

Naco Elementary School District

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

List of deficiencies for the year ended June 30, 2021

| 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 held governing board meetings in accordance with A.R.S. §§38-431 to 38-431.09, and prepared and retained written minutes and/or recordings. | The District minutes are prepared and maintained in the business office and are not posted online. District policy BEDG provides that Board minutes are to be made available for public inspection within 3 working days after the meeting. Documentation was not provided to verify that the Board minutes were made available for public inspection within 3 working days after a Board meeting, as the copies of the minutes do not indicate the date they were completed and made available to the public. |
| 2. | The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees. A.R.S. §38-502 and A.R.S. §38-509 | Documentation was not provided that the District provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees. |
| 3. | The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122 | Documentation was not provided that the District appointed an employee designated as the Student Activity Treasurer. |
| 4. | The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 | The two student fundraisers held in fiscal year (FY) 2021 totaling \$111.50 in receipts were not provided to the Governing Board for approval. |
| 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 notice of the public hearing and board meeting regarding the adopted budget was not published, electronically transmitted to ADE or mailed no later than 10 days before the meeting to adopt 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. | <p>The following items were not recorded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none">• A web filtering license was coded to object 6830 - Redemption of Principal, and should have been recorded to object 6737 - Technology Related Hardware and Software.• Two expenditures coded to object 6580 - Travel were for registration fees to attend conferences and should have been recorded to object 6300 - Purchased Professional and Technical Services. |

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| | | |
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| | | <ul style="list-style-type: none"> • A refund of prior year Child Nutrition revenues was coded to function 0000 and object "0215 - Due to Federal" and should have been recorded to function "2500 - Central Services" and object "6890 - Miscellaneous Expenditures". • A refund of prior year IDEA revenues was coded to function 0000 and object "6930 - Fund Transfers-out" and should have been recorded to function "2500 - Central Services" and object "6890 - Miscellaneous Expenditures". • The District received \$1,447 in interest from its pooled investments with the County and all the interest revenue was applied to only Funds 001 and 100, rather than all funds with positive balances. • A journal entry was posted to Fund 499 to incorrectly record a debit of \$499,000 to state revenue and credit fund balance \$499,000. It was noted that the entry was to eliminate a beginning cash balance of \$499,000 in Fund 499 that was posted in error. The adjustment was removed for audited financial reporting purposes as no transactions should have been posted to Fund 499 in FY 2021. • A state aid payment of \$25,834 was double posted to Fund 001 - Maintenance and Operations. The state aid was reduced by audit adjustment to properly reflect the state aid received by the District for fiscal year 2021 per the audited financial statements. • Local revenue of \$58,075 was posted to Fund 001 by the County School Superintendent's Office. No documentation was provided as to the source or purpose of the deposit. • Expenditures of \$29,522 were recorded in Fund 465 with no grant revenues received. Documentation was not provided as to the purpose of Fund 465 and if the fund was for a valid reimbursable grant or if the expenditures had been posted to Fund 465 in error. |
| 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. | Supporting documentation was not provided for 12 of the 15 adjusting journal entries selected for review. The District posted multiple adjusting journal entries after issuing the AFR resulting in numerous differences between the AFR submitted to ADE and the District's accounting records for FY 2021. |
| 3. | The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences. | The District did not document and date a monthly review of financial transactions the CSS initiated for propriety. |
| 4. | The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, and properly supported, documented, and dated the reconciliations. | The June 2021 reconciliation was not completed by the CSS's Office until February 25, 2022. It was noted that the reconciliation of the Treasurer's Fund 001 had a variance of \$151,262.92 and Treasurer's Fund 100 had a variance of \$(43,178.91) between the District's cash balances and the Treasurer's cash balances. These variances resulted in the Independent Auditor issuing a qualified opinion of the District's audited financial statements. |
| 5. | The District reconciled 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. | |

