

Antelope Union High 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 governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The governing board did not appoint a student activities treasurer during the fiscal year.
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	Documentation was not provided in the minutes to support that the governing board members received monthly Student Activities Fund reports.

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 proposed budget was not submitted before the 7/5 deadline. The proposed budget was submitted on 7/15, 10 days late.
2.	The District reduced the budget by the prior year's overexpenditure (or a portion of the prior year's overexpenditure, as approved by the Superintendent of Public Instruction) or the District began the process to correct its prior year's data that impacts state-aid and/or budget capacity. A.R.S. §15-905(M) and A.R.S. §15-915	The District did not appropriately reduce its budget by the prior year's overexpenditure. The District's revised budget #3 had an adjustment for a prior year over expenditure of \$219,424, whereas the BUDG75 letter for fiscal year (FY) 2021 showed a necessary adjustment of \$135,983.

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 sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	The auditor's opinion on fiscal year FY 2022 fund balances and expenditures was qualified due to the effects of prior-year unsupported journal entries that were reversed in FY 2022.
2.	The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.	The District did not maintain documentation that entries proposed and posted by the CSS were reviewed and approved.

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's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 8 of 25 samples selected for testing, the District did not deposit the receipt in a timely manner.

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2.	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.	The District did not maintain a bank statement or reconciliation for the August 2021 revolving fund activity.
<p>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.</p>		
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, A.R.S. §15-304, A.R.S. §15-907, and A.R.S. §15-916.	The District overspent its general budget limit (GBL) by \$315,629, based on the final FY 2022 Arizona Department of Education (ADE)-calculated GBL and audited financial statement spending, and overspent the Special Projects Fund budget by \$451,882. In addition, the District incurred \$247,625 in total deficit fund balances, in funds that are not legally allowed to spend beyond their available cash resources, including \$192,714 in federal grant fund deficits resulting from unallowable spending in excess of award amounts that will not be eligible for reimbursement. At year-end the District had a registered warrants balance of \$1,349,315 and incurred \$73,634 in interest expense on the registered warrants. As such, the District's Independent Auditors' Report expressed substantial doubt about the District's ability to continue operating.
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.	<p>For a sample of 25 general disbursements reviewed by the auditor:</p> <ul style="list-style-type: none"> • Two invoices and purchase orders were not maintained to support the purchase made. • One purchase order was not maintained to support the purchase made. • One purchase had an invoice date before the PO date provided. <p>Further, for a sample of 25 ESSER grant disbursements, 11 disbursements were not supported by a purchase order/requisition and an additional 5 invoices were not documented as approved for pay.</p>
3.	The District prepared an Advice of Encumbrance for levy funds based on list the liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	The District did not maintain an Advice of Encumbrance.

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4.	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	The District's CTED supplanting worksheet showed a negative per-pupil expenditure ratio which would indicate supplanting. The District documented that the negative was due to "Increase in costs and decrease in enrollment. Supply chain played a major role in that the District was not able to obtain items prior to June 30th which resulted in less spending in FY22".
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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.	For 4 of 15 credit card transactions tested, the purchaser did not have a signed user agreement on file.
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 10 of 15 credit card transactions tested, there was no purchase order in place to support the approval of the purchase being made.

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 6 of 6 purchases tested requiring written price quotations, documentation was not maintained to support quotes were obtained, or the purchases were otherwise exempt from requiring quotes (ex. 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	The District did not provide training or guidance related to restriction on soliciting, accepting, or agreeing to accept any personal gift or benefit within 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.	The District did not provide due diligence documentation for each of its cooperatives used during the fiscal year.

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's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	The District did not maintain required personnel documents for 1 of 8 employees selected for testing.

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2.	The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G)	The District did not have fingerprint clearance cards on file for 1 of 8 employees selected.
3.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	For 1 of 8 employee payroll transactions tested, a contract, personnel action request form, or timesheet was not maintained to support the employee's pay rate.
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 reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	Funds 260-270—Vocational Education - Basic Grants and 220—IDEA Part B expenditures did not agree between the AFR and the District's accounting records.
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	Per review of the District's website, the District did not post the average teacher salary information and the Auditor General's School District Spending Report was posted, but it was not the most recent report.
Information technology - 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 access within its accounting software to only those areas required for each employee's job function. Multiple District and county employees had "super-user" access to the financial system. Specifically, several employees had full administrative access to the accounting software without compensating manual controls.
2.	The District assessed security risks for its systems and data and provided employees annual security awareness training.	Documentation was not provided that the District provided employees security awareness training at least annually that addressed prevention and detection of technology related threats.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not maintain and provide to all employees, password policies that adhered to credible industry standards. The policies were limited to identifying when passwords needed to be changed and to not share passwords.

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4.	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.	The District did not provide when the plan was tested for the fiscal year.
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 submitted to ADE. A.R.S. §15-922	The District did not maintain records of mileage and student counts for the fiscal year.