

Globe Unified 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 annually obtained conflict-of-interest (COI) forms that allowed governing board members and employees to make known and fully disclose a conflict of interest in any contract, sale, purchase, service, or decision, 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 and 38-503	For 8 of 20 conflict-of-interest forms reviewed, the employee only partially completed the form and had not reported all required potential conflicts.
2.	Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that contract, sale, purchase, service, or decision of the school district. A.R.S. §§38-502 and 38-503(B)	There were 2 instances where District staff disclosed that they directly oversaw a close relative, and were still responsible for training, directing, and/or overseeing the daily responsibilities of those relatives.
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 publish the notification of public hearing for the governing board 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(I).	The District did not submit its final revised fiscal year (FY) 2023 budget to the Superintendent of Public Instruction until July 5, 2023.
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.	For 5 of 40 expenditures reviewed, the transactions were not recorded in accordance with the USFR Chart of Accounts.

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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 District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District did not separate cash-handling and record keeping responsibilities for the food service program as 1 employee was responsible for preparing and depositing cash, writing food service fund bank account checks, and reconciling the food service bank account. This employee also had access to functions in the District's point-of-sale tracking system for food service sales that allowed them the ability to override and adjust transactions without review or approval by another employee to ensure the overrides and adjustments were valid and appropriate. In addition, cash collected from the food service program and after-school events was not always stored in a safe when left overnight but instead was stored in a locked room or cabinet that multiple employees have access to. Finally, the District did not know who had access to the safes at multiple sites because District officials could not recall the last time, they updated combinations and did not retain records indicating who had access to the safes.
2.	The District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	For 7 of 45 cash receipts tested, the District did not reconcile cash collected to tickets or items sold (3 auxiliary operations and 4 student activities).
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 45 cash receipts tested, the District did not deposit the monies in a timely manner.
4.	The District safeguarded unused checks.	The District stored unused check stock for the food service bank account in an unlocked drawer.
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 1 of 5 capital assets and 1 of 5 stewardship assets selected, the unique number on the asset did not match the listing.

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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, 15-304, 15-907, and 15-916.	The District did not ensure purchases were supported by an approved, accurate purchase order prior to purchases being made and that any revisions to increase a purchase order followed the District's required approval process, including obtaining required approvals for increased purchase order amounts. Additionally, for 1 of 55 disbursements tested, the District had a blanket purchase order in place, but the purchase order did not specify a time period or dollar amount.
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.	The District did not retain adequate, accurate supporting documentation to demonstrate purchases were for an allowable District purpose, were paid after the goods or services were received, and that the amount paid did not exceed the approved purchase order amount. Additionally, the District's accounting system incorrectly calculated transaction privilege tax for at least 1 expenditure.
3.	The District's expenditures are made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	The District did not always verify the vendor had charged the appropriate amounts for individual line items as authorized in the contract prior to payment. Specifically, the District paid \$0.76 more per gallon for fuel than the per unit price listed on the vendor's pricing sheet in the contract, resulting in the District overpaying the vendor by \$1,254.
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 career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District did not accurately prepare the CTED supplanting worksheet. However, it did not appear that the District supplanted using CTED monies.

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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 the Arizona Department of Administration (ADOA) 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.	<ul style="list-style-type: none"> • For 2 of 8 hotel reimbursements tested, the District exceeded the ADOA rate. • For mileage reimbursements tested: <ol style="list-style-type: none"> 1. The District reimbursed 1 employee at \$0.585 per mile rather than the \$0.445 per mile authorized by ADOA, resulting in an overpayment to the employee of \$55.44. 2. The District reimbursed 200 miles for travel between Globe, AZ and Gilbert, AZ when the apparent round-trip distance was approximately 140 miles and no additional supporting documentation was maintained to support a detour or additional travel. The apparent resulting overpayment was \$40.20. 3. The District paid 1 employee for travel mileage between District school sites but was unable to provide documentation demonstrating that the District had authorized the reimbursement for the travel, and the District did not report the reimbursement as taxable income on the employee's W-2 form.
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.	<p>The District did not implement the following internal controls over credit cards:</p> <ul style="list-style-type: none"> • Maintain a formal list of designated card users. • Require district employees responsible for maintaining physical security of credit cards to maintain complete and accurate credit card logs that included enough information to track who used which credit card at what time and for what authorized District purpose. • Track and regularly review the physical chain of custody for all credit cards to ensure users are complying with requirements for checking out and returning District cards.

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		<ul style="list-style-type: none"> Ensure that all card users had been trained and signed a user agreement prior to using District credit cards, as 2 of 16 users did not have a signed user agreement on file.
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.	For 3 of 16 transactions reviewed, the District processed payment without supporting documentation necessary to verify the appropriateness of the purchases. Additionally, for 2 district credit cards issued to specific employees, individuals other than the 2 designated users routinely used these cards, which hindered the District's ability to ensure only designated users were making purchases on those cards.

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 completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F)	Revenues and expenditures reported on the AFR did not always agree to the District's trial balance. In addition, the District did not have a system of internal controls that ensured expenditures were recorded in the correct fiscal year. Therefore, audit adjustments were proposed to accrue expenditures within the Food Service Fund for goods received prior to June 30, 2023.
2.	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 did not include a link to the most recent Auditor General District Spending Report. Additionally, teacher salary information did not include the dollar or percentage increase from the prior fiscal year.

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 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 had several users with full access to the financial software when their job function did not require it.

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2.	The District assessed security risks for its systems and data, implemented appropriate controls to address risks, and provided employees/contractors annual security awareness training.	The District did not require employees to take annual security awareness training, nor did it require employees to take this training upon hire because it did not have a policy mandating security awareness training.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	For 304 active employee and vendor network accounts reviewed, auditors found that 3 employee and 2 vendor network user accounts were active despite being associated with users who were no longer employed by or doing business for the District.
4.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	The District did not have formal data security agreements in place with 3rd parties accessing the District's systems.
5.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not implement password and user authentication requirements in accordance with credible industry standards.
6.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	The District did not monitor user activity and users' adherence to security-related policies for all modules within its accounting system. While the District had access to change logs for the payroll module, the District was unaware of system capabilities for other modules within its accounting system, such as the accounts payable and purchase order functions.

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 District did not maintain all documentation related to miles driven and riders transported, and accurately calculate and report to ADE the number of route miles traveled, and riders transported for State funding purposes. As a result, the District underreported its mileage by nearly 2,500 miles, or 15 percent of the total miles traveled for the 4 routes reviewed, and the District understated FY 2022 total ridership by 75 riders.