

Naco 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 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, A.R.S. 38-503, and 38-509	The District could not provide documentation they annually provided governing board members and employees guidance on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees as a part of their employment.
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 could not provide documentation they annually obtained COI statements or statements of no conflict from all board members or applicable employees.
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.	<p>The District was unable to provide documentation that it complied with the required budget submission and publication instructions:</p> <ul style="list-style-type: none">• The proposed budget was submitted to the Superintendent of Public Instruction on July 10, 2023, and was due no later than July 5, 2023.• The notice of the public hearing and board meeting to adopt the budget was posted on Arizona Department of Education's (ADE) website on July 20, 2023, however, the meeting date was July 10, 2023.• The Adopted Budget was submitted to the Superintendent of Public Instruction on July 20, 2023, and was due no later than July 18, 2023.• The District was unable to provide documentation that it emailed the ADE School Finance Budget Team a clickable link to the District's webpage where the proposed and adopted budgets were placed.

Naco Elementary School District

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

List of deficiencies

2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit (GBL) and the unrestricted capital budget limit (UCBL). A.R.S. §15-905(E)	Total budgeted expenditures for the UCO fund on the originally adopted budget were greater than the amount on the proposed budget. The proposed budget had \$0 in budgeted expenditures for the UCO fund, while the adopted budget had \$409,098 in budgeted expenditures.
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.	The following transactions were not recorded in accordance with the USFR: <ul style="list-style-type: none">• The District received interest from its pooled investments with the County Treasurer and the interest revenue was not allocated to the applicable District funds.• An expenditure for HVAC units and installation was recorded to “Object 6430—Repairs and Maintenance Services”, and it should have been recorded to “Object 6733—Furniture and Equipment”.• The District inappropriately included proceeds from the sale of a school vehicle in the M&O Fund rather than the School Plant Fund.
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 15 of 25 journal entries selected, the District did not prepare a form or equivalent support to document that the JE was approved, signed, and dated by someone other than the preparer. The JEs without support were related to reversing journal entries.
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 Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35.	As of our April 2024 status review, the District did not always transmit Food Service Fund clearing bank account deposits to the Treasurer at least monthly.

Naco Elementary School District

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

List of deficiencies

2.	An employee not involved with cash-handling or issuing checks reconciled all District bank accounts monthly, and an employee independent of the cash-handling process reviewed, signed, and dated the monthly bank reconciliations.	The Business Manager is involved with cash-handling and issuing checks, however, also reconciled all District bank accounts monthly. The Superintendent reviews cash reconciliations, however, he is a signer on all bank accounts.
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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 items tested from the stewardship list, the item could not be located on the District's premises.
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.	The District could not provide documentation that they performed a full inventory and reconciliation of all fixed assets within the past 3 years.
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 1 of 5 expenditures reviewed, the purchase order was prepared after the invoice.
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.	Although the District correctly paid the amount invoiced for the health insurance costs in fiscal year 2024 as of the date of our status review, the District did not document in its policies or employee contracts or pay agreements the health insurance cost to withhold from employees. As a result, we could not confirm whether the District was contributing the correct portion towards its employees' health insurance. Specifically, we noted that the District inconsistently withheld insurance cost for employees with the same elected coverage resulting in it paying more of the costs, and in some cases all of the costs, for some employees' coverage.

Naco Elementary School District

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

List of deficiencies

3.	The District prepared an Advice of Encumbrance for levy funds based on 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.)	The District did not prepare and submit advice of encumbrance with the CSS.
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 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.	The District could not provide documentation it formally provided annual training to all credit card users during the year.
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 1 of 2 purchases reviewed within the written quote range, the District obtained quotes for a new vehicle but purchased a used vehicle.
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 Arizona Administrative Code (A.A.C.) R7-2-1003	The District did not document that it provided appropriate employees 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.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. A.A.C. R7-2-1004 and A.R.S. §15-213(B)	For all 6 cooperatives with whom the District made purchases, the District could not provide written determinations.

Naco Elementary School District

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

List of deficiencies

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 payroll reports were properly reviewed and approved before processing and distribution to employees.	For 2 of 6 employees pay records reviewed, the total amount scheduled to be paid in FY 2024 did not agree to the contract amount.
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.	The Other Federal Projects funds presented a \$500,000 budget on the latest revised budget, however, the AFR presented no budget amount.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District did not provide documentation that it submitted a signed cover page of the AFR to the ADE School Finance Budget Team within 5 days of the AFR's submission. In addition, the District did not provide documentation that it emailed a clickable link to the ADE School Finance Budget Team with the District's website where the AFR was placed.
3.	The District's website included its average teacher salary information required by A.R.S. §15-903(E) 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. §41-1279.03(A)(9)	As of the testing date, the District's website did not include its average teacher salary information required by A.R.S. §15-903(E).
4.	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	For 4 of 5 employees tested from the submitted SDER, salary amounts could not be agreed to District records.
5.	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 could not provide documentation it submitted the prior year's audit reports and compliance questionnaire to the CSS.

Naco Elementary School District

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

List of deficiencies

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 Superintendent are listed as having “full access” to all modules within the computerized accounting program.
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	While the District maintained detailed bus logs, the District was unable to provide documentation for calculations of the 20 eligible students and 1-100th day route mileage reported on the TRAN 55-1.