

Topock Elementary School District

CONCLUSION: Topock Elementary School District is responsible for complying with the *Uniform System of Financial Records* (USFR). Our Office is responsible for determining whether the District has complied with the USFR. Based on our review of the fiscal years 2013 through 2015 financial audit reports and USFR Compliance Questionnaires, the District was not in compliance for those 3 years.

We subsequently performed a status review to determine whether the District made improvements to comply with the USFR. Based on this review, we determined that, as of January 26, 2017, the District substantially complied with the policies and procedures described in the USFR. However, we found weaknesses that the District should address to improve its financial accountability. The most significant findings, which are related to payroll and expenditures, are summarized in this report.

District in substantial compliance with the USFR

We performed a status review of Topock Elementary School District to determine if the District had made improvements to comply with the USFR and found that it was in substantial compliance as of January 26, 2017.

Topock Elementary School District is responsible for complying with the USFR. Our Office is responsible for determining whether the District has complied with the USFR. Previously, we notified the District that it had not complied with the USFR based on our review of its fiscal year 2013 financial audit reports and USFR Compliance Questionnaire prepared by an independent certified public accounting firm. We subsequently reviewed the District's fiscal years 2014 and 2015 financial audit reports and USFR Compliance Questionnaires and determined the District was still in noncompliance with the USFR.

The *Uniform System of Financial Records* (USFR) prescribes the minimum internal control policies and procedures for Arizona school districts. The policies and procedures in the USFR are designed to help school districts maintain adequate financial accountability and compliance with state and federal laws and regulations.

We performed a status review as of January 26, 2017, to determine if the District had made improvements to substantially comply with the USFR. Based on our review of the District's records and procedures, and interviews with district personnel, we determined that the District substantially complied with the policies and procedures described in the USFR.

District should improve controls over payroll and expenditures

Although the District substantially complied with the USFR as of January 26, 2017, we found some weaknesses in its internal controls. The most significant findings and recommendations are summarized below.

Payroll—Salaries, wages, and related payroll costs are a major part of the District's expenditures; therefore, it is critical to have strong controls over payroll processing and recordkeeping to ensure all employees are paid appropriately. However, the District did not have proper controls in place as the Governing Board did not document approval of hourly rates for classified employees and the District did not have all payroll authorization forms and employee contracts on file for all employees. In addition, timecards were not always approved by a supervisor. One employee's regular and extra duty timecards were not reviewed together to determine total hours worked, resulting in an overpayment of \$555 for overlapping hours reported over the first 4 months of the school year. Further, the District's vacation, personal, and sick leave schedule was not accurate or complete, and the District had not established policies regarding the disposition of accrued leave time upon separation of employment.

Recommendation

The District should strengthen its controls over payroll to ensure that amounts paid to employees and leave balances accrued are accurate and supported.

Expenditures—The District spends tax dollars to purchase goods and services, so it is essential that the District follow procedures designed to help ensure that all expenditures are adequately supported. Additionally, because credit card transactions can create greater risk of unapproved and fraudulent transactions, the District should ensure it monitors credit card purchases and follows district policies when using credit cards. However, the District did not have proper controls in place. Specifically, the District did not always ensure that employees responsible for receiving goods or services prepared receiving reports or documented that all items were received before payment was authorized. Additionally, purchase order request forms for credit card purchases were not always signed by both the superintendent and business manager, as required by district policy. One credit card purchase that lacked dual approval was for \$1,500 in Visa gift cards. The District purchased the gift cards with donated monies that were earmarked to assist a student's family and did not promote the District's educational purpose. As such, the District lacked authority to deposit and expend the donated monies as public monies. Further, purchasing gift cards increased the risk that the monies could be misused, and the District did not retain evidence that the gift cards were given to the intended recipient. The District also paid credit card balances late, incurring finance charges and late fees.

Recommendation

The District should improve its controls over expenditure processing, including authorization and timely payment of credit card purchases, to ensure it complies with district policies and to avoid late fees and finance charges. The District should also refrain from accepting donations that are intended for purposes that do not promote education.