

Ganado Unified School District

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

List of deficiencies for the year ended June 30, 2022

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 provide annual 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.
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 provide documentation that the Governing Board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances.
3.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	Student activity fundraisers were not provided to the Governing Board for approval.

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.	Total budgeted expenditures on the adopted budget for the Maintenance & Operation (M&O) Fund and Unrestricted Capital Outlay Fund were within the general budget limit and the unrestricted capital budget limit. If not, and the Arizona Department of Education (ADE) notified the District that the budget exceeded either limit, the District followed the requirements of A.R.S.§15-905(E).	The BUDG25 Expenditure Analysis report from ADE dated 10/28/21 indicated the District needed a budget revision due to the M&O Fund (fund 001) exceeding the M&O budget limit by \$797,808, and that the District should adopt a revised budget before December 15, 2021. However, the District did not submit a revised budget until May 13, 2022.

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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 §III Chart of Accounts.	<p>The following revenues were not coded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none"> • Loyalty credit for liability insurance was coded to Fund 378—Impact Aid as local revenue, rather than being recorded to reduce the liability insurance expenditures. • Loyalty credit for workman's compensation was coded to Fund 550—Insurance Proceeds and object 5300—Proceeds From the Disposal of Real or Personal Property, rather than being recorded to reduce the Workman's Compensation expenditures. • Johnson-O'Malley revenues in the amount of \$173,646 were coded to object 1980—Refund of Prior Year's Expenditures, rather than being recorded to object 4700—Revenue Received from the Federal Government through Other intermediate Agencies. <p>The following revenues were double posted in the accounting system:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>Object</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>234—Fiscal Year (FY) 21-22 Johnson O'Malley Program</td> <td>4700—Federal Grant</td> <td>\$19,583.30</td> </tr> <tr> <td>510—Food Service</td> <td>1630—Special Functions</td> <td>\$112.50</td> </tr> <tr> <td>550—Insurance Proceeds</td> <td>5300—Sale or Compensation for Loss of Fixed Assets</td> <td>\$2,962.43</td> </tr> <tr> <td>850—Student Activities</td> <td>1990—Miscellaneous</td> <td>\$387.20</td> </tr> </tbody> </table>	Fund	Object	Amount	234—Fiscal Year (FY) 21-22 Johnson O'Malley Program	4700—Federal Grant	\$19,583.30	510—Food Service	1630—Special Functions	\$112.50	550—Insurance Proceeds	5300—Sale or Compensation for Loss of Fixed Assets	\$2,962.43	850—Student Activities	1990—Miscellaneous	\$387.20
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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.	<p>The following were noted for the review of 20 adjusted journal entries selected for review:</p> <ul style="list-style-type: none"> • Two journal entries were signed but not dated by someone other than the preparer. • Nine journal entries were not signed or dated by someone other than the preparer, it was noted only the preparer signed the journal entries. 															
3.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.																
4.	The District reconciled revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at FY-end with the CSS, and the reconciliation was reviewed and properly supported.	The District did not resolve four adjusting items with a net total of \$21,461 when reconciling to the CSS cash records.															

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5.	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.	The Apache CSS's Office provided a June 30, 2022, reconciliation to the County Treasurer's cash balances that was dated completed as of May 9, 2023. The District reported a cash balance of \$25,038,706 with the County Treasurer as of June 30, 2022. However, to agree with the County Treasurer's reconciled balance of \$24,852,797 there was an unknown variance of \$451,408 after considering other adjustments with the County Treasurer for the fiscal year ending June 30, 2022.																					
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.																							
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:45%; text-align: left;">Question</th> <th style="width:50%; text-align: left;">Deficiency</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>The District used an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.</td> <td>All reimbursements for revolving bank account expenditures were not made by June 30 resulting in \$775.45 in expenditures not reported in the proper accounting period.</td> </tr> <tr> <td>2.</td> <td>The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).</td> <td>The miscellaneous receipts clearing account had a balance of \$7,186 as of June 30, 2022, that included \$2,681.41 deposited during FY 2022. The District did not clear the account to the County Treasurer at least monthly, as only one clearing check for \$1,711 was issued during FY 2022.</td> </tr> <tr> <td>3.</td> <td>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.</td> <td>The food service clearing account had a balance of \$14,050 as of June 30, 2022, that included \$13,597.58 deposited during FY 2022. No clearing checks to deposit the monies to the County were issued during FY 2022.</td> </tr> <tr> <td>4.</td> <td>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.</td> <td>Bank fees totaling \$1,815.41 were not reimbursed to the miscellaneous receipts account, the food service clearing account, and the Arizona State Retirement System (ASRS) clearing account.</td> </tr> <tr> <td>5.</td> <td>The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.</td> <td> The following deposits were not deposited in a timely manner: <ul style="list-style-type: none"> • Three of five auxiliary collections selected for review were deposited from 11 to 30 days after the date of the event. • One of five food service deposits selected for review was deposited 12 days after collection. • Three of five student activity deposits selected for review were deposited from 17 to 48 days after the collection date. • Ten of 25 deposits made to the County Treasurer selected for review were deposited from 10 to 24 days after the initial collection date. </td> </tr> <tr> <td>6.</td> <td>All District bank accounts were reconciled monthly by an employee not involved with cash-handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.</td> <td>The District did not reconcile its nine bank accounts that held \$172,879 during FY 2022.</td> </tr> </tbody> </table>				Question	Deficiency	1.	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Supplies inventory - The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.

