

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

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 obtained conflict-of-interest (COI) forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or service, 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	Conflict of interest statements are not collected for employees.

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 District could not provide proof of submission to the County School Superintendent for the proposed budget.
2.	Total budgeted expenditures on the adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget. A.R.S. §15-905(E)	Total budgeted expenditures on the adopted budget for the M&O fund exceeded the budgeted amounts on the published proposed budget.
3.	Total budgeted expenditures on the adopted budget for the M&O Fund and UCO Fund were within the general budget limit and the unrestricted capital budget limit. If not, and ADE notified the District, the District followed the requirements of A.R.S. §15-905(E).	The December expenditure budget was submitted to ADE on March 13, after the deadline of December 18th.
4.	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 committed to correcting its prior year's data. A.R.S. §15-905(M) and A.R.S. §15-915	The District did not reduce the budget by the prior year's overexpenditure for the Unrestricted Capital Outlay Fund.

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

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.	<ul style="list-style-type: none"> • The District incorrectly recorded a donation to Fund 463, an Other State Projects fund. • The District recorded revenues in the Insurance Proceeds Fund to 1990, rather than 5300. • The District incorrectly recorded IDEA grant revenue in Other Federal Projects (Funds 300, 302) rather than in Funds 220-229. • The District incorrectly recorded Title I revenue in Other Federal Projects (Fund 325, 326) rather than in Funds 100-130. • For 1 of 6 travel reimbursements selected for review, the District incorrectly recorded Employee Training and Professional Development Services to Object code 6580. • The District incorrectly recorded Prop 123 assistance revenue to object code 3110. • The District incorrectly coded \$3,593 of expenditures to Transfers Out. • The District incorrectly recorded \$481,716 of expenditures from Building Renewal Grant Fund in the subsequent fiscal year.
2.	The District sequentially numbered journal entries, and retained supporting documentation and evidence the journal entry was signed, dated, and approved by someone other than the preparer.	For all 25 journal entries reviewed, the District could not provide supporting documentation to show the entry was approved by someone other than the preparer. Additionally, the District was unable to provide support for adjusting journal entries made to beginning fund balance.
3.	The District reconciled revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS or county treasurer's records, and the reconciliation was reviewed and properly supported.	The county cash reconciliation for June 30 was not completed until October 2020 and had an unreconciled difference of \$109,772.

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).	The miscellaneous receipts clearing bank account was not cleared timely for the month of June.

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

2.	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"> For all five miscellaneous cash receipts reviewed, the District could not provide a receipt to support cash received. For two of five auxiliary operations cash receipts reviewed, the District did not prepare daily sales summaries to reconcile sales to actual cash collected. For two of five auxiliary operations and one of five extracurricular activities fees tax credit cash receipts selected for review, the District did not retain a receipt to support cash received. For all five extracurricular activities cash receipts reviewed, the District did not prepare daily cash receipt summaries to reconcile cash receipts to actual cash collected. 						
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.	<ul style="list-style-type: none"> For all five auxiliary operations and all five extracurricular activities cash receipts reviewed, the District did not provide proof of deposit, so it could not be determined if the deposit was made timely. For all five miscellaneous cash receipts reviewed, the District could not provide proof of deposit or deposit slip, therefore it could not be determined if cash received was deposited timely. 						
4.	The District's deposits and cash balances with the county treasurer were reconciled.	Validated treasurer's receipts or revenue posting reports were not reconciled to the District's accounting records and to copies of deposit transmittals or treasurer's receipts.						
5.	All District bank accounts were reconciled monthly by an employee not involved with cash handling or issuing checks, or reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.	<ul style="list-style-type: none"> Bank reconciliations for June 2020 for the electronic payments clearing, federal payroll tax withholdings, food service fund clearing and payroll direct deposits clearing bank accounts were not completed. The June 2020 bank reconciliations for the miscellaneous clearing and student activities accounts were not provided. The June 2020 bank reconciliation for the M&O Revolving Account contained an invalid reconciling item of \$3,210. 						
Supplies inventory —The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.								
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:10%;"></th> <th style="width:40%; text-align: left;">Question</th> <th style="width:50%; text-align: left;">Deficiency</th> </tr> </thead> <tbody> <tr> <td data-bbox="190 1286 311 1403">1.</td> <td data-bbox="311 1286 1306 1403">The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.</td> <td data-bbox="1306 1286 2462 1403">For 5 of 5 inventory items reviewed, the cost per unit did not agree to supporting documentation.</td> </tr> </tbody> </table>				Question	Deficiency	1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	For 5 of 5 inventory items reviewed, the cost per unit did not agree to supporting documentation.
	Question	Deficiency						
1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	For 5 of 5 inventory items reviewed, the cost per unit did not agree to supporting documentation.						