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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 miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20). | Twelve deposits totaling \$25,014 were made to the Miscellaneous Receipts Clearing account during FY 2021. No checks were written to the County Treasurer during the year. The account had a balance of \$27,560 as June 30, 2021. |
| 2. | The District used a Food Service Fund clearing bank account in accordance with Arizona Attorney General Opinion I60-35. | The District wrote twelve checks from the Food Service Clearing bank account to the County Treasurer during FY 2021, with each check corresponding to the total deposits made for the month. However, all 12 checks were written on June 28, 2021. |
| 3. | The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics and were supported by appropriate documentation. A.R.S. §15-1126 | Two of five auxiliary deposits were only supported with a cash summary report and were not supported by prepared reports that reconciled sales to cash collected at student activities events using documented tickets, sequentially numbered cash receipts, a cash register, or a count of items on hand before and after a sale. |
| 4. | The District adequately supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs. | Fifteen deposits made directly to the County and five deposits made to the miscellaneous receipts account were selected for review. Supporting documentation was not provided for twelve of the deposits made to the County and two of the deposits made to the miscellaneous receipts account. |
| 5. | The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation. | Twenty local deposits were selected for review. Three of the deposits were made timely; three of the deposits were made ranging from 215 to 327 days after collection. Documentation was not provided for fourteen of the deposits, as such it could not be determined if the collections were deposited timely. |
| 6. | The District's deposits and cash balances with the county treasurer were reconciled. | The June 2021 reconciliation was not completed by the County School Superintendent's Office until February 25, 2022. It was noted that the reconciliation of the Treasurer's Fund 001 had a variance of \$151,262.92 and Treasurer's Fund 100 had a variance of \$(43,178.91) between the District's cash balances and the Treasurer's cash balances. |
| 7. | The District safeguarded unused checks. | A check signer also had custody of the blank check stock. |
| 8. | All District bank accounts were reconciled monthly by an employee not involved with cash handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process. | The following deficiencies were noted regarding reconciliation of the District's bank accounts: <ul style="list-style-type: none">Bank statements for July 2020 to May 2021 for the Miscellaneous Receipts Clearing account were reconciled on June 16, 2021.Reconciliations for the Payroll Clearing account for July 2020 to December 2020 were not signed and dated by the reconciler. The statements for January 2021 to May 2021 were all reconciled on June 16, 2021. |

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|---|--|---|-------|--------|-----|------------|-----|-----------|-----|-----------|
| | | <ul style="list-style-type: none">Reconciliations for the Food Service Clearing bank account for July 2020 to October 2020 were dated April 15, 2021. Reconciliations for the account for November 2020 to May 2021 were not dated with the date of reconciliation. Reconciliations for the Revolving bank account for July 2020 to March 2021 were dated April 21, 2021. The April 2021 and May 2021 reconciliations were not signed or dated. | | | | | | | | |
| 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 properly tagged assets and updated asset lists. | For 1 of 5 items from the capital asset listing and 1 of 5 items from the stewardship asset listing the items were disposed of. It was not determined when the assets were disposed of, and as such, it was not determined if the assets were still in service at the District as of June 30, 2021. | | | | | | | | |
| 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. | As of June 30, 2021, the District had not completed an inventory of the capital asset and stewardship listing for the prior three years. | | | | | | | | |
| 3. | The governing board approved stewardship and capital asset items disposed of during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131(C). | The District held an auction of surplus miscellaneous items on 8/28/20. Documentation was not provided that the items were taken to the Board prior to the sale of the items. | | | | | | | | |
| 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, A.R.S. §15-304, A.R.S. §15-907, and A.R.S. §15-916. | The District did not ensure that sufficient cash was available in cash-controlled funds, resulting in a negative cash balance in the following cash-controlled funds as of June 30, 2021: <table><tr><td>Funds</td><td>Amount</td></tr><tr><td>510</td><td>\$(44,931)</td></tr><tr><td>525</td><td>\$(1,687)</td></tr><tr><td>850</td><td>\$(1,391)</td></tr></table> Three of 30 expenditures reviewed had POs that were dated after the invoice date. | Funds | Amount | 510 | \$(44,931) | 525 | \$(1,687) | 850 | \$(1,391) |
| Funds | Amount | | | | | | | | | |
| 510 | \$(44,931) | | | | | | | | | |
| 525 | \$(1,687) | | | | | | | | | |
| 850 | \$(1,391) | | | | | | | | | |
| 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 27 of 30 expenditures reviewed, the District did not stamp invoices "paid", or otherwise mark them to help prevent duplicate payments. | | | | | | | | |

