

Hyder 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.	District policy BEDG provides that Board minutes are to be made available for public inspection within 3 working days after the meeting. Documentation was not provided to verify that the Board minutes were made available for public inspection within 3 working days after a Board meeting, as the copies of the minutes do not indicate the date they were completed and made available to the public.
2.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121	A list of student fundraising events was not provided to the Governing Board for approval.

**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.	<p>The following expenditures were not coded in accordance with the USFR:</p> <ul style="list-style-type: none"> <li>• All health and life insurance was coded to Function 1000—Instruction and should have been coded based on the applicable employees' functions.</li> <li>• Classroom laptops were coded to Function 2600—Operation and Maintenance of Plant and should have been coded to Function 1000—Instruction.</li> <li>• Online reading instructional aids were coded to Fund 001—Maintenance and Operations (M&amp;O) and Object 6330—Other Professional Services and should have been coded to Object 6643—Instructional Aids. Also, as provided in the USFR Chart of Accounts, instructional aids cannot be paid from the M&amp;O Fund and should have been paid from Fund 610—Unrestricted Capital Outlay.</li> <li>• Attendance software was coded to Fund 001—M&amp;O and Object 6340—Technical Services and should have been coded to Object 6739—Technology-Related Hardware and Software. Also, as provided in the USFR Chart of Accounts, software cannot be paid from the M&amp;O Fund and should have been paid from Fund 610—Unrestricted Capital Outlay.</li> <li>• Meals for a student event were coded to Object 6580—Travel and should have been coded to Object 6890—Miscellaneous.</li> </ul>

# Hyder Elementary School District

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

### List of deficiencies

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 an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.	The June 30, 2021, cash balance of the M&O revolving account of \$3,493 was not reconciled to the imprest amount of \$2,500.
2.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics and were supported by appropriate documentation. A.R.S. §15-1126	Two of five auxiliary deposits were only supported with a cash collection report and were not supported by reports that reconciled sales to cash collected at auxiliary events using: documented tickets, sequentially numbered cash receipts, a cash register, or a count of items on hand before and after a sale.
3.	The extracurricular activities fees tax credit monies were included in the Auxiliary Operations Fund and/or separately accounted for in an Extracurricular Activities Fees Tax Credit Fund.	The District inappropriately comingled district monies, including extracurricular activities fees tax credit, with a legally separate nonprofit 4-H club administered by District officials and those officials did not adequately document sources and uses of the club account monies to support whether District officials properly spent public monies.
4.	The District used the employee insurance programs withholdings bank account(s) in accordance with A.R.S. §15-1223.	The District inappropriately used the insurance withholding account to clear ACH deposits made into the account. Also, the insurance withholding account had a year-end cash balance of \$7,063, and it was noted that total expenditures for the fiscal year (FY) of \$2,333 were made only in October to December 2020.
5.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District did not restrict access to cash. The District locked cash in its safe, but the safe's combination was not restricted.
6.	The District adequately supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	<ul style="list-style-type: none"> <li>• Two of five auxiliary deposits were only supported with a cash collection report.</li> <li>• Three of seven student activity deposits were only supported with a cash collection report and were not supported by reports that reconciled sales to cash collected at student activities events using: documented tickets, sequentially numbered cash receipts, a cash register, or a count of items on hand before and after a sale.</li> <li>• The District did not have a process in place to review and reconcile cash receipts issued to actual cash collected and deposited and recorded revenues to ensure all cash collected was deposited and the related revenue recorded in the accounting records.</li> </ul>
7.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.	The following deposits were not made timely: Four of five food service deposits were made ranging from 15 to 24 days after the meal date. Two of five auxiliary deposits were made ranging from 13 to 20 days after collection.
8.	The District safeguarded unused checks.	The District did not restrict access to unused checks. The District locked unused checks in its safe, but the safe's combination was not restricted.