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

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 recorded additions on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	<p>The District did not properly reconcile capital outlay expenditures to current year capital asset additions.</p> <ul style="list-style-type: none"> • For three of seven construction in progress projects reviewed, the cost of the project did not agree to supporting documentation. • For two of three capital asset additions reviewed, the cost of the asset did not agree to supporting documentation. • Construction services of over \$700,000 were categorized as non-GFA. • Construction projects completed in FY20 with a total cost of \$7.9 million were not removed from construction in progress and added to the proper capital asset category.
2.	The District properly tagged assets and updated asset lists.	For 1 of 5 stewardship items selected from the stewardship listing, the asset could not be located on District premises. Additionally, for 4 of 5 stewardship items selected from District premises, the assets did not have a corresponding asset tag.
3.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District's construction in progress beginning balance did not agree to the prior year's ending balance.
4.	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 could not provide proof of physical inventory taken.

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 (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.	Expenditures in the Maintenance and Operation Fund exceeded the budget limit by \$77,355.
2.	The District's expenditures were made only for allowable District purposes, properly satisfied the specific purposes required for any restricted monies	<ul style="list-style-type: none"> • For 4 of 50 disbursements reviewed, the District could not provide supporting documentation.

Show Low Unified School District
Not in compliance with the Uniform System of Financial Records (USFR)
List of deficiencies for the Year Ended June 30, 2020

	spent, and were adequately supported by documentation required by the USFR.	<ul style="list-style-type: none"> For 2 of 5 CTED expenditures reviewed, the District could not provide supporting documentation.
3.	The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under A.R.S. §43-1089.01 and A.R.S. §15-342(24).	For 5 of 5 extracurricular activities fees tax credit expenditures selected, the District could not provide supporting documentation.
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 vocational education and to supplement, rather than supplant, the District's base year vocational education spending. A.R.S. §15-393	The District could not provide the CTED supplanting worksheet.
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 someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	The District could not provide credit card statements or other supporting documentation, therefore no credit card transactions could be tested, proper review controls and procedures could not be confirmed, and late fees and finance charges could not be determined.
2.	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.	
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	
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 obtained 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 two of two purchases costing at least \$10,000 but less than \$100,000, the District could not provide supporting documentation for the written quotes.
2.	The District properly procured expenditures that individually or cumulatively totaled over \$100,000.	For one expenditure reviewed exceeding \$100,000, the District could not provide supporting documentation for the procurement.

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

3.	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. R7-2-1191 through R7-2-1195	The District did not retain cooperative purchasing agreements on file for each cooperative it used.
4.	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.	For four of four cooperative purchases selected for review, the District could not provide the due diligence documentation.
5.	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 to use the contract was made. R7-2-1004	For four of four cooperative purchases selected for review, the District could not provide the written determination.

Classroom site fund—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's total Classroom Site Fund (CSF) revenues were properly allocated among the following funds: 011—Base Salary (20%), 012—Performance Pay (40%), and 013—Other (40%), and expenditures in the CSFs (011-013) were within the CSF budget limit. A.R.S §15-977	The District over recorded Classroom Site Fund revenue by \$108,706. Additionally, the District exceeded the budget in Fund 011, 012, and 013 by \$40,249, \$151,451, and \$92,291, respectively.

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.	For 3 of 44 payroll selections reviewed, the District could not provide the employees' contracts, therefore, pay could not be recalculated.

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.	For several funds, budgeted expenditures reported on the AFR did not agree to the most recently revised expenditure budget.

