

# 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, 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 guidance to employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District employees as part of their employment.
2.	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	The District did not collect conflict of interest forms from employees.
3.	The District maintained, for public inspection, a special file with all documents necessary to memorialize all conflict-of-interest disclosures. A.R.S. §38-509	
4.	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	For 3 of 50 employees reviewed, the District was not able to provide the wage agreement.
5.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District's Governing Board did not appoint a student activities treasurer or assistant treasurer in fiscal year (FY) 2022.
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 did not post the notice of public hearing for the adopted budget 10 days before the meeting. The District posted the notice 1 day before the meeting.

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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 transactions were not coded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none"> <li>• The District recorded \$8,564 of expenditures to object code 6910—Indirect Costs Transfers-Out.</li> <li>• The District recorded \$557,464 of expenditures to Fund 686—Emergency Deficiencies Correction, rather than Fund 691—Building Renewal Grant.</li> <li>• The District coded Prop 123 revenues to object code 3110—State Equalization Assistance, rather than 3100—Unrestricted revenues.</li> <li>• The District recorded the debt service principal payment to the interest object code.</li> <li>• For 1 of 50 disbursements reviewed, the expenditure was coded to object 6430—Repairs and Maintenance Services rather than 6431—Nontechnology-Related Repairs and Maintenance.</li> </ul>

**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 a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35.	The activity in the Food Service Fund clearing bank account was not remitted to the County Treasurer until August 2022.
2.	The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	The District's Governing Board did not appoint a student activities treasurer or assistant treasurer in FY 2022. Therefore, checks drawn on the Student Activities Fund bank account were not signed by the student activities treasurer or assistant treasurer. However, the checks were signed by two bank account authorized signers.
3.	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.	Bank reconciliations were not signed or dated.

**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.	The District did not have adequate segregation of duties over food service inventory.

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**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.	For 5 of 10 items selected from the capital asset and stewardship listings, the item did not have a tagged identification number. For 2 of 5 items selected from the District premises, the item identification numbers did not agree to the list. Additionally, for 1 of 5 items selected from the District premises, the item identification number did not identify that it was property of the District.
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.	The District had not performed a physical inventory of all equipment in the last 3 years and reconciled the inventory results to the stewardship and capital asset lists.
3.	The governing board or authorized designee approved stewardship and capital asset items disposed of during the fiscal year, 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.	The governing board or authorized designee did not approve stewardship and capital assets that were disposed.

**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.	The District did not ensure expenditures were recorded in the proper fiscal year as it recorded expenditures of \$47,594 in FY 2022 for goods received in July and August 2022.
2.	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	The District did not have a process in place to periodically compare prices paid to contracts.

**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 had a total of \$444 in finance charges and late fees in the FY 2022.

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**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 1 of 10 purchases reviewed requiring written quotes, the District only obtained 2 written quotes.
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 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 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. A.A.C. R7-2-1191 through R7-2-1195	For 3 of 8 cooperative contracts used, the District did not maintain a cooperative purchase agreement.
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	For 4 of 6 vendors identified as sole source, the supporting documentation only included a letter from the vendor and not the District's determination. The District's determination was not taken to the Governing Board for approval. Additionally, for 2 of 6 vendors identified as sole source, the District had documentation to designate the vendor as sole source, however, the vendor and the documentation were never taken to the Governing Board for approval.

**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 was not able to provide a pay agreement to support the rate of pay for 3 of 50 employees reviewed.

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Student attendance reporting - The District should report accurate student membership and attendance information to Arizona Department of Education (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 1 of 5 attendance records reviewed for high school students enrolled in less than 4 subjects, it could not be determined if the District properly prorated the student's membership.
2.	The District maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (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	For all 5 AOI students reviewed, the minutes reported on the District computer-generated daily log did not agree to the minutes reported to ADE.
3.	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 3 of 10 entries reviewed, the entry date in the computerized attendance system could not be agreed to the entry form.
4.	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 10 entries reviewed, it could not be determined if membership began with the first day of actual attendance.
5.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 3 of 10 withdrawals reviewed, the withdrawal date in the computerized attendance system could not be agreed to the withdrawal form.
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 8 of 10 attendance records reviewed for students withdrawn for having 10 consecutive unexcused absences, it was determined the students were not properly counted in membership through the last day of actual attendance or excused absence.
7.	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 did not properly reconcile membership and absence information from District records to what was uploaded to ADE.
8.	For students participating in distance learning, the District followed attendance procedures defined in a governing-board-adopted Instructional Time Model (ITM).	For all 10 distance learning student records reviewed, the District did not retain support that the District properly followed the adopted instructional time model.

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**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 enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not require multifactor authentication for all users who had administrative access to critical IT systems.
2.	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 formally test the disaster recovery plan in FY 2022.

**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 supporting documentation for the TRAN 55-1 did not agree to the report by 42 riders.