

Bowie 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	Per review of the District's website where the board minutes were hosted, the District's auditors were not able to identify where 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	Documentation that student activity fundraisers were approved was not maintained.
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.	<ul style="list-style-type: none"> • Donation revenues of \$21,250 were improperly recorded to Fund 510—Food Service instead of Fund 530—Gifts and Donations. • \$1,906 of student activities monies for the Future Farmers of America program were recorded to Fund 596—Career Technical Education instead of 850—Student Activities. • Grant funds of \$34,519 were recorded in the payroll clearing bank account instead of being recorded within the Visions financial reporting module. This revenue was never posted within the general ledger. • Revenues of \$64,601 were deposited into a miscellaneous clearing bank account but were unable to be identified and were not posted to the general ledger, so the audit firm was unable to determine if they were properly recorded and led to a qualified opinion on the District's fiscal year 2022 financial statements.
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 all 17 adjusting journal entries selected, the entries were neither approved by someone other than the preparer nor accompanied by supporting documents.
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 reconciled its records with the CSS, but there were reconciling items between the CSS and the Treasurer that were not resolved.

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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 used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	For 1 of 5 disbursements selected for testing, a disbursement was made to Scholastic Book Fair instead of the County Treasurer. In addition, the account was not cleared on a consistent basis and within a timely manner after deposits made.
2.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1126	For 2 of 4 samples selected, the District did not provide documentation to support that all deposits were in connection with activities of school bookstore and athletics.
3.	The District used the electronic payments clearing bank account in accordance with A.R.S. §15-1221.	The District utilized their payroll tax clearing bank account for insurance activity as well as miscellaneous revenue activity. In addition, this account accumulated a balance and was not cleared on a consistent monthly basis.
4.	The District paid bank charges from only the Maintenance and Operation (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 fees in the miscellaneous receipts clearing bank account during the current year of \$116.76. In addition, fees of \$111.45 were incurred in the payroll clearing bank account.
5.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	Deposit records were not maintained to determine if responsibilities of receiving, depositing, and recording revenues were properly separated to safeguard monies.
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 7 of 16 cash receipts selected for testing, the District did not maintain a copy of the receipt or other supporting information.
7.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 8 of 16 cash receipts selected, the District did not retain documentation to support timely deposits were made or did not deposit the receipts within 7 days.
8.	The District's deposits with the county treasurer were reconciled.	Documentation was not provided where the District reconciled cash balances with the County Treasurer. The District reconciled its balances of cash with the CSS, but there were reconciling items documented on the CSS and County Treasurer reconciliation that were not resolved.
9.	The District retained supporting documentation for disbursements from bank accounts.	For 2 of 7 cash disbursements tested from bank statements, the District did not retain support for why the disbursement was made.

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10.	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.	Monthly bank reconciliations were not performed on any of the District bank accounts.
11.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	No documentation was maintained to support food sales.

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.	The District did not tag capital or stewardship assets in the current year.

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 separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).	Review of 10 purchases between July and October 2022 found that 2 purchases had no evidence of supervisory approval prior to the purchases being made.
2.	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.	For 3 of 39 cash disbursements selected, the District did not maintain supporting documents for invoices, purchase orders, and checks. In addition, 1 disbursement did not have a copy of the check provided. Further, the District did not receive detailed invoices for services provided by another school district through an intergovernmental agreement, prior to making payments.
3.	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.	
4.	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.	Student activity payments were not properly authorized and documented in student club minutes.

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5.	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	Procurement procedures were not maintained to determine if expenditures matched to contract pricing.
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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 ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.	For credit cards, the District did not: <ul style="list-style-type: none"> • Have policies or procedures relating to credit cards for the fiscal year.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	<ul style="list-style-type: none"> • Have different employees responsible for issuing, requesting, authorizing, and executing purchases and payment processing. • Document who reconciled credit card purchases to monthly statements.
3.	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 a listing of credit cards or card dollar limits. The District utilized a UMB Financial Corporation (UMB) and Voyager credit card and fuel card during the current year. Further, the District did not track credit card activity during the current year or train employees on District credit card policies.
4.	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.	For 8 purchases selected from the Voyager and UMB credit/fuel cards, no documentation was maintained to support the purchases.

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.	The District did not maintain documentation for written price quotations. There were 11 vendors identified that had costs exceeding \$10,000 that could have required written quotes.
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. Arizona Administrative Code (A.A.C.) R7-2-1191 through R7-2-1195	The District did not retain documentation to support they were a member of the cooperative for all cooperative contracts used.

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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.	When utilizing cooperative contracts, the District did not perform or maintain due diligence documentation to ensure they were receiving the lowest acceptable price.
4.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	The District approved sole source status for a vendor that did not meet the criteria of being the only vendor that is able to provide a particular service.

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 payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.	For the 3 salaried employees reviewed in a sample of 5 employees, the District did not maintain evidence that there was a supervisory review of payments made to the employees.
2.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For 1 of 7 employees' payroll files selected for testing, the District did not maintain a current year contract or personnel action request form for the employee.

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.	The District's accounting records did not match what the District reported to the Arizona Department of Education (ADE) for the fiscal year.
2.	The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	Amounts recorded on the Food Service AFR did not always agree with the District's accounting records.
3.	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 provide a link on their website to the most recent Arizona Auditor General spending report.

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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.	For 1 of 5 student entries tested, the entry date in the computerized attendance system did not agree to the entry form. For 3 of 5 entries tested, the District forms were missing the student entry date and date the form was entered into the computerized system to determine if it was entered timely.
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	For 1 of 5 enrollment forms tested, the student membership did not begin on the first day of actual attendance.
3.	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	For 1 of 5 enrollments tested, the District did not maintain verifiable documentation of Arizona residency.
4.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	The District did not maintain a withdrawal form for 1 of the student withdrawals tested.
5.	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	
6.	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)	For all 3 withdrawal forms tested for 10 consecutive unexcused absences, the District did not maintain forms to determine if student was counted in membership through the last day of actual attendance.

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 had several users with full access to all accounting modules, including 3rd party consultants.
2.	The District assessed security risks for its systems and data and provided employees annual security awareness training.	The District did not provide security awareness training to employees during the current fiscal year.

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3.	The District immediately and appropriately modified terminated or transferred employees' or vendors' access to all District systems.	Review of the District's accounting system users in August 2022 and Student Information System users in September 2022 found that 1 terminated employee still had an active accounting system user account.
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 accurately record and report to ADE, the miles it drove in connection with its student transportation program or the actual number of eligible students it transported, for transportation funding purposes.