

## Alpine Elementary School District

Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2024

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	The District did not provide conflict-of-interest forms for governing board members.
2.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District did not appoint a student activities treasurer for the current fiscal year.
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 post the hearing notification and proposed budget summary to the Arizona Department of Education's (ADE) website, mail it to each household within the jurisdiction, or publish it within a newspaper at least 10 days prior to the meeting to adopt the budget. In addition, the link on the District's website went to a published version of the adopted budget and not to ADE's website.
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance & Operations (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the General Budget Limit (GBL) or Unrestricted Capital Budget Limit (UCBL). A.R.S. §15-905(E).	The District did not revise the adopted budget below the UCBL by December 15th.

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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 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 both journal entries tested, the entry was not supported by documentation to show why the entry was being made. In addition, there was no documentation that the journal entries were reviewed and approved by someone other than the preparer.
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 miscellaneous receipts clearing bank account was not remitted only to the County Treasurer. For all 5 disbursements tested from the miscellaneous receipts clearing bank account, activity was recorded for student activity events and school supplies.
2.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	The District did not have a separate student activities bank account for only activity related to student clubs. Student activity was recorded through the miscellaneous receipts clearing bank account.
3.	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.	Bank fees of \$60 were incurred within the miscellaneous receipts clearing bank account and not properly reimbursed.
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 9 of 10 cash receipts tested, deposits were not made in a timely manner. Deposits were made 9-96 days after receipt.

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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 purchase of a copier and server were not added to the capital assets listing as equipment in the current fiscal year.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 13 of 15 capital asset and stewardship items tested, the asset or tag on the asset could not be traced back to the corresponding listing.
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.	For 9 of 17 general disbursements tested, the PO was created after the goods or services were received. In addition, for 3 of 4 blanket POs tested, the POs did not cover a defined time period.
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.	For all 17 general disbursements tested, the invoices were not stamped paid to prevent subsequent repayment. In addition, 1 of 17 invoices was not maintained to support the purchase made.
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.	For 2 of 5 student activity disbursements tested, student club minutes were not maintained to support the purchase made. In addition, for 1 of 5 student activity disbursements tested, an invoice was not maintained to support the purchase made.

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4.	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 County School Superintendent (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.)	Documentation was not maintained to support the advice of encumbrance was submitted to the CSS by July 18th.
<b>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.</b>		
	<b>Question</b>	<b>Deficiency</b>
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.	For 2 of 5 mileage reimbursements tested, the mileage was not reimbursed at the allowable ADOA rate. Both mileage reimbursements were reimbursed at the previous years' rate.
<b>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.</b>		
	<b>Question</b>	<b>Deficiency</b>
1.	The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.	Due to the District's limited staff size, they were not always able to separate the function of requesting, authorizing, and executing purchases.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	Due to the District's limited staff size, they were not always able to ensure someone other than a card user reconciled credit card activity to documentation and billing statements.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 3 of 5 credit card statements tested, the District incurred finance charges and late fees for a total of \$63.25.

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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.	For all 4 purchases tested within the written quotes range, the District did not maintain at least 3 written quotes or support to show the purchases were procured through another allowable method for purchases exceeding \$10,000.
2.	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. Arizona Administrative Code R7-2-1053 and R7-2-1086	The sole source listing did not include the duration and estimated total dollar values of the proposed procurement, documentation that the price was fair and reasonable, or a description of the efforts made to seek other sources.
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.	Budgeted amounts as reported on the UCO section of the AFR did not agree to the latest revised budget. In addition, federal projects and other funds were not budgeted.
2.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for ADE to calculate the Teacher Experience Index. A.R.S. §15-941 and School Finance Reports.	The District did not submit the SDER report by the October 15th deadline. A later copy was submitted on February 7, 2024.
3.	The District submitted its prior year's audit reports and USFR Compliance Questionnaire to the CSS and ADE. A.R.S. §15-914(D).	The District did not have documentation maintained to support the most current audited financial statements and USFR compliance questionnaire were submitted to ADE and the CSS.

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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 ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).	For 2 of 5 student entries tested, the District did not maintain a student file that included documentation to support the student's legal name.
2.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction (AOI) program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 3 of 5 student entries tested, documentation of verifiable Arizona residency was not maintained.
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 did not maintain adequate separation of duties within its IT systems. Multiple users had full unrestricted access to the District's financial reporting software.
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 perform a formal IT security awareness training during the fiscal year. In addition, a risk assessment was not performed over the District's systems.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not have multifactor authentication policies and procedures in place during the fiscal year.
4.	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.	The District did not provide documentation that IT system-generated incident or errors reports were reviewed. This would include irregularity reports within the system.

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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. Retention Schedules   Arizona State Library (azlibrary.gov)	The District did not have procedures in place to properly protect, maintain, and dispose of confidential records.
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 route miles and student count reported on the TRAN55-1. The ADE TRAN55-1 showed eligible route miles of 38,964 and eligible student count of 42.