

Picacho 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 provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest statutes (COI) 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 was unable to provide evidence that it 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.
2.	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 was unable to provide evidence it obtained and retained signed COI statements (or statements of no conflict) from all board members and applicable employees.
3.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District was unable to provide evidence that the governing board appointed a student activities treasurer.
4.	The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	The District was unable to provide evidence that the governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared.
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 2 of 5 journal entries tested, the District was unable to provide evidence that the entries were approved, signed, and dated by someone other than the preparer.

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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 a Maintenance and Operations (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	The District's auditor identified the following exceptions related to the M&O Fund revolving bank account: <ul style="list-style-type: none">• Reimbursement checks did not appear to be deposited during the year.• The account maintained an unreconciled \$742 balance at year-end when the imprest amount is \$500.• The District was unable to provide evidence that the imprest balance was approved by the governing board.
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 clear the \$184 balance in the Food Service Clearing bank account for 2 months. A deposit was received in December 2023, and the balance was transmitted to the county treasurer in February 2024.
3.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For 4 of 5 student activities deposits selected, totaling \$8,861, the District was unable to provide evidence that collections were supported by reports that reconciled sales to cash collected at student activities events using documented tickets, sequentially numbered cash receipts, cash register, or a count of items on hand before and after a sale.
4.	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.	The Food Service Clearing and Student Activities bank account each incurred \$24 dollars of paper statement fees throughout the year, totaling \$48. It did not appear that the fees were subsequently reimbursed.
5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District's auditors identified the following deposits that were not made in a timely manner: <ul style="list-style-type: none">• For a food service bank account deposit of \$184, cash was deposited 22 days after the initial collection.• For 2 of 5 deposits, totaling \$595, made directly to the county treasurer, cash was deposited 16 to 21 days after initial collection.• For 1 of 5 student activities deposits selected, totaling \$415, cash was deposited 13 days after initial collection.

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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 maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	The District's capital assets listing did not contain complete information for the following asset information: location, description, method of acquisition, source of funding, purchase document number, condition of the equipment, and percentage of federal participation.
2.	The District performed a physical inventory of all equipment at least every 3 years and reconciled the inventory results to the stewardship and capital assets lists upon completion.	The District could not provide evidence that a physical inventory of all equipment was completed and reconciled in the last 3 years.

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 2 of 15 expenditures tested, purchase orders were issued after receipt of the invoice. Purchase orders were issued 1 and 12 days after the invoice date.
2.	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 1 of 5 student activities disbursements tested, totaling \$511, which appeared to be for a breakfast buffet at a staff-only back-to-school training, the District was unable to provide evidence that the expense was authorized by or on behalf of the student members of the school's Student Council club.

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.	The District was unable to provide evidence that it provided annual credit card training to all users during the fiscal year.

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2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$597 in credit card late fees and finance charges.
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 7 vendors with whom the District expended \$10,000 - \$100,000, the District was unable to provide evidence it obtained at least 3 written quotes or retained documentation that supported the reasoning for not obtaining at least 3 written quotes.
2.	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 Arizona Administrative Code R7-2-1003	The District was unable to provide evidence it 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.
Classroom site fund (CSF) —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 adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF FAQs.	The District's auditors noted the following: <ul style="list-style-type: none"> For all 5 employees selected, the District was unable to provide evidence that the performance pay agreed to the District's adopted performance-based compensation system. The District was unable to provide evidence that the governing board adopted a performance-based compensation system for at least a portion of its CSF monies.
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's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For all 7 employees selected, the District was unable to provide evidence it retained the supporting documentation as listed on USFR pages VI-H-2 through 4.

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2.	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 all 7 employees tested, the District was unable to provide fingerprint clearance cards.
3.	The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	For all 5 employees tested, the District was unable to provide evidence it retained records to support approved leave.
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 followed the AFR—Review, Submission, and Publication Instructions.	The District was unable to provide evidence of the following submission requirements: AFR submission to the County School Superintendent, email to School Finance (SF) Budget team with a clickable link to the District's webpage where the AFR was placed, and an email to the SF Budget team with a signed copy of the AFR cover page.
Student attendance reporting —The District should report accurate student membership and attendance information to the Arizona Department of Education (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 1 of 14 students tested, the District was unable to provide evidence it obtained a birth certificate or other applicable legal document to verify the student's legal name.
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 assessed security risks for its systems and data, implemented appropriate controls to address risks, and provided employees/contractors annual security awareness training.	The District was unable to provide evidence that it provided security awareness training to all employees during fiscal year 2024.

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2.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District has not established multifactor authentication for at least all employees with remote access or administrative access to critical IT systems.
3.	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 was unable to provide evidence it performed a test of its' Disaster Recovery Policy during fiscal year 2024.
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 appears to have included the "other route miles" total as part of the "eligible miles" total, resulting in an overstatement of "eligible miles" by 773 miles. This appears to result in an overstatement of funding of approximately \$2,636.