	Question	Deficiency
1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	A general supplies inventory report as of June 30, 2022, was not provided. It was noted that a general supplies inventory report for August 2022 was provided.

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.	Four of five items selected from the capital asset list and three of five items from the stewardship listing were not located. Two copiers selected from the premises were not on the FY 2022 capital asset or stewardship lists.
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 completed at least every 3 years. It was noted the last physical inventory of all equipment was completed during July 2017.
3.	The governing board or authorized designee approved stewardship and capital asset items disposed of during the FY, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C) R7-2-1131.	Request-for-authorization forms to dispose of District property with dates disposals were approved by the governing board or authorized designee were not provided for the ten capital asset items disposed during FY 2022.

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 and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	The District did not ensure that sufficient cash was available in Fund 510 – Food Service, a cash-controlled fund, prior to making an expenditure, resulting in a negative cash balance of \$14,311.
2.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year vocational education spending. A.R.S. §15-393	A CTED supplanting worksheet for FY 2022 was not submitted to the ADE's website.
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	Copies of fully executed copies of each IGA in effect during FY 2022 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 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.	<p>One of four travel expenditures reviewed exceeded the allowable maximum rates established by ADOA as follows:</p> <ul style="list-style-type: none"> • The hotel rates were \$96, which exceeded the \$94 maximum rate for Maricopa County in July 2021. • The District exceeded the \$46 per person per day maximum meals and incidental rate for Maricopa County in July 2021. The District paid \$6,718.44 in food and beverage charges for 17 employees to attend a 2-day Work Study session, which exceeded the maximum allowable amount of \$1,564.

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 provided for three vendor purchases in the written quote range or documentation that the purchases didn't require written quotes (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 R7-2-1003	Documentation was not provided to determine if 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.
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.	Due diligence documentation was not provided for two cooperative purchases.
4.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative, including how the determination was made. R7-2-1004	Documentation was not provided that a written determination was prepared for construction services purchased through a school purchasing cooperative.

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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 enrolled employees who met the ASRS membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	Nine employees were not enrolled in ASRS during FY 2022. Documentation was not provided to determine if they should or should not have been enrolled in ASRS.
2.	The District accurately calculated and in a timely manner remitted the alternative contribution rate payments to ASRS for all applicable positions filled by ASRS retirees. ASRS Alternate Contribution Rate	The alternative contribution rate payment for one position filled by an ASRS retiree was under paid by \$91.97.

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 prepared the AFR and AFR summary (if one was prepared) with all information as required by A.R.S. §15-904, and followed the AFR Review, Submission, and Publication Instructions.	A school-level AFR was not published on the ADE website.
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 copy of or a link to the District's page from the most recent Auditor General's District Spending Report. It was noted a copy of the FY 2019 Spending Report was posted on the District's website while the most recent one available online was for FY 2022.

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 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.	The entry forms for two of ten students selected for review were not provided.
2.	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	
3.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	The withdrawal forms for three of ten students selected for review were not provided. One of ten student withdrawal forms was not signed by a District administrator.
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.	

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5.	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)	W4 withdrawal forms were not provided for three of seven students.
6.	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 AzEd ADM15 report's membership days did not agree to the District's computerized attendance system records. The AzEd ADM15 reported 106,746 membership days and the District's computerized records reported 108,125 membership days, a difference of 1,379 days. Absences were not reported for eight different grade levels.
7.	For students participating in distance learning, the District followed attendance procedures defined in a governing-board-adopted ITM.	For five of ten students that participated in distance learning during FY 2022, the students distance learning attendance records did not agree with reported attendance for the month tested. This resulted in absences being underreported by 23 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 did not limit employee access to only those business functions or software necessary to perform their job functions as four District employees, the Director of Business Services, the Director of Human Resources, and two IT employees, had full access to the Visions financial software.
2.	The District monitored and reviewed IT system-generated incident or error reports to identify 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 and addressed the instances.
3.	The District had recovery 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 that the District had recovery 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.

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	Documentation was not provided to support the 1,265 eligible students reported on the FY 2022 TRAN55-1.

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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 records in a timely manner in accordance with the General Retention Schedules for Education K-12 published by the Arizona State Library, Archives and Public Records. 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.