

Ray Unified 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 obtain COI forms from governing board members for fiscal year 2024.
2.	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	For 39 of 50 employees reviewed, the governing board did not approve the contract/pay rate documentation.
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 could not provide documentation that a 24-hour advance notice was given for the governing board meeting to propose the budget.
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.	For 4 of 40 disbursements reviewed, the expenditures were not coded in accordance with the USFR Chart of Accounts.

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

List of deficiencies for the year ended June 30, 2024

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's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 5 Food Service Fund clearing bank account cash receipts reviewed, the deposit was not made timely.
2.	The District safeguarded signature stamps, signature plates, and electronic or digital signatures used for approving accounting transactions, checks, and other District documents to ensure that access was limited to only the employee whose signature they represented.	Access to an electronic signature used for approving purchase orders was not limited to the employee whose name the signature represented.
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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<p>The District's auditor's noted the following regarding the District's capital asset and stewardship items:</p> <ul style="list-style-type: none">• For 1 of 10 items selected from the listings, the location was inaccurate.• For 3 of 10 items selected from the listings, the items were not found on the premises.• For 3 of 10 items selected from the listings, the items were not tagged.• For 1 of 5 items selected from the premises, the item was not in the listing.• For 1 of 5 items selected from the premises, the listing did not include a specific location.

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

List of deficiencies for the year ended June 30, 2024

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 8 of 40 disbursements reviewed, the purchase order was prepared after the goods or services were received.
2.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	For 1 of 3 IGAs reviewed, the District did not retain a fully executed copy.
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.	For 2 of 5 travel reimbursements reviewed, the District reimbursed for fuel expenses incurred in a personal vehicle rather than reimbursing based on the mileage traveled multiplied by the rate. The amount of over/under-payments could not be estimated. In addition, for 2 of 5 travel reimbursements reviewed, the employees were reimbursed for meal/lodging amounts in excess of the maximums established by ADOA, resulting in an overpayment of \$96.60.

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

List of deficiencies for the year ended June 30, 2024

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.	For 3 of 5 credit card transactions reviewed, the District did not maintain signed card user agreements for the employees making the purchase.
2.	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 of 5 credit card transactions reviewed that consisted of prepaid purchases, the District did not verify and document the receipt of prepaid items.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	Credit card statements were not always paid timely to avoid finance charges and late fees. Auditors noted 2 months with fees that totaled \$114.
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 1 of 5 purchases reviewed, the District did not obtain 3 written quotes.
2.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. Arizona Administrative Code (A.A.C.) R7-2-1004 and A.R.S. §15-213(B)	The District did not prepare and maintain written determinations when making purchases through cooperative contracts.

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

List of deficiencies for the year ended June 30, 2024

3.	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	For 1 of 17 sole source vendors reviewed, the District did not maintain written documentation of the Governing Board's determination that there was only 1 source and that the determination was reasonable.
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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 adopted a performance-based compensation system for at least a portion of its Classroom Site Fund (CSF) monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF Frequently Asked Questions.	For 3 of 5 employees reviewed, the District did not maintain documentation that the employee met the criteria in the performance-based teacher compensation plan.

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 established a delayed payroll system for hourly employees that did not delay payments more than 7 business days during its normal 2-week payroll processing cycle and allowed adequate time for payroll adjustments to be made, if needed, between the end of the pay period and the payment date.	The District did not utilize a delayed payroll system for the last pay period of the fiscal year. All employees were paid on June 27, 2024, for work performed through June 27, 2024.
2.	The District required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.	For 1 of 50 employees reviewed, the employee completed the prorated compensation election after beginning work.

Ray Unified School District

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

List of deficiencies for the year ended June 30, 2024

3.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For all 5 employee files reviewed, the personnel file did not include the background investigation form.
4.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	For 1 of 50 hourly employees reviewed, the timesheet was not reviewed by the employee.

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 expenditures reported on the AFR did not agree to the District's most recently revised expenditure budget for the Taylor Grazing Fees Fund and Food Service Fund by \$1,263 and \$220,955, respectively.
2.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance & Operations (M&O) Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The food service match of \$4,389 in the M&O Fund did not agree to the District's accounting records of \$3,900.
3.	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's website did not include its average teacher salary or a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report. The District's website includes a link to the Arizona Auditor General District Spending Report for fiscal year 2019.
4.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for Arizona Department of Education (ADE) to calculate the Teacher Experience Index. A.R.S. §15-941 and School Finance Reports	The District did not submit the SDER by October 15. The District submitted on February 16, 2024.
5.	The District submitted its prior year's audit reports and USFR Compliance Questionnaire to the County School Superintendent (CSS) and ADE. A.R.S. §15-914(D)	The District did not submit the prior year USFR Compliance Questionnaire to the CSS.

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List of deficiencies for the year ended June 30, 2024

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 obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instructions program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 2 of 5 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency.
2.	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	For 2 of 5 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency. As a result, it could not be determined if the student should have been excluded from the District's student count and State aid calculations or if the student should have been charged tuition.
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's Finance Office staff are assigned superuser access that would allow them to complete accounting system transactions without additional review or approval procedures, and the District does not have compensating controls in place that would minimize or effectively detect this risk.
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.	The District's disaster recovery plan does not include all required elements.

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

List of deficiencies for the year ended June 30, 2024

Transportation support—The District should implement effective controls for its transportation program to ensure it properly reports its transportation miles and student riders to ADE, which helps to ensure the District receives the appropriate amount of State aid.		
	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 total daily approved miles and total eligible students reported on the Transportation Route Report did not agree to supporting documentation, resulting in an understatement of 106 approved daily miles and an overstatement of 3 eligible students.