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|---|---|--|
| | | <p>The following requested expenditure documents were not received:</p> <ul style="list-style-type: none"> Copies of invoices for 3 of 30 expenditures selected for review. Copies of purchase orders for 7 of 30 expenditures selected for review. |
| 3. | <p>The District prepared an Advice of Encumbrance for levy funds with the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the 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.)</p> | <p>The District expended \$18,695 from the levy funds during the encumbrance period. A copy of the Advice of Encumbrance was not provided. As such it could not be determined if the District prepared an Advice of Encumbrance for levy funds with the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18.</p> |
| 4. | <p>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</p> | <p>Copies of the IGA's in effect during FY 2021 were not provided. As such it could not be determined if the District retained fully executed copies of each IGA and payments for services were made or received, as applicable.</p> |
| <p>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.</p> | | |
| | Question | Deficiency |
| 1. | <p>The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.</p> | <p>One employee maintained the credit cards, oversaw the assignments, could execute purchases, and could process credit card payments.</p> |
| 2. | <p>The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.</p> | <p>The employee that reviews and reconciles the credit card statements was also a card user.</p> |
| 3. | <p>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.</p> | <p>It was noted that the credit card statements for the two bank cards were not provided for March 2021 through June 2021. As such it could not be determined if all the District's card purchases for that period 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.</p> |
| 4. | <p>The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.</p> | <p>The District incurred \$751.18 in late fees and finance charges during FY 2021.</p> |
| <p>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.</p> | | |
| | Question | Deficiency |
| 1. | <p>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.</p> | <p>For three purchases in the written quote range documentation was not provided that the written quotes were obtained, or the purchases were otherwise exempt from requiring written quotes (i.e., sole source, cooperative purchase, etc.).</p> |

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|--|---|--|------------|--------------|------------------|------------|-----|-------------|-------------|---------|---------|-----------|-----------|-----------|---------|----------|----------|---------|-----|----------|----------|---------|-----|----------|----------|----------|-----|-----------|-----------|----------|---------|---------|-----------|-----------|-----|----------|-----------|-----------|-----|----------|----------|----------|-----|----------|----------|-------|-----|---------|---------|---------|-----|-----------|-----------|------|-----|-----|---------|---------|
| 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 R7-2-1003 | Documentation was not provided that 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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. | <div>The budgeted expenditures as reported on the AFR did not agree with the most recently revised budget for the following funds:</div> <table><tr><td>Fund</td><td>AFR Budget</td><td>Final Budget</td><td>Difference</td></tr><tr><td>013</td><td>\$188,183</td><td>\$188,683</td><td>\$500</td></tr><tr><td>100-130</td><td>\$200,653</td><td>\$141,664</td><td>\$ 58,989</td></tr><tr><td>140-150</td><td>\$20,705</td><td>\$20,827</td><td>\$122</td></tr><tr><td>160</td><td>\$17,034</td><td>\$10,000</td><td>\$7,034</td></tr><tr><td>190</td><td>\$57,413</td><td>\$25,463</td><td>\$31,950</td></tr><tr><td>220</td><td>\$142,948</td><td>\$60,485</td><td>\$82,463</td></tr><tr><td>300-399</td><td>\$0</td><td>\$120,000</td><td>\$120,000</td></tr><tr><td>510</td><td>\$0</td><td>\$175,000</td><td>\$175,000</td></tr></table> | Fund | AFR Budget | Final Budget | Difference | 013 | \$188,183 | \$188,683 | \$500 | 100-130 | \$200,653 | \$141,664 | \$ 58,989 | 140-150 | \$20,705 | \$20,827 | \$122 | 160 | \$17,034 | \$10,000 | \$7,034 | 190 | \$57,413 | \$25,463 | \$31,950 | 220 | \$142,948 | \$60,485 | \$82,463 | 300-399 | \$0 | \$120,000 | \$120,000 | 510 | \$0 | \$175,000 | \$175,000 | | | | | | | | | | | | | | | | | | | | |
| Fund | AFR Budget | Final Budget | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 013 | \$188,183 | \$188,683 | \$500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100-130 | \$200,653 | \$141,664 | \$ 58,989 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 140-150 | \$20,705 | \$20,827 | \$122 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 160 | \$17,034 | \$10,000 | \$7,034 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 190 | \$57,413 | \$25,463 | \$31,950 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 220 | \$142,948 | \$60,485 | \$82,463 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 300-399 | \$0 | \$120,000 | \$120,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 510 | \$0 | \$175,000 | \$175,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation. | <div>Revenues as reported on the AFR did not agree with the District's accounting records for the following funds:</div> <table><tr><td>Fund</td><td>AFR Revenues</td><td>District Records</td><td>Difference</td></tr><tr><td>001</td><td>\$3,260,623</td><td>\$3,264,375</td><td>\$3,752</td></tr><tr><td>011</td><td>\$30,539</td><td>\$33,315</td><td>\$2,776</td></tr><tr><td>012</td><td>\$61,077</td><td>\$66,630</td><td>\$5,553</td></tr><tr><td>013</td><td>\$61,078</td><td>\$66,630</td><td>\$5,552</td></tr><tr><td>020</td><td>\$0</td><td>\$12,566</td><td>\$12,566</td></tr><tr><td>100</td><td>\$165,361</td><td>\$198,361</td><td>\$33,000</td></tr><tr><td>140</td><td>\$8,407</td><td>\$11,157</td><td>\$2,750</td></tr><tr><td>190</td><td>\$42,720</td><td>\$43,079</td><td>\$359</td></tr><tr><td>220</td><td>\$36,370</td><td>\$80,670</td><td>\$44,300</td></tr><tr><td>510</td><td>\$96,416</td><td>\$96,562</td><td>\$146</td></tr><tr><td>530</td><td>\$2,789</td><td>\$5,063</td><td>\$2,274</td></tr><tr><td>610</td><td>\$124,954</td><td>\$124,996</td><td>\$42</td></tr><tr><td>953</td><td>\$0</td><td>\$6,000</td><td>\$6,000</td></tr></table> | Fund | AFR Revenues | District Records | Difference | 001 | \$3,260,623 | \$3,264,375 | \$3,752 | 011 | \$30,539 | \$33,315 | \$2,776 | 012 | \$61,077 | \$66,630 | \$5,553 | 013 | \$61,078 | \$66,630 | \$5,552 | 020 | \$0 | \$12,566 | \$12,566 | 100 | \$165,361 | \$198,361 | \$33,000 | 140 | \$8,407 | \$11,157 | \$2,750 | 190 | \$42,720 | \$43,079 | \$359 | 220 | \$36,370 | \$80,670 | \$44,300 | 510 | \$96,416 | \$96,562 | \$146 | 530 | \$2,789 | \$5,063 | \$2,274 | 610 | \$124,954 | \$124,996 | \$42 | 953 | \$0 | \$6,000 | \$6,000 |
| Fund | AFR Revenues | District Records | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 001 | \$3,260,623 | \$3,264,375 | \$3,752 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 011 | \$30,539 | \$33,315 | \$2,776 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 012 | \$61,077 | \$66,630 | \$5,553 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 013 | \$61,078 | \$66,630 | \$5,552 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 020 | \$0 | \$12,566 | \$12,566 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100 | \$165,361 | \$198,361 | \$33,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 140 | \$8,407 | \$11,157 | \$2,750 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 190 | \$42,720 | \$43,079 | \$359 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 220 | \$36,370 | \$80,670 | \$44,300 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 510 | \$96,416 | \$96,562 | \$146 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 530 | \$2,789 | \$5,063 | \$2,274 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 610 | \$124,954 | \$124,996 | \$42 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 953 | \$0 | \$6,000 | \$6,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Naco Elementary School District
 Not in compliance with the Uniform System of Financial Records (USFR)
 List of deficiencies for the year ended June 30, 2021