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

2.	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	For several funds, actual expenditures reported on the AFR did not agree to the accounting records. Additionally, the District did not properly report Student Activities on the AFR.
3.	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.	District could not provide proof of submission to the CSS for the AFR.
4.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	The District could not provide support to vouch \$240,036 of National Forest Fees revenue recorded in the general ledger. Further, the District's audit firm issued a "Qualified Opinion" on the District's audited financial statements as they were unable to obtain sufficient appropriate audit evidence to support beginning fund balance of the General Fund and the Non-Major Governmental Funds. Those beginning fund balances did not agree to the prior year financial statements due to unsupported beginning fund balance adjustments made by the District.

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 District prorated high school students' membership if enrolled in less than 4 subjects.	For four of five students enrolled in less than four subjects, membership was not prorated correctly.
2.	For CTED satellite programs, the CTED reported actual student enrollment data for only the CTED program classes the student was enrolled in at that member district's satellite location (excluding school district classes). A.R.S. §15-393(O)	The District could not provide the CTED STUD72 reports. Therefore, it was unable to be determined if students enrolled in both District and CTED satellite courses were not reported in excess of 1.0 ADM each for the District and CTED, for a total not to exceed 1.25.
3.	For students enrolled in both District and in CTED central program courses, the sum of the ADM was no more than 1.75 and the amount claimed by either entity was no more than 1.0. A.R.S. §15-393(Q)	For all five CTED central campus students selected for review, the District could not provide the CTED STUD72 reports. Therefore, it could not be determined if students enrolled in both District and CTED central campus courses were not reported in excess 1.0 ADM each for the District and CTED, for a total not to exceed 1.75
4.	The District maintained appropriate documentation and accurately reported students enrolled in its AOI program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI Program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	The District was unable to provide AOI attendance records, therefore the District's auditors were unable to perform testwork over AOI.

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

5.	The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).	For one of ten entries reviewed, the District did not maintain the student's birth certificate.
6.	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.	For all ten entries reviewed, the enrollment form did not include an entry date. Therefore, the date per enrollment form could not be agreed to the computerized attendance system.
7.	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.	For one of ten entries reviewed, the District could not provide documentation to show membership began with the first day of actual attendance.
8.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Arizona Residency Documentation Guidelines	For three of ten entries reviewed, the District did not maintain proof of Arizona residency.
9.	The District reported student withdrawal dates to ADE and maintained documentation that supported the date of data entry.	For seven of ten withdrawals reviewed, the withdrawal date on the withdrawal form did not agree to the withdrawal date in the attendance system.
10.	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	For two of ten withdrawals reviewed, the District could not provide the withdrawal form.
11.	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 one of eight students withdrawn for having 10 consecutive absences, the student was not withdrawn on the last day of actual attendance. For two of eight students withdrawn for having 10 consecutive absences, the District could not provide documentation to support the 10 consecutive absences.
12.	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 was unable to provide the ADM15 upload or District records. Therefore, it was unable to be determined if the upload to ADE was reasonable in relation to District records.
13.	If students were admitted who were nonresidents of Arizona, the District excluded the student from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	For three of ten entries reviewed, the District did not maintain proof of Arizona residency. As a result, it could not be determined if the student should have been excluded from student counts or charged tuition

Show Low Unified School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the Year Ended June 30, 2020

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 has not sufficiently limited access to applications or software based on the needs of the individual's job function and prevented unauthorized access to critical systems. The Accounts Payable Clerks should not have access to approve purchase orders.

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 reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	The District was not able to provide documentation to support the total number of eligible students and route miles reported on the TRAN 55-1 report for the 2018-19 school year. In addition, the District was not able to identify which 25 day period was used for the student count.
2.	The transported students reported as eligible on the Transportation Route Report met the definition in A.R.S. §15-901(A)(8).	

General long-term debt—The District should follow State laws related to approving, issuing, and using proceeds from bond sales to ensure voters are appropriately informed and that the District complies with the allowable bond uses.

	Question	Deficiency
1.	The District did not expend bond proceeds for items with useful lives less than the average life of the bonds issued or 5 years. A.R.S. §15-1021(F)	For one of five bond proceeds disbursements selected for review, the District could not provide supporting documentation.
2.	The District credited interest or other money earned from investing bond proceeds to the Debt Service Fund unless the voters authorized the interest to be credited to the Bond Building Fund or federal laws or rules require the interest to be used for capital expenditures. A.R.S. §15-1024(C)	Interest earned on bond proceeds was not transferred to the Debt Service Fund.