

## Globe 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 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 | For 3 of 21 conflict-of-interest forms reviewed, the employee or board member only partially completed the form and had not reported all required potential conflicts. Additionally, for 13 of 21 forms reviewed, there was no documentation of management's review.  |
| 2.   | Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that contract, sale, purchase, service, or decision of the school district. A.R.S. §§38-502 and 38-503(A) and (B)  | The District allowed a business office employee to participate in the approval of purchases with a vendor with whom they had disclosed a conflict. Additionally, 1 District employee verbally disclosed their direct supervision of a relative but did not disclose this information formally through a conflict-of-interest form.                            |
| 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 notification of public hearing for the governing board meeting to adopt the budget stated that the meeting to adopt the budget would be held on 6/5/24, but the budget was adopted on 6/19/24. In addition, the hearing notification was not published to Arizona Department of Education (ADE) website until 7/3/24, after the meeting was already held. |

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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. |  |   |
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|   | Question   | Deficiency  |
| 1.  | The District coded transactions in accordance with the USFR Chart of Accounts.                                       | <p>The District coded its student activities revenues to object code 1990—Miscellaneous rather than object code 1750—Revenue from Enterprise and Student Activities. Additionally, the District's accounting records contained numerous other coding errors, including:</p> <ul style="list-style-type: none"><li>• Coding purchases for maintenance fees to its food service vendor to function 1000—Instruction rather than to function 3100—Food Service Operations.</li><li>• Coding student flights for a national Future Farmers of America convention to function 2100—Support Services rather than to function 2700—Student Transportation and object 6890—Miscellaneous Expenditures rather than to object 6519—Student Transportation Purchased From Other Services.</li><li>• Coding purchases of library books and a teacher's manual to function 1000—Instruction rather than to function 2200—Support Services-Instruction.</li></ul> |
| 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. | For 1 of 5 M&O revolving account disbursements tested, the District made the check payable to "petty cash" to establish a change fund rather than making the check payable to the change fund custodian. The monies were subsequently returned without further exception.   |

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| 2. | The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.             | <p>The District did not separate cash-handling and record-keeping responsibilities for its food service program. Specifically, we noted the following:</p> <ul style="list-style-type: none"><li>• One employee made cash deposits, wrote checks from, and reconciled the food service fund bank account without subsequent review by another employee.</li><li>• This same employee also had broad access, including administrator-level access, to functions in the District's food service point-of-sale system that allowed them the ability to override and adjust transactions without subsequent review.</li><li>• The District was unable to provide documentation that it reconciled the food service fund bank statements for October and November 2024.</li><li>• The District did not perform reconciliations to its food service cash-collection documentation.</li><li>• Access to the District's safes was not appropriate, as doors protecting safes were not always locked and the District was unable to provide documentation to support that safes were replaced or safe combinations were updated after personnel changes. However, the District received and installed new safes during our review.</li></ul> |
| 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. | <p>For 29 out of 208 student activities, auxiliary operations, and preschool tuition cash transactions received in October and November 2024, the cash received was not adequately supported with issued receipts, cash receipt summary reports, inventory listing, etc. Additionally, the District did not adequately control its receipt books, as it used at least 4 different receipt books to issue receipts in its cash-collection processes, intermingling receipt books among cash-collection efforts rather than assigning an individual receipt book to a specific type of activity, such as student activities or auxiliary operations. The District's inconsistent use of its receipt books resulted in gaps in the receipt sequence and prevents the District from ensuring all cash received is appropriately deposited. Specifically, we identified 36 instances where the receipt numbers had a gap in numerical sequence amounting to 227 missing receipts.</p>  |

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| 4. | The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation. | For 5 of 40 cash receipts tested (2 tax credit, 3 auxiliary operations), the District did not deposit the monies in a timely manner, with days to deposit ranging from 8 to 14 days. Additionally, for 34 out of 208 student activities, auxiliary operations, and preschool tuition cash receipts tested, the District did not deposit the monies in a timely manner. Finally, 4 out of 42 deposits did not agree to cash receipt/cash-collection documentation. |
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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  |
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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. | During our review of the District's property, we noted the following: <ul style="list-style-type: none"><li>• One of the 5 items selected from the stewardship list could not be located.</li><li>• One of the 5 items selected from the capital asset list was not tagged.</li><li>• One of the 5 items selected from the premises was tagged; however, it was not included on the stewardship list.</li></ul> |