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|------------|------------------|------------------|------------|-----|-------------|-------------|----------|-----|----------|----------|---------|-----|-----------|-----------|---------|-----|---------|---------|-------|-----|---------|---------|-------|-----|----------|----------|---------|---------|----------|----------|----------|---------|-----|----------|----------|-----|-----------|-----------|---------|-----|-------|---------|---------|-----|---------|---------|-------|-----|----------|----------|----------|
| | | Expenditures as reported on the AFR did not agree with the District's accounting records for the following funds: <table><tr><td>Fund</td><td>AFR Expenditures</td><td>District Records</td><td>Difference</td></tr><tr><td>001</td><td>\$2,881,552</td><td>\$2,861,678</td><td>\$19,874</td></tr><tr><td>020</td><td>\$10,350</td><td>\$11,733</td><td>\$1,383</td></tr><tr><td>100</td><td>\$134,856</td><td>\$140,507</td><td>\$5,651</td></tr><tr><td>140</td><td>\$8,534</td><td>\$8,947</td><td>\$413</td></tr><tr><td>160</td><td>\$8,309</td><td>\$9,085</td><td>\$776</td></tr><tr><td>190</td><td>\$36,384</td><td>\$34,334</td><td>\$2,050</td></tr><tr><td>300-399</td><td>\$54,943</td><td>\$99,309</td><td>\$44,366</td></tr><tr><td>465-499</td><td>\$0</td><td>\$29,522</td><td>\$29,522</td></tr><tr><td>510</td><td>\$278,126</td><td>\$279,685</td><td>\$1,559</td></tr><tr><td>530</td><td>\$678</td><td>\$2,137</td><td>\$1,459</td></tr><tr><td>570</td><td>\$4,907</td><td>\$5,084</td><td>\$177</td></tr><tr><td>610</td><td>\$39,552</td><td>\$73,964</td><td>\$34,412</td></tr></table> | Fund | AFR Expenditures | District Records | Difference | 001 | \$2,881,552 | \$2,861,678 | \$19,874 | 020 | \$10,350 | \$11,733 | \$1,383 | 100 | \$134,856 | \$140,507 | \$5,651 | 140 | \$8,534 | \$8,947 | \$413 | 160 | \$8,309 | \$9,085 | \$776 | 190 | \$36,384 | \$34,334 | \$2,050 | 300-399 | \$54,943 | \$99,309 | \$44,366 | 465-499 | \$0 | \$29,522 | \$29,522 | 510 | \$278,126 | \$279,685 | \$1,559 | 530 | \$678 | \$2,137 | \$1,459 | 570 | \$4,907 | \$5,084 | \$177 | 610 | \$39,552 | \$73,964 | \$34,412 |
| Fund | AFR Expenditures | District Records | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 001 | \$2,881,552 | \$2,861,678 | \$19,874 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 020 | \$10,350 | \$11,733 | \$1,383 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100 | \$134,856 | \$140,507 | \$5,651 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 140 | \$8,534 | \$8,947 | \$413 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 160 | \$8,309 | \$9,085 | \$776 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 190 | \$36,384 | \$34,334 | \$2,050 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 300-399 | \$54,943 | \$99,309 | \$44,366 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 465-499 | \$0 | \$29,522 | \$29,522 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 510 | \$278,126 | \$279,685 | \$1,559 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 530 | \$678 | \$2,137 | \$1,459 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 570 | \$4,907 | \$5,084 | \$177 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 610 | \$39,552 | \$73,964 | \$34,412 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements. | The District did not properly maintain documentation to support all deposits, expenditures and intergovernmental agreements. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | The District's website included its average teacher salary 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. §15-903 | The District's website did not include its average teacher salary and a copy of or a link to the District's page from the most recent Auditor General's District Spending Report. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports | A copy of the SDER submitted to ADE was not provided. As such it could not be determined if the SDER was accurate and timely filed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 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 1 of 3 students reviewed who were withdrawn after 10 consecutive unexcused absences, the student's withdrawal date was the date of the ninth consecutive unexcused absence, rather than the last day of in-person attendance, resulting in an overstatement of 9 membership days. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Naco Elementary School District

