditures reported on the AFR did not always agree with 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 District's website did not include a working link to the most recent Arizona Auditor General's District Spending Report. In addition, the average teacher salary information was not included within the District's website.
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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 counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S.§15-901(A)(1)	For the only student file tested, it was noted that the student did not have 10 consecutive unexcused absences. It was noted that during the 10 days observed that 4 absences were medically excused, and they were improperly withdrawn.

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.	A user rights listing was not provided for the current year and the District did not provide support to show access was limited within the District's accounting software to only those areas in each employee's job function. Therefore, auditors were unable to determine who had access to the District's computerized systems and that access was limited within the District's accounting software to only those areas in each employee's job function.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not provide its auditors a user role listing for the current fiscal year to verify that terminated employees were removed from the District's system.
3.	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.	Documentation was not provided to support the District's Technology Disaster Recovery Plan was reviewed and tested at least annually.