

# Topock 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 held governing board meetings in accordance with A.R.S. §§38-431 to 38-431.09, and prepared and retained written minutes and/or recordings.	<p>At its March 2024 meeting, the Governing Board attempted to address having made performance payments to the superintendent without approving the payments in a public meeting. However, the Board's actions did not accurately reflect the performance payments the District made without approval as the minutes referred to the wrong fiscal year and did not include the dollar amounts of the payments.</p> <p>In addition, the District did not always comply with the executive session meeting requirements because the Board's executive session agendas did not sufficiently describe the items for discussion. For 4 agendas reviewed, the District used a general description of "personnel matters" and did not always identify the specific employee or matter to be discussed, contrary to requirements.</p>
2.	The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest (COI) 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 that guidance was provided to employees on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees.
3.	The District annually obtained COI forms that allowed governing board members and employees to make known and fully disclose a COI 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 current COI forms for its employees and governing board members.

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4.	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	<p>The District did not maintain written contracts for the Superintendent and Principal for fiscal year (FY) 2025 stipulating the terms of their employment with the District. The District continued to pay the Superintendent's salary despite the Governing Board voting in a public meeting to vacate his contract. As of October 2024, the Board had not taken any action to evaluate the Superintendent's performance or approve performance pay for FYs 2023 and 2024 and had not made any performance payments for either fiscal year.</p> <p>In addition, the District appointed a teacher additional administrative duties but did not have a written contract or agreement outlining these additional duties and the associated pay.</p>
5.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General Opinion I84-018	For 4 of 6 student activities receipts tested, the District did not maintain documentation that the fundraising activity was approved by the governing board. Additionally, the District inappropriately recorded the sale of unused laptops to the Student Activities Fund.
<p><b>Cash and revenue</b> - 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.</p>		
<p><b>Question</b></p>		<p><b>Deficiency</b></p>
1.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 13 of 20 cash receipts tested, the District did not deposit the monies in a timely manner.

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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 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 has not prepared a formal capital assets list since FY 2012. The District did not have sufficient internal control procedures over property control to ensure the District's capital assets and stewardship lists were updated on an annual basis, capital acquisitions were reconciled to capital expenditures, and the current year list was reconciled to the prior period.
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 stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	
4.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
5.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	
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 performed a physical inventory within the last 3 fiscal years. Additionally, 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.

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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 1 of 2 Superintendent travel reimbursements reviewed, the travel claim contained inaccurate mileage, resulting in an overpayment of \$56.73.
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.	For all 8 purchases in the written quote range the District did not provide written quotes or other documentation showing that written quotes were not required (i.e., sole source, cooperative purchase, etc.).
2.	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 R7-2-1003	The District did not maintain documentation to support that training on the acceptance of gifts was given during the current fiscal year.
Classroom site fund (CSF) - The District should ensure it appropriately spends the State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as required by law.		
	Question	Deficiency
1.	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S. §15-977. See CSF FAQs.	The District did not maintain a copy of its FY 2023 CSF performance pay plan.

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Payroll - The District should document the review, verification, and approval of payroll expenditures to ensure employees are appropriately compensated and payments to employees are supported by governing board approved contracts, pay rates, and terms of employment.		
Question	Deficiency	
1.	The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	For 1 employee that terminated employment with the District during FY 2024, the District did not pay out the employee's unused vacation time in accordance with District policy. Specifically, the payout was made more than 6 months after termination of employment rather than in the employee's last paycheck, governing board approval of the payout was not documented in Governing Board meeting agendas or minutes, and documentation of the payout amount was only approved by the Superintendent, not the employee or business manager.
2.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act and were approved by the employee and the employee's supervisor.	For 1 hourly employee with overtime, the overtime hours were not paid at 1.5 times the base hourly rate.
3.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 1 of 10 employees reviewed, the base salary per their contract did not agree to the actual payments made to the employee, resulting in an apparent underpayment of \$2,187.50.
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 for Fund 374—E-Rate on the AFR did not agree to the District's most recently revised budget.

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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)	The District did not submit the school-level reporting AFR.
3.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Material audit adjustments were necessary to record revenues in the proper period. The District received a total of \$95,634 in subsequent receipts for the Instructional Improvement, Childcare Stabilization Grant, Special Projects Fund, National School Lunch Program, Gifts and Donations Fund, and Building Renewal Grant and did not properly accrue the revenues into the current fiscal year. The reimbursements were received during the District's encumbrance period.
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 District did not maintain current teacher salary information on its website. In addition, the District did not provide a link to the most recent Arizona Auditor General District Spending Report on its website.

**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 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 understated its membership days by 72 days.

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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 reviewed and documented any system or software changes implemented.	The District did not have formal policies and procedures relating to system or software changes.
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 an annual IT security awareness training to its employees.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not have a formal IT password policy documented.
4.	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 have formal policies and procedures relating to the review of IT system-generated error reports.
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's IT contingency plan was not tested at least annually to ensure employees understand their responsibilities, identify internal and external vulnerabilities, and take action to update equipment or remedy any issues identified since the last review.
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 reported 19,107.5 miles on the FY 2023 TRAN55-1 report which included 1,648 miles reported on the "Route Miles Traveled By District to Transport Homeless Students", that the District could not provide support for.