

Topock 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.	Contrary to State open meeting law, the District’s Governing Board did not approve performance pay for the Superintendent’s second performance goal during meetings open to the public. Additionally, meeting minutes and other associated documentation did not contain enough detail to show the Governing Board’s approval for some of the Superintendent’s performance payments.
2.	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	Documentation was not provided that guidance was provided 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.
3.	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.	The District’s fiscal year (FY) 2022 and FY 2023 work agreements for hourly employees did not detail the number of hours to be worked per day.
4.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	Documentation was not provided that the Governing Board appointed a student activities treasurer as provided in A.R.S. §15-1122.
5.	The governing board approved student clubs’ and organizations’ fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	Five student activity deposits were selected for review. Three of the deposits were for fundraising events and it was noted that the fundraisers were not provided to the Governing Board for approval.

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 notice of the public hearing and board meeting regarding the adopted budget was electronically transmitted to the Arizona Department of Education (ADE) on July 6th, 2021, only 8 days before the meeting. As required by A.R.S. §15- 905 the budget meeting notification should be published, electronically transmitted to ADE, or mailed no later than 10 days before the meeting to adopt the budget.
2.	The District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(l)	The most recent revised expenditure budget of FY 2022 was filed electronically with the Superintendent of Public Instruction on July 1, 2022, which was after the May 18 deadline.

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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 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	The following deposits were not made timely: <ul style="list-style-type: none"> • Seven of fifteen deposits made directly to the County were made ranging from 16 to 112 days after the date of receipt. • Five of five Food Service deposits for a total amount of \$341.30 were deposited ranging from 11 to 121 days after initial collection. • Three of three Auxiliary deposits with a total amount of \$830 were deposited ranging from 12 to 161 days after initial collection. • Four of five Student Activities deposits with a total amount of \$1,779.96 were deposited ranging from 21 to 37 days after initial collection.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	

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 maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	The most current capital asset list provided by the District was as of June 30, 2011. The District did not reconcile their capital outlay expenditures or update their capital assets list to include all the items with unit costs in excess of the District's adopted capitalization threshold. It was noted that the District had \$189,581 in capital asset additions during FY 2022.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	
5.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, included financed assets, and contained all required information.	The District did not maintain a stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold.
6.	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 has not performed a physical inventory of all equipment at least every 3 years.

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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.	For 3 of 25 expenditures reviewed, the POs were created after the invoices were received. For 1 of 25 expenditures selected for review, a copy of the PO, invoice or receiving reports were not provided.
2.	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.	
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.	

Travel - The District should ensure employee travel is for an approved District purpose and travel reimbursements are correctly calculated and appropriately supported by travel documentation.

	Question	Deficiency
1.	The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of Arizona Department of Administration and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred.	The Superintendent's travel reimbursements lacked evidence of Board President approval before reimbursements were made as required by the Superintendent's contract.

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 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.	Signed credit card user agreements were not provided for three credit card users.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	The January 2022 billing statement was not provided for the District's fuel card.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$48.74 in credit card finance charges/late fees during 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.	The District did not provide written quotes for four purchases in the written quote range or other documentation indicating written quotes were not required (i.e. sole source, cooperative purchase, etc.)
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 as provided in A.R.S. §15-213(N) and R-7-2-1003.
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.	A construction firm was paid \$108,991 for a project to remodel student bathrooms that was funded by the Arizona Department of Administration's School Facilities Division using a state Job-Order-Contracting (JOC) contract. No due diligence documentation was provided regarding the contract used.
Classroom site fund (CSF) - 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 adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S. §15-977 (see CSF FAQs).	The FY 2022 CSF Performance Plan was not provided.
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 required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.	The District did not approve 1 of 6 employees' personnel/ payroll action forms for additional duties in advance of the work being performed.
2.	The District enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	The District did not enroll three employees in the Arizona State Retirement System who worked 20 or more hours per week for 20 or more weeks.

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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'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's website only included the FY 2020 and FY 2021 average teacher salaries and no FY 2022 information. In addition, the Auditor General's District Spending Report on the District's website was for FY 2020 while the more recent report online was for FY 2022.
2.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports	A copy of the FY 2022 SDER report was not provided.

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 reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For one of five student withdrawals reviewed, the withdrawal date on the withdrawal form did not agree to the withdrawal date on the Attendance System.
2.	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	One of five withdrawal forms reviewed were not signed by a District administrator.

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 did not limit the accounting system user's access so that the user cannot initiate and complete payroll and purchasing transactions without independent reviews and approvals. The District implemented a secondary review process over payroll and purchasing transactions. However, the process was inconsistent and continued to allow the District's only accounting system user to initiate and complete transactions in the accounting system without a secondary review and approval.
2.	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed noted issues.	The District did not obtain IT change or error reports from the 3rd party that hosts their critical data to identify inappropriate or unusual activity.
3.	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's contingency plan was not tested at least annually to ensure employees understand their responsibilities, identify internal and external vulnerabilities, and take action to update equipment or remedy any issues identified since the last review.

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Records management - The District should protect and maintain its records, including hard copies and electronic files with student and employee data, and ensure that its records are disposed of securely in accordance with established time frames.

	Question	Deficiency
1.	The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. www.azlibrary.gov/records	The District's records were not disposed of in accordance with the General Retention Schedules for Education K-12 published by the Arizona State Library, Archives and Public Records. It was noted that the District is in the process of boxing all the records with destruction due dates and shredding expired documents as time allows.