

Young 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 governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121	For 5 of 5 student activities fundraisers reviewed, the fundraising events were not provided to the District's 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.	The following items were not recorded in accordance with the USFR Chart of Accounts: <ul style="list-style-type: none"> • A purchase of a freezer was coded to object 6610—Supplies and should have been coded to object 6730—Furniture and Equipment. • A purchase of instructional aids was paid from the Maintenance and Operations (M&O) Fund.
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.	Documentation was not provided that the set imprest amount for the M&O Revolving Fund Bank Account was approved by the Governing Board. The bank account had a year-end balance of \$2,576.
2.	The District used a Food Service Fund clearing bank account(s) in accordance with Arizona Attorney General Opinion I60-35.	The District received food service deposits throughout the year, however, only two checks were transmitted to the County. The highest cash balance in the account was \$3,237. In addition, there was a \$150 balance in the account at June 30, 2021.
3.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For four of five student activities receipts selected totaling \$1,046, reports were not prepared or retained to reconcile sales to cash collected at student activity events.
4.	The District paid bank charges from only the M&O Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	The District incurred \$64 in fees in the food service clearing account that were not reimbursed by the District.
5.	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.	The District did not always prepare sequential prenumbered receipts for each cash payment received and did not prepare receipts for some checks received through the mail. Specifically, the District used copies of cash receipt forms and manually assigned a receipt number for all \$15,476 of its extracurricular activities fees tax credit and student activities cash collections, and it did not prepare receipts for \$117,305 of cash received through the mail from other governments, community organizations, and vendors. In addition, the District did not reconcile cash receipts to cash deposits and could not always locate receipt copies within deposit documentation, and were unable to confirm whether 27 cash receipts totaling \$1,827 were deposited.

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6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.	<p>The following deposits were not made timely:</p> <ul style="list-style-type: none"> For two of three food service receipts reviewed, totaling \$368, deposits ranged from 62 to 147 calendar days after initial collection. For five of five student deposits reviewed, totaling \$1,612, deposits ranged from 13 to 68 calendar days after initial collection. For five of five deposits made directly to the County Treasurer reviewed, totaling \$524, deposits ranged from 9 to 26 calendar days after initial collection.
7.	The District safeguarded unused checks.	For two accounts, unused checks were physically safeguarded by employees who were authorized check signers.

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. USFR page VI-E-3	The District did not reconcile its capital outlay expenditures or update its capital asset listing for \$109,918 in capital additions for the fiscal year (FY) ending June 30, 2021.
2.	The District recorded additions on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	
3.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold included the location, identification number, and description, and was updated for any acquisition, transfer, or disposal.	The District did not maintain a stewardship listing of capital items costing between \$1,000 and \$5,000 as required by the USFR.

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'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.	<p>The following documentation for expenditures was not maintained in accordance with the USFR:</p> <ul style="list-style-type: none"> 1 of 20 expenditures reviewed was not supported by a receiving report or other documentation indicating the items had been received. 1 of 20 expenditures reviewed had a paid amount that exceeded the purchase order for the vendor. <p>In FY 2021, contrary to Attorney General opinion No. I82-136, the District used more than \$21,600 of District monies intended to be used for its required K-12 instructional program, to pay for its community preschool program.</p>

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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 incurred \$867.83 of credit card interest and finance charges during FY 2021.
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 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.	A preschool lead teacher worked more than 20 hours for 20 weeks and was not enrolled for ASRS membership and did not have retirement withheld.
2.	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.	An employee had their hourly pay split between facilities operation and transportation. It was noted that the employee's timecard did not separately track hours worked for transportation and hours worked for facilities operation.
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.	The District's FY 2021 AFR did not contain budgetary information for Funds 001—M&O, 011—Classroom Site Fund (CSF) (Base Salary), 012—CSF (Performance Pay), 013—CSF (Other) or 902—Small Schools. It was noted that the District's most recently revised final budget included budgetary information for these funds.
2.	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	The District's FY 2021 AFR did not contain revenue or expenditure data for Funds 807—Arizona Food Bank Network Grant and 809—No Kid Hungry. Per the District's financial records, Fund 807 had revenues of \$3,760 and expenditures of \$3,126, and Fund 809 had revenues of \$24,969 and expenditures of \$24,969.
3.	The District's website included its average teacher salary and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report. A.R.S. §15-903	The District's website did not have a link to the District's page from the most recent Auditor General District Spending Report.

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4.	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	<p>The following was noted regarding the District's FY 2021 SDER submission:</p> <ul style="list-style-type: none"> • One employee reviewed whose financial information was presented on the SDER did not receive any compensation from the District during FY 2021. • One employee reviewed had a salary on the SDER of \$25,071. However, the District's cumulative payroll report showed a total pay of \$52,992 for the year. • One employee reviewed had a salary on the SDER of \$45,000. However, the District's cumulative payroll report showed a total pay of \$55,262 for the year.
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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 appropriately tracked and reported student membership and absences. A.R.S. §15-901	Student attendance reports were not provided for five students in K-8 and three students in grades 9-12. As such, it could not be determined if the District appropriately tracked and reported student membership and absences.
2.	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 the only student withdrawn for excessive absences, the student was not withdrawn as of the last day (or the day after) of the student's actual attendance. The student's last day of attendance was 10/27/20 and they were withdrawn at an earlier date on 10/05/20.
3.	The District reported students who completed all high school requirements with the applicable graduation code and used the appropriate year-end status code for all other students.	An attendance report with year-end status coding was not provided. As such it could not be determined if the District reported students who completed all high school requirements with the applicable graduation code and used the appropriate year-end status code for all other students.
4.	For students participating in distance learning, the District followed attendance procedures defined in a distance learning plan ADE approved.	Attendance reports were not provided for five students participating in distance learning. As such, it could not be determined if the District followed attendance procedures defined in a distance learning plan ADE approved.

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's 4 business office employees and 1 consultant all had accounting system access that allowed them to be able to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. In addition, the District granted administrator-level access to its accounting system to 2 of these business office employees. This type of access gave the 2 employees full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system.
2.	The District removed terminated or transferred employees' or vendors' access immediately from all systems.	There were no documented IT policies and procedures concerning the process for revoking access for transferred or terminated employees. In addition, 4 network user accounts were linked to terminated employees who were 2 months to almost 2

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		years post termination. Additionally, 1 of these accounts had broad, administrative network privileges. The District did not have a process to revise employees' access when they terminated employment and was not timely performing detailed reviews of user accounts and assessing their need for network access to ensure that access was disabled when it was no longer needed.
3.	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed the instances.	The District maintains a contract with a third-party administrator, Education Technology Consortium (ETC), who provides IT system-generated incident or error reports. The District could not provide documentation of its review of IT system-generated incident or error reports to identify security threats or other unusual activity.
4.	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 have a written, up-to-date IT contingency plan. Further, documentation was not provided that the District reviewed the results of ETC's annual review and test of its recovery and contingency plan.
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	Documentation was not provided to support the 1,074 100th-day miles reported on the FY 2021 Transportation Route Report submitted to ADE.