

Topock Elementary 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 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.	<p>At its March 2024 meeting, the Governing Board attempted to address having made performance payments to the superintendent without approving the payments in a public meeting. However, the Board's actions did not accurately reflect the performance payments the District made without approval as the minutes referred to the wrong fiscal year (FY) and did not include the dollar amounts of the payments.</p> <p>In addition, the District did not always comply with the executive session meeting requirements because the Board's executive session agendas did not sufficiently describe the items for discussion. For 4 agendas reviewed, the District used a general description of "personnel matters" and did not always identify the specific employee or matter to be discussed, contrary to requirements.</p>
2.	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 conflict-of-interest forms from the governing board members during the current fiscal year.
3.	The District maintained, for public inspection, a special file with all documents necessary to memorialize all governing board members and employees COI disclosures. A.R.S. §38-509	The District did not provide a special file with all documents necessary to memorialize all governing board members' conflict-of-interest disclosures.

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4.	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.	<p>The District did not maintain written contracts for the Superintendent and Principal for FY 2025 stipulating the terms of their employment with the District. The District continued to pay the Superintendent's salary despite the Governing Board voting in a public meeting to vacate his contract. As of October 2024, the Board had not taken any action to evaluate the Superintendent's performance or approve performance pay for FYs 2023 and 2024 and had not made any performance payments for either fiscal year.</p> <p>In addition, the District appointed a teacher additional administrative duties but did not have a written contract or agreement outlining these additional duties and the associated pay.</p>
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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 publish the Hearing Notification to adopt the budget 10 days before the Budget was adopted.

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 27 out of 31 cash receipts tested, the deposits were not made timely .

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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
1.	The District maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	The District did not prepare a capital assets list that included all the items with unit costs in excess of the District's adopted capitalization threshold.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
3.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not provide a reconciliation of capitalized acquisitions to capital expenditures.
4.	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.	The District did not maintain a stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold.
5.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District did not provide a report that reconciled the previous year's June 30 capital assets list to the current year's June 30 capital assets list. It was noted the list has not been updated since FY 2012.
6.	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.	The District has not performed a physical inventory of all equipment at least every 3 years.

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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.	For 1 of 5 travel disbursements tested, the District did not use the correct ADOA travel rate. Further, for 1 of 2 Superintendent travel reimbursements reviewed, the travel claim contained inaccurate mileage, resulting in an overpayment of \$56.73.
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 5 of 6 vendors tested, the District did not obtain 3 written quotes for purchases costing at least \$10,000.
2.	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. Arizona Administrative Code R7-2-1053 and R7-2-1086	For both sole source purchases tested, the District did not maintain an estimated dollar amount total to determine if the sole source is fair and reasonable.
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 FAQs.	The District's Classroom Site Fund performance plan was not approved by the governing board during the fiscal year.

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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 calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	For 1 employee that terminated employment with the District during FY 2024, the District did not pay out the employee's unused vacation time in accordance with District policy. Specifically, the payout was made more than 6 months after termination of employment rather than in the employee's last paycheck, governing board approval of the payout was not documented in Governing Board meeting agendas or minutes, and documentation of the payout amount was only approved by the Superintendent, not the employee or business manager.
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 agreed with the District's most recently revised adopted expenditure budget.
2.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance and Operations Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance and Operations Fund 001 and Capital Fund 610 that agreed with the District's accounting records.
Student attendance reporting —The District should report accurate student membership and attendance information to Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	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 understated its membership by 50 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 reviewed and documented any system or software changes implemented.	Documentation was not provided to support the District's policies on IT system or software changes.
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 provided employees/contractors annual IT security awareness training. The District did not maintain the risk assessment during the current fiscal year.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not provide or maintain an IT password policy during the current fiscal year.
4.	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.	Documentation was not provided to support if 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.
5.	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 contingency plan was not tested at least annually to ensure employees understand their responsibilities, identify internal and external vulnerabilities, and take action to update equipment or remedy any issues identified since the last review.
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 does not have a process in place to protect or dispose of confidential records.