

## Elfrida 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 governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District was unable to provide documentation that the governing board appointed a student activities treasurer.
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 was unable to provide evidence it emailed the Arizona Department of Education School Finance Budget team a clickable link to the District's webpage where the proposed and adopted budgets were placed.
2.	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 District was unable to provide documentation that the final budget revision was presented to and approved by the governing board.
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"><li>• The District coded property insurance totaling \$38,826 to object 6111—Classroom Teacher Base Salaries, however, it should have been coded to object 6521—Current Year Insurance.</li><li>• The District coded intergovernmental agreement payments to other Arizona districts for services totaling \$60,150 to object 6320—Professional—Educational Services, however, it should have been coded to object 6591—Services Purchased from Other Arizona Districts.</li></ul>

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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 16 of 25 journal entries selected, documentation did not reflect that journal entries were approved, signed, and dated by someone other than the preparer. In addition, for 19 of 25 journal entries there was no supporting documentation maintained.
3.	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 District did not provide documentation to support differences were researched, resolved, documented, and dated or that reconciliations to the CSS/county treasurer were completed on a monthly basis. Reconciliation details revealed various monthly "unknown" variances, ranging from \$29,482 to \$(66,906). These unresolved reconciliation deficiencies were part of the basis for the independent auditor's qualified opinion on the District's governmental activities, each major fund and aggregate remaining fund information.

**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 Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	The District inappropriately maintained 4 separate cash accounts operating as an M&O Fund revolving bank account. Further, at fiscal year end, the accounts maintained various balances with no indication of a reconciliation to a set imprest amount.
2.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The Miscellaneous Receipts Clearing bank account maintained a \$3,115 balance at the start of the fiscal year and \$3,364 at June 30, 2024, and the District could not provide documentation of any checks made to the County Treasurer to clear balances during the fiscal year.
3.	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's Food Service bank account maintained a \$1,976 balance at the start of the fiscal year and \$3,213 at June 30, 2024, and the District could not provide documentation of any check made to the County Treasurer to clear balances during the fiscal year.

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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.	District's auditors noted the following regarding deposits: <ul style="list-style-type: none"><li>For all 3 auxiliary operations receipts selected, totaling \$1,250, the District was unable to provide documentation that prenumbered cash receipt forms or tickets were issued to document cash collected.</li><li>For all 5 deposits to the county treasurer, totaling \$10,787, the District was unable to provide documentation that prenumbered cash receipt forms or tickets were issued to document cash collected.</li></ul>
5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	District's auditors noted the following regarding deposits: <ul style="list-style-type: none"><li>For 3 of 5 food service receipts selected, totaling \$142, cash was deposited 13, 16, and 51 days after initial collection.</li><li>For 2 of 5 student activities receipts selected, cash was deposited 30 and 51 days after initial collection.</li><li>For all 3 auxiliary operations revenues selected, totaling \$1,250, the District was unable to provide documentation that monies deposited were supported by prenumbered deposit slips, treasurer's transmittal, or other deposit transmittal documentation.</li><li>For all 5 deposits to the county treasurer, totaling \$10,787, the District was unable to provide documentation that monies deposited were supported with a prenumbered deposit slip, treasurer's transmittal or other deposit transmittal documentation.</li></ul>
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.		
	<b>Question</b>	<b>Deficiency</b>
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.	Although the District's capital asset listing contained headings as required by the USFR, the majority of assets did not include complete information.
2.	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 include \$23,044 of capital asset additions to the capital assets listing during the fiscal year.

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3.	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 was unable to provide documentation that a physical inventory of all equipment was completed and reconciled in the last 3 years.
<b>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.</b>		
	<b>Question</b>	<b>Deficiency</b>
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 4 of 20 expenditures tested, totaling \$39,651, POs were issued 1 to 28 calendar days 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 7 employees in payroll selected, \$25,337 of the Business Manager's salary was coded to Fund 140—ESEA Title II—Professional Development and Technology. However, business manager services are not an allowable expenditure per the approved budget of the grant.
3.	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	For all 5 student activities expenditures selected, totaling \$2,216, the District was unable to provide documentation that the disbursement was authorized by or on behalf of the student members of the particular club or organization.
<b>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.</b>		
	<b>Question</b>	<b>Deficiency</b>
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 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 the only travel reimbursements selected, which totaled \$138, the District reimbursed the employee directly for gas expenses, opposed to the required mileage rate.

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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
1.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$186 in credit card finance charges and late fees.
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 4 of 5 vendors within the \$10,000 to \$99,999 range, with whom they spent a total of \$62,135, the District was unable to provide documentation that they requested and obtained at least 3 written quotes.
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 enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	For 1 of 5 employees selected, the District did not withhold ASRS at the correct rate and could not provide documentation to support the difference. There was a total of \$48,714 paid to the individual and \$3,245 withheld or a rate of 6.67%. The required FY 2024 contribution rate was 12.29%.
2.	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 all 5 employees selected, the District was unable to provide documentation of supervisor approvals to support leave used. Additionally, the District did not prepare a compensated absences listing. As such, these liabilities were not recorded by the District. This deficiency was a part of the basis for the independent auditor's qualified opinion on the governmental activities, each major fund, and aggregate remaining fund information.

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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 District was unable to provide documentation of the following requirements: <ul style="list-style-type: none"><li>Email of the signed copy of the AFR cover page to the SF Budget Team.</li><li>Email to the ADE School Finance Budget Team with a clickable link to the District's webpage where the AFR was placed.</li></ul>
2.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for ADE to calculate the Teacher Experience Index (TEI). A.R.S. §15-941 and School Finance Reports	The District was unable to provide documentation that they submitted the SDER to ADE during the fiscal year.
3.	The District submitted its prior year's audit reports and USFR Compliance Questionnaire to the CSS and ADE. A.R.S. §15-914(D)	The District was unable to provide documentation that they submitted prior year audit reports to the CSS.
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 all 5 withdrawals selected, the District reported the membership day through the last day of unexcused absences instead of the last day of attendance or excused attendance.
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 Business Manager and School Principal appear to have “full access” to all modules within the computerized accounting program.
2.	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 could not provide documentation that they approved recovery and contingency planning documents to restore or resume system services in case of disruption or failure.