

Red Mesa Unified 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.	Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that contract, sale, purchase, service, or decision of the school district. A.R.S. §§38-502 and 38-503(A) and (B)	A District employee identified a conflict and documentation was not maintained to show that this employee refrained from participating in any manner related to that contract, sale, purchase, service, or decision.
2.	The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	Documentation was not provided to support the governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, or Cash Balances.
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 proposed budget, notice of public hearing, and the adopted budget were all filed electronically with Arizona Department of Education (ADE) on August 4, 2023, which were all past the submission deadlines.
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance and Operation or Unrestricted Capital Outlay Fund budgeted expenditures exceeded the General Budget Limit or Unrestricted Capital Budget Limit. A.R.S. §15-905(E).	A budget revision was required per the Budget 25 letter dated 11/02/2023. However, the District did not revise the budget on or before the December 15 deadline.
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.	For 1 of 25 accounts payable disbursements tested, the expenditure was not properly recorded. Graduation supplies were coded to object code 6330—Other Professional Services instead of object code 6610—General Supplies.

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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 19 adjusting journal entries tested, documentation was not maintained to support that someone other than the preparer reviewed, approved, and dated the entry.
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 reconcile its record of cash balances with the county treasurer on a monthly basis. As of June 30, 2024, there were unresolved reconciling variances around \$54,775 documented within the reconciliation that was prepared by the CSS that need to be researched and resolved 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 used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The District did not clear the miscellaneous receipts clearing bank account deposits to the county treasurer on a monthly basis. The account had deposits every month during fiscal year (FY) 2024 but only had checks to clear the balance in 6 months. At the end of the fiscal year (FY), the account has an uncleared balance of \$1,283.
2.	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 did not clear the Food Service Fund clearing bank account deposits to the county treasurer on a monthly basis. The account had deposits for 11 months during FY 2024 but only had checks to clear the balance in 7 months. At the end of the FY, the account has an uncleared balance of \$3,089.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 5 of 25 cash receipts tested, deposits were not made timely. The untimely deposits were made 8-62 days after receipt.
4.	The District safeguarded unused checks.	All check signers had access to the blank checks for all District bank accounts.
5.	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 local bank account reconciliations did not have a second signature indicating the reconciliations were reviewed by someone other than the preparer.

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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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 items selected from the Stewardship listing, the item could not be located.
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 did not perform a full physical inventory of all equipment at least every 3 years. The last inventory dates for equipment items were dated anywhere from 6/11/2020 to 7/16/2024, with the last inventory dates for some equipment items exceeding the 3-year period. In addition, documentation to reconcile the inventory results to the stewardship and capital assets lists was not maintained.
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'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.	The District received a spam email for a false vendor address change and sent 2 checks to that address before discovering the address change request was false.
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'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	The District did not provide justifications for sole source vendors for FY 2024. The board approved 5 sole source vendors, but no support was maintained as to why these vendors were deemed as appropriate sole source purchases or what the estimated volume of purchases were. In addition, documentation was not maintained to support what methods were performed to look for other vendors.

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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 completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. <u>A.R.S. §15-904(F)</u>	Multiple revenues and expenditures reported on the AFR did not agree with the District's accounting records.
2.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Multiple correcting audit journal entries were necessary to properly record grant revenues, expenditures, and fund balance activity during the current FY due to the District not requesting and recording grant reimbursements timely to ensure grant revenues could be matched with current year expenditures. Because of the delay in grant monitoring and reimbursement requests, several grants appeared to be over-spent and adjusting journal entries were necessary to properly record grant-related expenditures to ensure no grant was overspent. Additionally, during FY 2024 the District improperly prepared adjusting journal entries to its FY 2023 accounting records after the trial balance was submitted to the audit firm, resulting in a restatement to beginning fund balances to correct prior period errors.
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)	The average teacher salary information was not posted on the District's website for the current FY.
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	The District did not submit the School District Employee Report (SDER) to ADE.

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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 did not submit the USFR Compliance Questionnaire to ADE.
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 entry date in the computerized attendance system agreed to the entry form.	For 4 of 5 student entries tested, the entry date recorded within the computerized attendance system did not match with the student enrollment form.
2.	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 2 of 5 withdrawal forms tested, the withdrawal date in the computerized attendance system did not agree with the withdrawal date on the official notice of student withdrawal form.
3.	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 membership data as reported within the District's computerized attendance system did not agree with ADE. The District's system report recorded 1,704 less membership days than the ADE report.
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 had several employees with full access to the financial reporting software.
2.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District does not have a formally adopted set of password policies that adhere to credible industry standards.
3.	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.	The District did not maintain audit trail reports or change logs with information relating to electronic transactions.
4.	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 had a disaster recovery plan document in place, but it was not tested during the current FY.

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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 miles reported on the TRAN55-1 were 83,200 miles less than what was reported within the District's mileage reports provided.