

Ganado 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 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	Documentation was not provided that the governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances.
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 provide a link to the Arizona Department of Education's (ADE) website where the District's proposed and adopted budgets could be viewed.
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 1 of 25 general expenditures tested, the District incorrectly coded the purchase to 6731—Furniture and equipment costing less than \$5,000 rather than 6733—Furniture and equipment costing more than \$5,000.
2.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue postings or journal entries) for propriety, and properly researched and resolved any differences.	The District's auditors were not able to determine if the District posted and approved revenues initiated by the CSS.

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3.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	There were unknown differences on the District's monthly cash reconciliations with the CSS and County Treasurer's records. To agree with the County Treasurer's reconciled balance of \$41,569,002, the reconciliation provided an unreconciled variance of \$461,834 with the County Treasurer for the fiscal year ending June 30, 2024.
4.	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.	

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's miscellaneous receipts clearing bank account had total deposits of \$1,853.21 over 5 months during FY 2024, and all of these deposits were not cleared to the county monthly or at year-end.
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 Food Service clearing bank account had food service deposits from August 2023 to June 2024, and the District wrote only 2 checks in April 2024 and May 2024 to clear the balances. As of June 30, 2024, the account has an uncleared balance of \$4,679.64.
3.	The District paid bank charges from only the Maintenance & Operation 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 totaling \$403.44 incurred in FY 2024 were not reimbursed to the Electronic Payment Clearing account.
4.	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.	For 17 of the 23 deposits received from the school sites during September 2023 and January 2024, the District did not maintain supporting documentation such as receipts, tracked ticket numbers, or another type of log that supported the amount collected. Additionally, 1 deposit that included a log of items sold was \$20 more than what the log indicated was collected without any explanation for the overage.

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5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 30 deposits reviewed, cash was not deposited in a timely manner. Additionally, for 9 of the 23 deposits received from the school sites during September 2023 and January 2024, the District did not deposit the monies, totaling more than \$4,100, within 7 days of collection. In 1 case, the District did not deposit cash collected by a student club for 213 days, or approximately 7 months, after being collected.
6.	The District's deposits with the county treasurer were reconciled.	Cash reconciliations with the County Treasurer were not properly prepared during the current year. The reconciliations provided had significant unresolved variances noted within them.
7.	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 were not prepared for 1 of 9 bank accounts.

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.	For 2 of 5 items selected from the premises, the items were not traceable to the capital asset or stewardship lists.
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.	Documentation was not provided that a physical inventory of all equipment was done at least every 3 years. It was noted the last physical inventory of all equipment was done during July 2017.

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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.	Two board members' travel claims and 4 employee travel claims for 6 separate trips did not always follow District policy and ADOA requirements. Specifically, the District calculated 2 mileage reimbursements for miles driven in a personal vehicle using a generic city-to-city mileage table instead of actual miles driven as the travel claims also did not contain the information necessary to correctly calculate the mileage reimbursement, such as the Board member's address.
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 performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. Arizona Administrative Code R7-2-1191(D)	Due diligence documentation was not provided for 2 of 10 cooperative contracts reviewed.
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 established a delayed payroll system of 8 business days during its normal 2-week payroll processing cycle which was not within the 7 business days limit.

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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 School Level AFR was submitted on November 4, after the October 15 deadline.
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 student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17 First Day Absence	For 1 of 10 students reviewed, the student's first day of attendance from the District attendance record did not agree to the first day of membership reported on the ADE STUD72 report.
2.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	Verifiable documentation of Arizona residency was not provided for 1 of 10 students reviewed.
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 4 of 10 students withdrawn for having 10 consecutive unexcused absences reviewed, the membership days were not counted 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 and absences reported on the AzEDS ADM15 did not agree with the District's computerized attendance software. Membership days were overstated by 37 days.

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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.	As of August 2024, 4 District employees had full access to the District's purchasing and/or payroll processes. One employee in the business office has full access of the Purchasing & Payables, Payroll, and Human Resources modules within the District financial software. Additionally, as of August 2024, the District had 1 user with administrator-level access who did not require it to perform their job responsibilities; the District reported it does not have separate non-administrative accounts for its 5 appropriate network administrators; and the District improperly granted 2 District employees administrator-level access to its accounting system.
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.	Documentation was not provided to support that the District performed security risk assessment for its systems and data. In addition, as of June 2024, the District has not established and implemented a District policy to conduct mandatory employee security awareness training at least annually. Further, the District security awareness training content is limited to specific topics and does not cover the set of information security topics relevant for school districts as recommended by credible industry standards.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	As of August 2024, the District had 1 active accounting system user account that was no longer needed and should have been disabled. Further, the District did not immediately disable accounts when they were no longer needed as the District's auditors identified 13 network user accounts and 4 student information system (SIS) accounts associated with terminated employees. The District's SIS also had 1 active account that was no longer needed and should have been disabled.
4.	The District routinely completed software and application updates and operating system patches when they became available.	The District did not upgrade its IT equipment to supported versions to decrease the risk of vulnerabilities and unauthorized access to the District's network and systems. In addition, the District did not develop and implement policies and procedures to ensure its computer and network infrastructure are properly maintained and up to date.

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5.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	As of July 2024, some of the District's network password requirements did not meet credible industry standards. In addition, the District has not developed and implemented policies and procedures to review the District's password standards against credible industry password standards at least annually.
6.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	The District did not implement regular reviews of audit trails or change logs.
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.	The District did not implement procedures to review incident or error reports. Additionally, as of August 2024, the District has not established and implemented procedures for collecting and monitoring logs of critical IT system activities to be able to track events on IT systems and to detect malicious activities in a timely manner.
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.	Documentation was not provided to support that the District's Disaster Recovery Plan was tested during FY 2024, it was noted the District tested a backup on February 2025.

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 underreported eligible mileage of 30,284 miles on the Transportation Route Report submitted to ADE, which would have an impact on the District's funding.