

Peach Springs 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. | | |
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| | Question | Deficiency |
| 1. | The District's management notified the Arizona Auditor General and appropriately resolved all allegations of theft, fraud, or misuse of District monies and assets in a timely manner. | The District believes auxiliary operations receipts within the past few years have gone unreported. Due to personnel turnover, the District was not able to determine the extent of the occurrence. This was not reported to the Auditor General's Office. |
| 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. | Student Travel was coded to object code 6580—Travel rather than 6890—Miscellaneous Expenditures. |
| 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 16 journal entries tested, no documentation was provided to support the journal entry and the entry was not reviewed until the day submitted to the District's auditors for audit purposes. For 4 of 16 journal entries tested that were posted by the Business Manager, the entry was properly reviewed; however, no documentation was provided to support the entry. |
| 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 Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1125. | The District did not retain supporting documentation for all \$4,325.82 of monies deposited into the Auxiliary Operations Fund treasurer account during the fiscal year. |
| 2. | The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies. | No supporting documentation was able to be obtained for deposits due to turnover in the business office. |

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| 3. | 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. | Deposits were not supported with cash receipt summary reports for the fiscal year due to turnover in the business office. Issued manual receipts were retained. |
| 4. | 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 are not performed for both District bank accounts. One account is an electronic payments clearing account for the United States Department of Agriculture (USDA) loan. The second account is a payroll bank account and has a significant amount of activity. |
| 5. | The District tracked and reconciled the number of meals sold to the total cash collected per day. | The District did not retain supporting documentation showing that meals were tracked and reconciled to the number of meals sold during the fiscal year. The journal detail and treasurer report showed \$230 of monies deposited into the Food Service Treasurer Fund account for the fiscal year. |

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 |
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| 1. | The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list. | For 2 of 5 capital asset items selected for testing, the asset was located but no asset tag was identified. For all 5 stewardship items selected for testing, the asset was located but no asset tag was identified. |

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 1 of 10 expenditures tested, the District's auditors determined that the invoice amount exceeds the approved PO amount. |

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| 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 1 of 10 expenditures tested, the District's auditors determined that a receiving report was not completed for goods purchased and documentation was not provided to show the invoice was approved to be paid. |
| 3. | 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.) | An Advice of Encumbrance was not completed for the fiscal year. |

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 |
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| 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. | The District did not maintain signed card user agreements for all employees using the credit cards. The Business Manager and Superintendent are the cardholders for credit cards held by the District and employees will check out cards from both cardholders for any purchases made. The District did not track the possession of credit cards for purchases during the fiscal year. |
| 2. | The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies. | For 2 of 15 credit card disbursements selected, a receipt was not maintained for the purchase made. |
| 3. | 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. | |
| 4. | The District paid credit card and p-card statements before the due date to avoid finance charges and late fees. | The District incurred \$1,491.37 of finance charges on its credit cards during the current fiscal year. Finance charges were applied to 9 of 12 months during the fiscal year. |

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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 |
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| 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 1 of 5 purchases costing at least \$10,000 but less than \$100,000 (and not exempt or a cooperative), the District did not retain documentation to verify 3 written quotes were obtained. |

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 |
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| 1. | The District ensured hourly employees were not paid for more than the actual hours worked to date. | In our January 2024 review of 6 employees who no longer worked for the District but had received payment from the District in November 2023, we found that the District overpaid 1 employee by over \$2,100, including \$1,120 in overpayments related to errors District staff made when calculating regular and overtime hours paid out to the employee after termination for retroactive pay from nearly 1.5 years prior. |
| 2. | The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4. | For 1 of 5 employees tested, District's auditors determined that the employee did not sign their contract. |

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 |
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| 1. | Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget. | The federal programs budget for funds 300-399—Other Federal Projects, 401—School Safety Program, and 855—Employee Insurance Program Withholdings did not agree between the AFR and the latest revised budget for Federal Projects Funds and Other Funds. |

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| 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 A.R.S. §41-1279.03(A)(9) | The District did not link or post the most recent Arizona Auditor General Spending Report to its website homepage. |
| 3. | The District submitted the SDER to the Arizona Department of Education (ADE), and it was accurate and timely for ADE to calculate the Teacher Experience Index (TEI). A.R.S. §15-941 and School Finance Reports | The District did not submit the School District Employee Report (SDER) to ADE for the current fiscal year. |

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 |
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| 1. | The District appropriately tracked and reported student membership and absences. A.R.S. §15-901 | For 3 of the 8 students tested, the District did not properly report the students' membership and absence. |
| 2. | The entry date in the computerized attendance system agreed to the entry form. | For 2 of 5 student entries tested, the District's auditors determined that the entry date did not agree to the date within the computerized attendance system. |
| 3. | 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 1 of 5 student entries tested, the District did not provide documentation of AZ residency. |
| 4. | The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827 | For 1 of 5 student withdrawals tested, determined that a withdrawal form was not maintained. |

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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 |
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| 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 business manager had full access to all modules within the financial reporting system. |

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 |
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| 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's eligible student count average calculation did not agree to the average submitted on the TRAN55-1 Report. The District eligible student count is 12.74 less than ADE. |