**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  |
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| 1. | 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 20 expenditures reviewed, payment was made without adequate or complete documentation of the goods/services received such as a receiving report that documented the date of receipt, quantity received, and signature of the recipient. In addition, the District recorded the incorrect purchase amount in its accounting system for 1 of these expenditures. Specifically, the expenditure was under recorded by \$389 in the District's accounting system. |
| 2. | The District agreed invoice amounts to contract pricing and terms and conditions for expenditures made through written quotes or competitively awarded contracts, including cooperative contracts.                                  | The District did not consistently compare prices paid for purchases made through written quotes or competitively awarded contracts, including cooperative contracts, to the prices quoted or contract pricing. Specifically, for 1 of 7 expenditures reviewed, the amount paid did not agree to the pricing list provided by the vendor.  |

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| 3. | The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393 | The District did not accurately prepare the CTED supplanting worksheet, as the base year Base Level Amount reported on the fiscal year (FY) 2024 worksheet was incorrect. However, it did not appear that the District supplanted using CTED monies. |
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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  |
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| 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. | Although the District did not reimburse employees for more than the allowable mileage rate established by ADOA, the District did not retain receipts or conference brochures for 2 of 5 travel reimbursements examined. |

**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 ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing. | For 2 of 25 credit card purchases examined, the credit card custodian made the purchase. |

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| 2.   | 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 25 credit card purchases examined, we noted the following: <ul style="list-style-type: none"><li>• Two purchases were made by employees who were not included on the District's list of designated card users.</li><li>• One purchase did not include a receipt or other documentation, so the District could not identify the purchaser to determine if the employee received credit card training and that the District obtained a user agreement from the employee.</li><li>• The District's credit card log did not document that the card was checked in for 6 purchases. In addition, for 2 of these purchases, the log did not document that the card was checked out by the user.</li></ul> |
| 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. | For 25 credit card purchases examined, we noted the following: <ul style="list-style-type: none"><li>• For 1 purchase, the District did not maintain documentation of prior approval of the purchase type and amount.</li><li>• For 1 purchase, the total exceeded the corresponding purchase order amount.</li><li>• For 11 purchases, the receipt was not signed or otherwise documented to clearly identify the purchaser.</li><li>• For 1 purchase, the District did not maintain supporting documentation.</li></ul>   |
| 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 1 of 25 employees tested, the District could not locate the I-9.  |

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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.                   |   |   |
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|  | Question  | Deficiency  |
| 1.   | The District completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F) | The actual revenues reported on the AFR did not agree with the District's accounting records for Fund 001—Maintenance and Operation and Fund 530—Gifts and Donations, by \$3,760 and \$1,437, respectively. In addition, actual expenditures reported on the AFR did not agree to the District's accounting records for Fund 001, Fund 400—Vocational Education 400, and Fund 530, by \$(3,759), \$1,196, and \$11,770, respectively. |
| 2.   | Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.   | Within the encumbrance period, the District erroneously recorded a revenue within the General Fund. The District subsequently reversed the revenue, but out of the Classroom Site Fund, resulting in revenue being overstated in the General Fund, and understated in the Classroom Site Fund.  |
| 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.  | For 10 out of 35 active users in the District's accounting system reviewed, the users had too much access to the District's accounting system that would allow them to initiate and complete a significant accounting cycle (AP purchase, payroll payment, payroll deductions, or warehouse requisitions) without an independent review and approval.   |
| 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.  | Although the District now requires employees to take annual security awareness training, 10 of 219 District employees examined had not completed the training program. Further, the District was able to provide only a high-level overview of the training and its contents and not a detailed documentation of the training.  |
| 3.   | The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.   | For 14 of 330 active network accounts reviewed, accounts were active despite being associated with users who were no longer employed by the District.   |

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| 4. | The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.  | The District did not implement password and user authentication requirements in accordance with credible industry standards. Specifically, the District's password policy does not meet best practices for the number of user passwords saved when prohibiting users from reusing previous passwords and for the number of failed logon attempts before the account is locked. In addition, 50 out of 219 District employees reviewed did not have multifactor authentication enabled for their account. |
| 5. | 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. | While the District had begun developing a process for reviewing change logs, the details of what to review and what to compare to have not yet been formalized, and the District did not provide any completed change log reviews.   |

**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 | Although the District maintained all documentation related to miles driven and eligible students transported for the sample of 4 buses for the month of September 2024, it did not accurately calculate the number of route miles traveled and eligible students transported for State funding purposes. As a result, the District overreported its mileage by 403 miles and overstated eligible students transported by 39 students for September 2024. |