

Baboquivari 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 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.	The District's governing board held a retreat at a casino in Tucson, which may have inhibited public attendance. In addition, the following meeting minutes were not posted for public inspection: 05/24/2024, 07/29/2024, 08/16/2024, 12/09/2024.
2.	The District annually provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, A.R.S. 38-503, and 38-509	The District did not provide annual training to governing board members on what constitutes a conflict of interest.
3.	The District annually obtained conflict-of-interest 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	The District did not maintain conflict-of-interest forms for governing board members or employees during the current fiscal year.
4.	The District maintained, for public inspection, a special file with all documents necessary to memorialize all governing board members and employees conflict-of-interest disclosures. A.R.S. §38-509	The District did not maintain a conflict-of-interest file during the current fiscal year to memorialize all conflicts with governing board members and employees.
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 reconciled cash balances by fund monthly with the County School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The District did not reconcile cash balances by fund monthly with the CSS during the current fiscal year.
2.	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.	The District did not reconcile total revenues, expenditures, expenses and cash balances with the CSS during the current fiscal year.

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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 used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The District did not make miscellaneous receipts clearing bank account disbursements to the county treasurer at least monthly. The account had a balance of \$367,345.95 at fiscal year-end. The account was cleared in July 2024 and August 2024.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 or 25 cash receipts tested, deposits were not made timely.
3.	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 monthly bank reconciliations.	Bank reconciliations for monies held at local banking institutions were not performed timely.
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 and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 3 of 40 cash disbursements tested, the purchase order was not approved before the goods or services were rendered.
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 may have violated the State Constitution's gift clause by paying an estimated \$2,354 for an individual involved with overseeing education on behalf of the tribal government, but not employed by the District, to travel to and attend a training without any indication that the District received anything of value in return.
3.	The District agreed invoice amounts to contract pricing and terms and conditions for expenditures made through written quotes or competitively awarded contracts, including cooperative contracts.	Payments made for audit services exceeded the contract and purchase order for the fiscal year ending June 30, 2024, relating to the fiscal year 2023 audit services.

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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.	<p>Between fiscal years 2022 and 2024, the District incurred nearly \$60,000 in travel expenses that lacked the required District administrative approvals and support, as the amounts paid exceeded the Board-approved purchase order amounts. Further, the District did not comply with its own travel policies and the maximum travel reimbursement rates prescribed in the State of Arizona Accounting Manual (SAAM) maximum reimbursement rates. Specifically:</p> <ul style="list-style-type: none">• In fiscal year 2024, 1 of 6 mileage reimbursements tested, was not reimbursed at the ADOA rate and 1 of 11 hotel reimbursements tested, the hotel nightly rate exceeded the allowable ADOA rate.• The District overpaid staff and Board members for meal reimbursements by \$303 across 17 instances during fiscal year 2022, due to the meal expenses being inaccurately calculated or inappropriately requested and approved.• The District paid staff members travel expenses to the National School Boards Association Spring conference but had no documentation supporting that the staff member was registered for the conference.• For 1 of 30 fiscal year 2022 travel expenditures, auditors noted 1 payment for \$456.13 that lacked documented approval prior to the travel occurring.
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'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 1 restaurant and 1 hotel purchase reviewed from fiscal year 2022 totaling \$341.25, the District could not provide supporting documentation, such as receipts, to demonstrate the purchases were for an allowable District purpose or that they did not exceed maximum allowable State travel costs.

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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 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 A.A.C. R7-2-1003	Documentation to support training on accepting gifts was not maintained for the current fiscal year.
2.	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.A.C. R7-2-1191(D)	For 1 of 6 cooperative contracts tested, documentation to support due diligence was performed was not provided.
3.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. A.A.C. R7-2-1004 and A.R.S. §15-213(B)	For 1 of 6 cooperative contracts tested, a written determination was not provided to document why the construction vendor was utilized and advantageous to the District.
4.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	The District did not maintain governing board approval for sole source vendors during fiscal year 2024. In addition, the following requirements were not documented within the sole source listing: <ol style="list-style-type: none">1. A description of the procurement needed and the reason only a single source was available, or why no reasonable alternative exists.2. The duration of the proposed procurement.3. Documentation that the price was fair and reasonable.4. A description of the efforts made to seek other sources.
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 ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G)	For 4 of 25 employee files tested, a valid fingerprint clearance card was not maintained on file.
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.	For 1 of 25 employee files tested, the District did not withhold the ASRS Long-Term Disability from their pay resulting in a total contribution shortage of \$1,748.70 for the fiscal year.

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3.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	The District did not properly review payroll reports before processing and distributing to employees, as a result 1 employee's hours were miscalculated and resulted in the employee being underpaid by \$22.37 for 1 pay period.
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 entry date in the computerized attendance system agreed to the entry form.	For 4 of 5 student enrollments tested, the District did not maintain enrollment dates to determine if dates agreed to the entry date in the computerized attendance system.
2.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 1 of 5 student enrollments tested, the District did not maintain verifiable documentation of Arizona residency.
3.	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 1 of 5 withdrawals tested, the District did not count student membership only through the last day of actual attendance or excused absence.
4.	The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. A.R.S. §15-901	Membership days were overstated by 302 days.
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.	Employees using the financial software had more access than was necessary to perform their job responsibilities.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not immediately disable or remove network access for employees whose employment was terminated. Specifically, the review of all 55 accounting system users found that 10 of the user accounts were associated with employees whose District employment ended 1 to 17 months prior to October 2023.

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3.	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	Multiple employees had unnecessary access to the IT server room in the District office.
4.	The District routinely completed software and application updates and operating system patches when they became available.	In October 2023, the District maintained computers that were not monitored by the District's IT department due to their incompatibility with its endpoint management system, so the District was not able to properly maintain and monitor them. Specifically, the District was unable to set password requirements, perform security updates, monitor unusual activities or security incidents, or prevent unauthorized software downloads on these computers.
5.	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 maintain a data sharing agreement for financial consultants that had access to the District's accounting system for fiscal year 2024.
6.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not implement and enforce strong password requirements that align with credible industry standards. In addition, multi-factor authentication was not required for fiscal year 2024.
7.	The District monitored and reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity and addressed noted issues.	IT system-generated incident and error reports were not always monitored during the fiscal year.
8.	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.	The District did not maintain documentation that the disaster recovery or contingency plan was updated during the fiscal year.
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 provide transportation records that match ADE's TRAN55-1 report.