

Young 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 governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District did not appoint a student activities treasurer for the fiscal year (FY).
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	The District did not prepare monthly Student Activities Fund Reports to present to the governing board.
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 for the budget was not published at least 10 days before the meeting.
2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit (GBL) and the unrestricted capital budget limit (UCBL). A.R.S. §15-905(E)	The District's original adopted budgeted expenditures were greater than the budgeted amounts on the published proposed budget.
3.	The District revised its budget on or before December 15, if Arizona Department of Education (ADE) notified the District that its M&O or UCO Fund budgeted expenditures exceeded the GBL or UCBL. A.R.S. §15-905(E).	The District did not revise its budget on or before the December 15 deadline.

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List of deficiencies

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.	For 4 of 25 general disbursements tested, the correct object code was not used to record the purchase, as noted below: <ul style="list-style-type: none">• Short-term, non-instructional software was recorded to 6300—Purchased Professional and Technical Services instead of 6655—Short-term Noninstructional Software Subscription.• Other professional services were recorded to 6450—Construction Services instead of 6330—Other Professional Services.• Electricity was recorded to 6410—Utility Services instead of 6622—Electricity.• Short-term, non-instructional software was recorded to 6737—Technology-related hardware and software instead of 6655—Short-term Noninstructional Software Subscription.
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 6 of 7 journal entries tested, the District did not provide evidence that journal entries were signed, dated, and approved by someone other than the preparer. In addition, the District did not maintain documentation for the selected journal entry transaction. In addition, journal entries proposed by the CSS's office were not always reviewed and approved by someone at the District.
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 did not reconcile cash balances by fund monthly with the CSS.

Young Elementary School District

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List of deficiencies

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.	The District did not reconcile total revenue, expenditures, expenses, and cash balances by fund, program, function, and object code at least at fiscal year-end with the CSS.
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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 District maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	The District's M&O Fund revolving bank account was inactive during the fiscal year.
2.	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 District did not clear the Food Service Fund account at least monthly to the County Treasurer. Specifically, the District only cleared the account to the County Treasurer in March 2023.
3.	The District paid bank charges from only the M&O 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.	The District incurred bank fees and charges were not reimbursed from an appropriate District fund or bank account.
4.	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.	The District did not always prepare sequential prenumbered receipts for each cash payment received and did not prepare receipts for some checks received through the mail as required by the USFR. Specifically, the District used copies of cash receipt forms and manually assigned a receipt number for all \$15,476 of its extracurricular activities fees tax credit and student activities cash collections, and it did not prepare receipts for \$117,305 of cash received through the mail from other governments, community organizations, and vendors. In addition, the District did not reconcile cash receipts to cash deposits and could not always locate receipt copies within deposit documentation to support whether 27 cash receipts totaling \$1,827 were deposited.

Young Elementary School District

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

List of deficiencies

5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 13 of 20 deposits tested, deposits were not made in a timely manner.
6.	The District's deposits with the county treasurer were reconciled.	The District did not reconcile deposits with the county treasurer.
7.	The District retained supporting documentation for disbursements from bank accounts.	For 1 of 6 disbursements tested, the District did not retain supporting documentation for disbursements from bank accounts.

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 District did not properly capitalize assets greater than \$5,000 and did not update prior year's additions to properly depreciate assets during the fiscal year.
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 reconciled the current year's June 30 capital assets list to the previous year's June 30 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 of all capital items costing between \$1000 and \$5,000.
5.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District's auditors were unable to test tagged property items because the District did not have sufficient procedures to ensure assets were tagged.
6.	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 has not conducted an inventory of capital asset items within the last 3 fiscal years.

Young Elementary School District

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

List of deficiencies

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'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 1 of 25 disbursements tested, the District did not retain documentation for a student activities disbursement of \$6,971.99. In addition, in FY 2021, contrary to Attorney General opinion No. I82-136, the District used more than \$21,600 of District monies intended to be used for its required K-12 instructional program, to pay for its community preschool program.
2.	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 3 of 5 student activities disbursement tested, the District did not maintain student club minutes.
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 1 of 3 hotel lodging reimbursements and 1 of 2 mileage reimbursements tested, the District was not within the maximum reimbursement amounts established by the Director of Arizona Department of Administration.

Young Elementary School District

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

List of deficiencies

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 documentation for credit card training and user agreements during the fiscal year.
2.	The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.	For 1 of 9 credit card transactions tested, the District did not maintain supporting documentation.
3.	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.	
4.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred finance charges totaling \$173.42 during the fiscal year.
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 to employees.
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	The District did not maintain the cooperative agreement with Mohave, the cooperative used.

Young Elementary School District

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

List of deficiencies

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)	The District did not perform due diligence to support cooperative purchases from a cooperative purchasing vendor.
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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.	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)	The District did not submit the school-level reporting AFR.
2.	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 link to the District's page from the most recent Arizona Auditor General District Spending Report.
3.	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 prorated high school students' membership if enrolled in less than 4 subjects.	For all 3 students with less than 4 subjects tested, the District did not properly prorate membership.
2.	The entry date in the computerized attendance system agreed to the entry form and was entered into the attendance system within 5 working days after the actual date of the student's enrollment. A.R.S §15-828.	For 2 of 5 student enrollments tested, the District did not enter students into the computerized system to allow the auditor to determine if membership began on the first day of actual attendance. The District did not maintain Student Membership Information by District of Residence (STUD72) reports

Young Elementary School District

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

List of deficiencies

3.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17	nor were the students listed on ADE's Student Adjustment Average Daily Membership (ADM15) Report to determine full-time equivalent (FTE) membership.
4.	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 4 of 5 withdrawals tested, the District did not retain the Official Notice of Pupil Withdrawal form.
5.	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	Membership was understated by 76 days.

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 4 business office employees and 1 consultant had user access that allowed them to be able to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. The District also granted administrator-level access to its accounting system to 2 of these business office employees. This type of access gave the 2 employees full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the 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.	The District did not maintain documentation to support security awareness training was provided to employees.

Young Elementary School District

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3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not have a process to revise employees' access when they terminated employment. In addition, the District was not timely performing detailed reviews of user accounts and assessing their need for network access to ensure that access was disabled when it was no longer needed. Four active network user accounts were linked to terminated employees who were 2 months to almost 2 years post termination. Additionally, 1 of these accounts had broad, administrative network privileges.
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 did not maintain a data-sharing agreement with a third party vendor.
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.	Documentation was not provided that the District monitored and reviewed 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 maintain a disaster recovery plan nor provide documentation the plan was tested at least annually.

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 (TRAN55-1) submitted to ADE. A.R.S. §15-922	The District did not properly complete its FY 2023 TRAN55-1 report submitted to ADE. In addition, the District did not retain adequate documentation for the numbers of eligible students and miles transported.