

McNeal Elementary School District

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

List of deficiencies for the year ended June 30, 2024

Governing board/management procedures—The governing board and District management should establish and implement procedures as required by Arizona Revised Statutes (A.R.S.) to ensure their oversight duties are met.		
	Question	Deficiency
1.	The District annually provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, 38-503, and 38-509	Documentation was not provided to support that the District provided the COI training to employees.
2.	The District annually obtained 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 and employees for fiscal year (FY) 2024.
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 District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(I).	The revised expenditure budget was not submitted to Arizona Department of Education (ADE) until May 20, 2024.

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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.		
	Question	Deficiency
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	<p>The following transactions were not coded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none">• Summer Enrichment Grant revenues of \$22,429.33 were recorded to revenue object code 3100—Unrestricted State Grant whereas they should have been recorded to revenue object code 4500—Restricted Revenue Received from the Federal Government Through the State.• Part of the Educational Disparities and Teacher Development Grant (Fund 300) revenues of \$33,014.67 were recorded to revenue object code 3100—Unrestricted State Grant whereas they should be recorded to revenue object code 4500—Restricted Revenue Received from the Federal Government Through the State.• Part of the Educational Disparities and Teacher Development Grant revenues of \$5,309.12 were recorded to Fund 610—Unrestricted Capital Outlay and revenue object code 3100—Unrestricted State Grant whereas they should have been recorded to a federal grant fund (the District used Fund 300 to record part of the revenue) and revenue object code 4500—Restricted Revenue Received from the Federal Government Through the State.• Donations of \$40,000 from 2 private entities to build the District's sport court was recorded to Fund 610— Unrestricted Capital Outlay and other financing sources object code 5400—Capital Contributions, whereas they should have been recorded to Fund 650—Gifts and Donations - Capital and revenue object code 1920—Contributions and Donations from Private Sources.

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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.	For 1 of 5 adjusting journal entries tested, the entries were not signed or dated by someone other than the preparer to indicate they were reviewed.
3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts–Authorized Transfers.	The District erroneously recorded a transfer that should have been recorded as proceeds from the sale of district assets for \$4,220.
4.	The District reconciled cash balances by fund monthly with the County School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The monthly cash reconciliations done by the CSS were not signed and dated by a District employee to indicate they were reviewed by the District.

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 7 of 10 cash receipts tested, deposits were not made timely. Deposits were made 8 to 36 days after receipt.

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 recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The capital assets listing was not updated for current year acquisitions.
2.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	A stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold was not maintained for the current fiscal year.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	Capital asset items were not tagged or uniquely identified on the capital assets listing.

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4.	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 to support the District conducts a physical inventory of all equipment at least every 3 years.
5.	The governing board or authorized designee approved stewardship and capital asset disposals during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with A.A.C R7-2-1131.	Three capital asset items disposed of during the fiscal year were not approved by the governing board for disposal.

Expenditures—The District should ensure spending approvals document both the allowable District purpose and confirmation that spending was within budget capacity or available cash, to ensure appropriate use of public monies and compliance with budget limits, and to protect employees from unfounded allegations of misuse.

	Question	Deficiency
1.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 5 of 14 expenditures tested, the purchase order date was after the invoice date.
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 1 of 14 expenditures tested, the payment amount of \$6,675.27 did not agree to the total amount of \$6,455.44 shown on the 2 invoices provided.

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 the only vendor with purchases costing at least \$10,000 but less than \$100,000 that required written price quotations, there was no documentation provided that 3 written price quotations were solicited and the most advantageous vendor was selected.

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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 A.A.C. R7-2-1003	Documentation was not provided to support 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.
3.	For all emergency procurements, the District retained a written statement documenting the basis for the emergency, the selection of the particular contractor, and why the price paid was reasonable, and this statement was signed by the individual authorized to initiate emergency procurements. Arizona Administrative Code (A.A.C.) R7-2-1055 and R7-2-1056	For both emergency purchases made during the current fiscal year, the District did not retain a written statement documenting the basis for the emergency, the selection of the particular contractor, why the price paid was reasonable.
4.	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 2 sole source vendors tested, the written determination did not include a description of the procurement needed, the reason only one source was available, why no other alternative exists, estimated dollar value, documentation that the price was fair and reasonable, and a description of the efforts made to seek other sources.

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 10 business days during its normal 2-week payroll processing cycle, which exceeded the 7 business day limit.
2.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For 1 of 10 employee files tested, documentation that a background check was performed, was not on file. In addition, no fingerprint clearance card was on file for that employee.

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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.	Budgeted expenditures reported on the Annual Financial Report (AFR) agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures as reported on the AFR did not always agree with the latest revised budget.
2.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Review of the encumbrance activity, it was noted that 2 invoices were not recorded within the proper period in the amount of \$28,000.
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 (AOI) program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 2 of 5 student entries tested, documentation of verifiable Arizona residency was not maintained.
2.	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	The District did not provide uploaded membership documentation from its computerized attendance system so membership amounts could not be verified or agreed.
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 only has 1 user within its computerized financial system, and that employee has full access.
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 the District classified data by its sensitivity level.

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3.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	Data-sharing agreements were not provided with the District financial software vendor, or the CSS who had access to the District's financial system.
4.	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.	Documentation was not provided to show the District's IT systems generated electronic audit trail reports or change logs.
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. Retention Schedules Arizona State Library (azlibrary.gov)	The District did not have a process for the disposal of personally identifiable information and confidential records in accordance with the General Retention Schedules for Education K-12 published by the Arizona State Library, Archives and Public Records.