# Hyder Elementary School District

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

### List of deficiencies

9.	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 reconcile bank accounts to evidence of transactions. In addition, the District did not always follow its process for signing checks because some checks were issued with only 1 signature.
----	--	---

**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 governing board 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(C).	It was noted that the District did not prepare a request-for-authorization form to dispose of District property or to document assets identified for removal from the capital assets or stewardship lists. It was noted that the items removed from the capital asset listing were not taken to the Board for approval.

**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).	The District assigned its accounts payable (AP) specialist to oversee almost all aspects of the purchasing process. The AP specialist manually filled out paper purchase order forms based on verbal requests for goods and services from District staff members, signed the purchase order forms, and signed the business manager's initials with his approval. She also had the ability to ask the County to add new vendors into the District's financial system without secondary approval and picked up warrant payments from the County to send to vendors.
2.	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, & 15-916.	Civic Center Fund 515, a cash-controlled fund, had a negative cash balance of \$8,699 as of June 30, 2021.
3.	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.	Four of five student activities expenditures were not documented in the student club minutes.

# Hyder 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 paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District paid \$79.11 in credit card finance charges during FY 2021.
2.	The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.	The District did not clearly define separation of responsibilities for credit cards and instead assigned an AP specialist to solely manage its credit cards.
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 require training for credit card users on policies and procedures for card use and did not require card users to sign agreements acknowledging understanding of district policies. In addition, the District did not restrict access to the safe, which held many District cards.
4.	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.	The District did not have established procedures to reconcile receipts to card statements at least monthly to ensure all purchases were for an authorized District purpose.
5.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	
6.	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.	The District could not always provide itemized receipts or the District purpose for credit card 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'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 & R7-2-1086	Although two sole source purchases were approved by the governing board, the minutes did not include the written determinations for the sole source determinations that included the specific reasons for a vendor being determined sole source as well as the dollar amount of purchase.

# Hyder Elementary School District

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

### List of deficiencies

**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.	The District did not separate responsibilities over its payroll process. The District's payroll clerk often filled out and approved employees' time sheets, processed payroll, and distributed payments without a detailed review and approval from the business manager or another member of the District's business office staff.
2.	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.	The District lacked a formal, documented vacation and sick leave-tracking process and was unable to support leave taken by employees in FY 2020.
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.	Employee timesheets were not always approved by the employee's supervisor.
4.	The District's payroll was properly reviewed and approved before processing and distribution to employees.	The District could not support almost \$3,900 in payments made to 3 out of the 4 employees reviewed. Additionally, 7 of 9 personnel action forms were not reviewed and approved by an authorized official.

**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.	Employees' accounting system access did not support separation of responsibilities as access provided allowed initiation and completion of payroll and purchasing transactions by one person without independent review and approval.
2.	The District assessed security risks for its systems and data and provided employees annual security awareness training.	The District did not require security awareness training for any of its employees.
3.	The District removed terminated or transferred employees' or vendors' access immediately from all systems.	The District did not have a process to ensure initially assigned employee access was appropriate and employees' access was changed if their assigned duties changed, resulting in the broad access and increasing the District's risk of errors and fraud.
4.	The District enforced data security policies that required strong network passwords that aligned with credible industry standards, such as strong password requirements, screen locks, repeated failed sign-on attempt lockouts, and prohibited sharing of user IDs and passwords.	The District's network password requirements as of June 2021 were not aligned with credible industry standards, such as those developed by the National Institute of Standards and Technology.

Hyder Elementary School District

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

List of deficiencies

5.	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.	Even though the District used a third-party vendor for IT support, it was noted that the District did not have a District-level plan to activate a recovery or contingency plan in case of an emergency.
----	--	--

**Transportation support** - The District should accurately report its transportation miles and eligible student riders to the Arizona Department of Education (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 provide documentation for the 17,452 actual 100-day mileage reported on the TRAN55-1 for FY 2021. The District reported the number of students that were eligible to ride the bus and not the average number of students that rode the bus during FY 2021.