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

List of deficiencies for the year ended June 30, 2021

| 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 |
| 1. | The District assessed security risks for its systems and data and provided employees annual security awareness training. | Documentation was not provided that the District assessed the risks to District systems and data and implemented procedures to prevent and detect technology-related threats. Documentation was not provided that the District provided employees security awareness training at least annually that addressed prevention and detection of technology-related threats (i.e., phone and email phishing, website and ransomware attacks, and data breaches), and detailed instructions regarding how to prevent, identify, and report suspected security risks and incidents. |
| 2. | The District's IT systems generated electronic audit trail reports or change logs with information about the electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety. | The District could not provide documentation that the District regularly reviewed or analyzed electronic audit trail reports or change logs with information about the electronic transactions within the computerized accounting and student management system. |
| 3. | The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed the instances. | The District's financial and student information systems do not generate change or error reports, rather, the systems maintain continuous logs of activities. Supporting documentation was not provided that reports were routinely reviewed. |
| 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 | Documentation was not provided to support the mileage reported on the FY 2021 TRAN55-1 report. Specifically, the District reported 24 miles for transporting eligible regular students and no other miles in the first 100 days of school on the FY 2021 TRAN55-1 report. However, the District's documents indicated the District had a total of 1,624 miles in the first 100 days of FY 2021, and 177 of those miles were for meal deliveries to students, and no purpose indicated for the remaining 1,447 miles. Documentation was not provided to support the 17 eligible students reported on the FY 2021 TRAN55-1 report. |

Naco Elementary School District
Not in compliance with the Uniform System of Financial Records (USFR)
List of deficiencies for the year ended June 30, 2021

| Records management - The District should protect and maintain its records, including hard copies and electronic files with student and employee data, and ensure that its records are disposed of securely in accordance with established time frames. | | |
|--|---|--|
| | Question | Deficiency |
| 1. | The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. www.azlibrary.gov/records | The District did not properly maintain documentation to support all deposits, expenditures and intergovernmental agreements. |