

Pine Strawberry 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 annually obtained conflict-of-interest (COI) forms that allowed governing board (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	The District's COI policy does not specify when or how District staff should disclose conflicts of interest or include a process for remediating conflicts of interests disclosed by staff. Additionally, for 1 of 5 Board members' 2023 COI disclosure forms reviewed, the Board member disclosed a substantial interest but did not identify the matter in which they had a substantial interest or describe the substantial interest, as directed by the form.
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 upload the proposed or adopted budgets by July 5th and July 15th, respectively. The District also did not have a notice of public hearing prior to the proposed budget being adopted. Budget submissions to the County School Superintendent (CSS) could not be supported by stamped cover sheets.
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.	One invoice payment totaling \$33,615 for annual dues and fees was improperly coded to object code 6737—Technology-related hardware and software expenditure account. In addition, material audit adjustments were necessary as the District did not record bank account activity in the general ledger, did not record expenditure/expenses in the correct funds, did not properly accrue current year grant revenues, and did not appropriately record expenditures in the General Fund that were deposited in the insurance bank account.

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2.	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	For all 5 journal entries tested, the District was unable to provide evidence that each journal entry was approved by someone other than the preparer.
3.	The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue postings or journal entries) for propriety and researched and resolved any differences.	Per review of the District's retained files, the District did not document a monthly review of financial transactions with the CSS during the current period under audit. The District also did not research and resolve any differences.
4.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	Per review of the District's retained files, the District did not reconcile cash balances by fund monthly with the CSS or the County Treasurer's records. Because the District's auditors were not able to obtain sufficient appropriate audit evidence about the amounts at which cash and investments were recorded in the District's June 30, 2023, balance sheet, the District's auditor issued a disclaimer of opinion on the District's fiscal year (FY) 2023 financial statements.
5.	The District reconciled total revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported.	Per review of the District's retained files, the District did not reconcile any balances by fund, program, function, and object code with the County's records.

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 Maintenance & Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	For 3 of 5 revolving fund account check disbursements sampled, the District's auditors noted the disbursements were made for travel or athletics referee reimbursements and not activities requiring an immediate cash outlay.
2.	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 District did not remit food sales to the County monthly via check disbursements as prescribed.
3.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District lacked adequate segregation of duties over cash handling, recordkeeping, and reconciling accounts.

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4.	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.	A front office staff member did not review and initial 8 of 19 daily cafeteria sales reports prior to cash being deposited. Additionally, 1 of 4 weekly cash collection reports reviewed was not reviewed and signed by a secondary staff member until almost a month after the report was completed and cash was deposited.
5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 20 total receipts sampled, the District was unable to provide supporting deposit slips or other documentation to support the deposit was made in a timely manner.
6.	The District's deposits with the county treasurer were reconciled.	Per review of the District's files, deposits were not reconciled with the County Treasurer.
7.	The District safeguarded unused checks.	An individual with check signing authority had access to the District's blank checks.
8.	An employee not involved with cash-handling or issuing checks reconciled all District bank accounts monthly, and an employee independent of the cash-handling process reviewed, signed, and dated the reconciliations.	Per review of the District's files, the District's bank accounts were not reconciled monthly.

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 recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not record capital additions of \$83,256 in their general fixed assets system for the current period under audit, and they did not perform an annual reconciliation of capitalized assets to capital expenditures.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For all 5 fixed asset items selected from the General Fixed Assets listing, the District did not have a physical tag on the asset. For all 5 stewardship asset items selected from the listing, the assets could not be tested as they had been disposed during the year but were never removed from the listing. For 2 of the 5 assets selected from the District premises, the tag number affixed did not agree to the asset listing.
3.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District did not reconcile the current period capital asset listing to the prior year's listing.

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4.	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 A.A.C R7-2-1131.	The District disposed of assets during the fiscal year, but did not have any records of the disposed assets being approved by the governing board or another designated staff.
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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 prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	The District properly prepared the advice of encumbrance for FY 2023, however it was not filed with the CSS by the A.R.S. §15-906 prescribed deadline of July 18.

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 recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. A.A.C. R7-2-1029 or R7-2-1045	For 1 of 1 bid sampled, the District did not record the time and date that the sealed bid was received.

Classroom site fund—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's Classroom Site Fund (CSF) expenditures did not exceed its Classroom Site Fund Budget Limit (CSFBL).	The District's Classroom Site Fund actual expenditures during the current period under audit exceeded the CSFBL by \$48,899.

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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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	The District's federal projects and other federal projects funds had variances in budget amounts reported in the AFR compared to the adopted budget totaling \$(331,857).
2.	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)	The District's auditors noted actual expenditure amounts reported in the AFR for Maintenance and Operation fund did not agree to the underlying records.
3.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Due to the lack of reconciliations, the District's auditors noted tuition revenue charged to other districts was not recorded as revenue for the first 6 months of the year and the District lacked controls to identify that the tuition revenue for the first 6 months of the year were not collected. Additionally, the District's auditors noted building renewal revenue and other federal and state grants that were received more than 6 months after fiscal year end.
4.	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.	Per review of the District's website and web links, the District's auditors noted there was no link to the most recent Auditor General's District spending report.
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.	Several district employees had full user access of the general ledger, accounts payable, and payroll transactions, creating the ability to complete an entire transaction without review.

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2.	The District had incident response 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.	Per review of the District's disaster recovery plan files retained, the District did not perform an annual test of the disaster recovery plan procedures during the current period under audit.
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