

Ganado Unified 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 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	Documentation was not provided that the governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances.
2.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	All 10 student fund-raising events reviewed did not have governing board approvals prior to the events. The District's auditors noted a list of fund-raising events was approved on 5/4/2023, after the dates of the events reviewed.
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 District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(I).	The most recently revised expenditure budget was not submitted by the required due date.
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 following transactions were not coded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none"> • A check was written from the Auxiliary Operations Fund bank account to reimburse payments for athletic event workers that was paid out from the treasurer account (Fund 525—Auxiliary Operations), but it was inappropriately recorded in Fund 525 as Object 1990—miscellaneous revenues. • A one-year software subscription fee was coded to Object 6739—technology-related hardware and software and should have been recorded to Object 6655—short-term non-instructional software subscription.

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2.	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.	Cash reconciliations with the County Treasurer were not properly prepared during the current year. The reconciliations provided had significant unresolved variances noted within them. Specifically, the Apache CSS's Office provided a June 30, 2023, reconciliation to the County Treasurer's cash balances that was dated completed as of September 26, 2023. The District reported a cash balance of \$32,908,193 with the County Treasurer as of June 30, 2023. To agree with the County Treasurer's reconciled balance of \$33,988,089 it was noted that the reconciliation provided an unreconciled variance of \$440,214. Therefore, auditors were not able to determine if revenues were posted and approved by the district for records initiated by the CSS.
3.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	
4.	The District reconciled total revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported.	

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 maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	Three bank accounts (Revolving, Primary School Student Activity, and Intermediate School Student Activities) had no activity during fiscal year (FY) 2023. The District's auditors noted that only interest earned and bank charges were recorded to those accounts.
2.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The miscellaneous receipts clearing bank account was not cleared to the county treasurer on a monthly basis.
3.	The District used a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35	The food service clearing account was not cleared to the county treasurer on a monthly basis.
4.	The District used the electronic payments clearing bank account in accordance with A.R.S. §15-1221.	The electronic payments clearing account was not used appropriately as it had a beginning cash balance of \$8,386.48 as of 7/1/22 and an ending balance of \$7,447.61 as of 6/30/23.
5.	The District paid bank charges from only the Maintenance & Operation Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	Bank fees totaling \$5,619.87 were not reimbursed to the miscellaneous receipts account, the food service clearing account, 4 student activities accounts, and the electronic payments clearing account from an appropriate District fund or bank account.

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6.	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 1 of 10 auxiliary operations deposits reviewed, documentation was not provided to properly reconcile the ticket sales to monies collected. For 17 of the 23 deposits received from the school sites during September 2023 and January 2024, the District did not maintain supporting documentation such as receipts, tracked ticket numbers, or another type of log that supported the amount collected. Additionally, 1 deposit that included a log of items sold was \$20 more than what the log indicated was collected without any explanation for the overage.
7.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 7 of 30 deposits tested, cash was not deposited timely. Additionally, for 9 of the 23 deposits received from the school sites during September 2023 and January 2024, the District did not deposit the monies, totaling more than \$4,000, within 7 days of collection. In 1 case, the District did not deposit cash collected by a student club for 213 days, or approximately 7 months, after being collected.
8.	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.	A bank reconciliation was not prepared for 1 of 9 bank accounts during the fiscal year.

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 capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 items selected from the stewardship listing, the item was not properly tagged. In addition, for 2 of 5 items selected from the floor, the items were not traceable back to the listing.
2.	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 was not provided that a physical inventory of all equipment was done at least every 3 years. It was noted that the last physical inventory of all equipment was done during July 2017.

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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.	The District exceeded the \$64 per person per day maximum meals and incidental rate for Coconino County in January 2023. The District paid \$5,135.50 in food and beverage charges for 21 employees to attend a 2-day Work Study session, which exceeded the maximum allowable amount of \$2,688. Additionally, in FY 2024, 2 Board member travel claims and 4 employee travel claims for 6 separate trips did not always follow District policy and ADOA requirements. Specifically, the District calculated 2 mileage reimbursements for miles driven in a personal vehicle using a generic city-to-city mileage table instead of actual miles driven as the travel claims also did not contain information necessary to correctly calculate the mileage reimbursement, such as the Board member's address.

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 properly procured expenditures that individually or cumulatively totaled over \$100,000.	Procurement documentation was not provided for 1 vendor with expenditures over \$100,000.

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 Arizona Online Instruction program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	Supporting documentation for Arizona Residency was not provided for 3 of 10 students reviewed.
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	Withdrawal forms were not provided for 2 of 10 students selected for review.

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3.	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)	Membership was not only counted through the last day of actual attendance or excused absences for 7 students withdrawn for having 10 consecutive unexcused absences. Additionally, one student's attendance report didn't indicate the last day of attendance or unexcused absence.
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.	Four District employees had full access to all accounting modules in the Visions financial software. As of August 2024, the District had 1 user with administrator-level access who did not require it to perform their job responsibilities. Further, the District reported it does not have separate non-administrative accounts for its 5 appropriate network administrators. Additionally, the District improperly granted 2 District employees administrator-level access to its accounting system.
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.	As of June 2024, the District has not established and implemented a District policy to conduct mandatory employee security awareness training at least annually. Further, the District's security awareness training content is limited to specific topics and does not cover the set of information security topics relevant for school districts as recommended by credible industry standards.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	As of August 2024, 4 District employees had full access to the District's purchasing and/or payroll processes. In addition, the District had 1 active accounting system user account that was no longer needed and should have been disabled. Further, the District did not immediately disable accounts when no longer needed as auditors identified 13 network user accounts and 4 student information system (SIS) accounts associated with terminated employees. The District's SIS also had 1 active account that was no longer needed and should have been disabled.
4.	The District routinely completed software and application updates and operating system patches when they became available.	The District did not upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems. In addition, the District did not develop and implement policies and procedures to ensure its computer and network infrastructure are properly maintained and up to date.

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5.	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 did not have formal data-sharing agreements with 3rd parties that access the District's systems.
6.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	As of July 2024, some of the District's network password requirements did not meet credible industry standards. In addition, the District has not developed and implemented policy and procedures to review the District's password standards against credible industry password standards at least annually.
7.	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.	The District did not implement regular reviews of audit trails or change logs.
8.	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 implement procedures to review incident or error reports. Additionally, as of August 2024, the District has not established and implemented procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activities in a timely manner.
9.	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 disaster recovery or contingency plan in place for the fiscal year.

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 dispose of financial records in a timely manner. It was noted that the records are in dated boxes and are being held in a secured location until the District hires a third party to shred the records or purchases shredders to dispose of the records in-house.