

Quartzsite 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 governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	Documentation was not provided to support the governing board appointed a student activities treasurer during fiscal year (FY) 2024.
2.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General (AG) Opinion I84-018	For 3 of 10 student activity cash receipts tested, documentation to support that the governing board approved the fundraising activities related to those cash receipts were not maintained.
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 expenditures were not coded in accordance with the USFR Chart of Accounts: • The District renewed a subscription for a website management application and coded the expenditure to Fund 001—Maintenance and Operation (M&O) and object code 6300—Purchased Professional and Technical Services and should have coded it to Fund 610—Unrestricted Capital Outlay and object code 6655—Short-term Noninstructional Software Subscription. • The District renewed math assessments and coded it to object code 6610—General Supplies and should have coded them to object code 6643—Instructional Aids. • The District coded Counseling/Psychological services to object code 6360—Employee Training and Professional Development Services and should have coded them to object code 6330—Other Professional Services. • The District coded tuition reimbursements for employees for college credits to object code 6569 —Tuition-Other and should have coded it to object code 6240—Tuition Reimbursement.

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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.	The following were noted for 10 journal entries selected to test: • For all 10 of the journal entries, only copies of the journal entries were provided and they were not supported by documentation as to why the entry was being proposed. • 9 of 10 were signed by someone other than the preparer but were not dated to indicate the date of approval. • 1 of 10 was not signed or dated to indicate it was approved by someone other than the preparer.
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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 the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	For all 4 student activities disbursements tested, the District did not provide the copies of checks, as such it could not be determined if the checks were signed by the Student Activities Treasurer and 1 other person authorized by the governing board.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 10 of 25 cash receipts tested, deposits were not made in a timely manner. Deposits were made between 8-61 days after receipt.
3.	The District retained supporting documentation for disbursements from bank accounts.	For all 4 cash disbursements tested from the student activities bank accounts, invoices were not provided to support the purchases made.
4.	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.	Monthly bank reconciliations were not performed for all local District bank accounts for the period ending June 30, 2024.

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.	Two of 5 items selected from the capital asset list and 2 of 5 items selected from the stewardship list were not located. In addition, 3 of 5 items selected from the District premises could not be traced back to the District's asset lists.

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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 25 cash disbursements tested, the invoice exceeded the PO. In addition, 2 of 25 POs tested were not approved by district personnel authorized by the governing board.
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 10 of 25 cash disbursements tested, a receiving report was not maintained as well as an approval indicator such as "okay to pay." In addition, for all 4 student activities cash disbursements tested, a copy of the invoice was not provided.
3.	The District agreed invoice amounts to contract pricing and terms and conditions for expenditures made through written quotes or competitively awarded contracts, including cooperative contracts.	Quotes or competitively awarded contracts were not provided, so the District's auditors were unable to determine if the amounts paid matched with the quotes or contracts.
4.	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 County School Superintendent (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.)	Documentation was not provided to support that the District submitted an Advice of Encumbrance timely.

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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 Education (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 all 3 hotel reimbursements tested, the District's reimbursement exceeded the allowable maximum rates established by ADOA. The reimbursements exceeded the maximum allowable rate by \$693.32, in total.
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 credit card user agreement for 1 fuel card account was not provided.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	Credit card statements were not provided for 1 fuel card account. It was also noted a card user was responsible for reviewing and reconciling the credit card statements for this account.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 3 credit card statements tested, the District incurred \$25 in late fees and \$80.04 interest charges.
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.	The District had 10 vendors with purchases greater than \$10,000, but less than \$100,000 that appeared to require written price quotes. Documentation that the District requested at least 3 written quotes was not provided for any of those 10 vendors.

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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 Arizona Administrative Code (A.A.C.) R7-2-1003	The District did not provide 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 during the current fiscal year.
3.	The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. A.A.C. R7-2-1191(D)	Due diligence was not maintained for any contracts during the current fiscal year.

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 ensured hourly employees were not paid for more than the actual hours worked to date.	For 1 of 7 prorated hourly employee payroll files tested, the employee was paid for 1 more hour than what they worked based on the supporting time records. This occurred on 4 pay periods tested during the fiscal year.
2.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For 4 of 15 employee files tested, documentation to support that a background check was performed, was not maintained. In addition, for 8 of 15 employees tested, an A4 form or W4 form were not maintained.
3.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	For 2 of 15 employee files tested, a timecard was not maintained, for pay period 5 and 15.

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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.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	For transactions within the encumbrance period, it was noted that revenues and expenditures were not always being recorded within the correct fiscal year, auditors noted the following: • The June 2024 National School Lunch Program (NSLP) meal claims that were received in August 2024, were not properly recorded within the FY 2024 Visions accounting module. The District had meals claims of \$10,018 that were served in June 2024 that should have been recorded to the period ending June 30, 2024. • The District did not record expenditures for construction related invoices in the correct fiscal year, resulting in \$634,241 of services received in FY 2024 not being paid and recorded in FY 2024. Of this total, \$100,481 was from expenditures incurred on or before June 30, 2023, which led to a prior period adjustment needing to be recorded to properly record expenditures within the year incurred.
2.	The District submitted the School District Employee Report (SDER) to the Arizona Department of Education (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 SDER report was not submitted to ADE in October 2023. A revision was submitted in February 2024.
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 prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	For all 5 student withdrawal forms tested, the withdrawal forms were not signed by a District administrator.

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.

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	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.	Multiple users had full unrestricted access to the District's financial software.
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.	The District did not provide documentation that an annual security awareness training was performed during the current fiscal year.
3.	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 did not maintain a disaster recovery or contingency plan for the current fiscal year.

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	The route miles reported on ADE's TRAN55-1 report did not agree to the District's mileage logs. The route miles were overstated by 1,069 miles.

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 had old records onsite within a storage room that exceeded their disposition dates. The District did not have a schedule of when those old records were to be disposed of.