

Cottonwood-Oak Creek Elementary School District

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

List of deficiencies for the year ended June 30, 2025

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.	<p>The budget included all funds as required by Arizona Revised Statutes (A.R.S.) A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.</p>	
	<p>A notice of a public hearing for the adopted budget was not posted 10 days prior to the meeting to adopt the budget. Additionally, the District did not post a notice of a public hearing for the December budget revision. Finally, the District did not retain documentation that the signed cover pages of the proposed, adopted, and December revision budgets were sent to Arizona Department of Education (ADE).</p>	
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.	<p>The District coded transactions in accordance with the USFR Chart of Accounts.</p>	
	<p>The following errors were noted:</p> <ul style="list-style-type: none"> • For 5 of 50 disbursements reviewed, the expenditures were not coded in accordance with the USFR Chart of Accounts. • Federal revenues deposited in Fund 305 were incorrectly coded as other local revenue. • The District incorrectly recorded fiscal year (FY) 2026 revenues of \$44,551 in FY 2025. • The District did not record annual activity for Fund 700—Debt Service. • For 1 of 5 expenditures reviewed, the expenditure totaling \$31,560 should have been paid in FY 2026. • The District recorded unallowable construction expenditures of \$48,053 in the Fund 001—Maintenance and Operation (M&O). • State revenues of \$69,092 were incorrectly recorded in a local fund rather than the appropriate State revenue fund. • The District recorded \$167 as a travel reimbursement to object code 6580—Travel rather than as reimbursement to the employee for non-travel expenses. 	

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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 7 of 25 journal entries reviewed, the journal entry was not approved by a second, authorized person. Additionally, for 5 of 25 journal entries reviewed, the District did not retain supporting documentation.
3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts—Authorized Transfers.	The District recorded an unallowable transfer of \$20,120 from the Fund 001— M&O to Fund 855—Employee Insurance Program Withholdings.

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 maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	The District maintained a bank account, the Bus Savings Account, that was not authorized by A.R.S. Additionally, the District maintains 1 inactive bank account, the AFLAC account.
2.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The District's miscellaneous receipts clearing bank account was not always cleared on a monthly basis.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 5 auxiliary operations cash receipts and 2 of 5 miscellaneous cash receipts reviewed, the deposits were not made timely.

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.	<p>The District's auditors noted the following:</p> <ul style="list-style-type: none"> For 1 of 5 capital assets selected from the list, the asset was located on the premises; however, there was no identifying tag affixed to the asset. For 2 of 5 stewardship items selected, the items could not be located on the premises. For 1 of 5 items selected from the premises, the tag number on the item did not agree to the tag item on the list. For 1 of 5 assets and for 1 of 5 stewardship items selected from the premises the tag number and location did not match the list.

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

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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 has not performed a physical inventory and reconciliation over the stewardship and capital asset lists in the last 3 years.
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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 2 of 50 disbursements reviewed, the PO was created after the goods or services were ordered or received.
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 50 disbursements reviewed, the quantity on the invoice did not agree to the PO. Additionally, for 1 of 50 disbursements reviewed, supporting documentation was not retained by the District.

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 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. A.R.S. §15-342(5)	<p>The following travel reimbursement errors were noted:</p> <ul style="list-style-type: none"> • Expenditures of \$44.30 were not properly treated as a taxable employee benefit and were therefore inappropriately recorded under object code 6580—Travel rather than object code 6290—Other Employee Benefits. • Supporting documentation for a parking reimbursement was not maintained. • One reimbursement was calculated incorrectly, resulting in a net overpayment of \$9.

Cottonwood-Oak Creek Elementary School District

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

List of deficiencies for the year ended June 30, 2025

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 all 5 purchases reviewed in the written quote range, the District did not provide supporting documentation; therefore, the District's auditors were unable to determine if the District obtained 3 written quotes.
2.	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)	For all 6 cooperative contract procurements reviewed, supporting documentation was not provided. As a result, the District's auditors were unable to determine if due diligence procedures were performed. Additionally, the District's auditors were unable to determine the lead Districts for the SAVE, 1GPA, and Sourcewell cooperatives.
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 cooperative contract procurements tested, supporting documentation was not provided. As a result, the District's auditors were unable to determine whether written determinations were prepared.
4.	For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by A.R.S. §15-323.	The District did not follow School District Procurement Rules for 1 purchase of \$364 from an employee-owned business.
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.	<p>During the review of employee leave balances, the following was noted:</p> <ul style="list-style-type: none"> For 1 of 5 employee leave balances reviewed, the beginning balance did not agree to the prior year ending balance. For 2 of 5 employee leave balances reviewed, amounts were not accrued in accordance with District policy. For all 5 employee leave balances reviewed, the District did not retain information to support employee absences.

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

List of deficiencies for the year ended June 30, 2025

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 did not agree to the most recently revised expenditure budget for Fund 071—English Language Learner.
2.	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. A.R.S. §15-904(F)	Actual revenues reported on the AFR did not agree with the District's accounting records for several funds.
3.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District did not provide a link on its website to ADE's website where the District's AFR could be viewed.
4.	The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The food service match of \$42,809 in Fund 001—M&O did not agree to the District's accounting records.
5.	The District's website home page included its average teacher salary information, separately from the budget, required by A.R.S. §15-903€ and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report, required by A.R.S. §41-1279.03(A)(9).	The District's website did not include a copy of or a link to the District's page from the most recent Auditor General District Spending Report. Additionally, the average teacher salary information on the District's website was not the most recent data.
6.	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 1 of 5 position codes selected for review from the SDER30 report, the FTE did not agree to District support.

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List of deficiencies for the year ended June 30, 2025

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 3 of 10 entries reviewed, the date on the entry form did not match the date in the computerized attendance system. Additionally, for 2 of 10 entries reviewed, there was no date on the entry form.
2.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. <u>ADE's External Guideline GE-17 First Day Absence</u>	For 1 of 10 entries reviewed, membership did not begin with the first day of actual attendance.
3.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 1 of 10 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency.
4.	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 4 of 10 attendance records reviewed for having 10 consecutive, unexcused absences, the students were not withdrawn as of the last day of actual attendance or excused absence.
5.	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	Membership information uploaded to ADE did not agree to the District's computerized attendance system for 12th grade at Cottonwood Educational Services (249.00 variance in memberships).
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 District did not retain documentation of the 25-day period used to calculate the student count and daily miles as reported on the Transportation Route Report.

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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 did not follow the adopted Board policies and procedures for records disposition, as there was not a shredding event in FY 2025. As a result, some records were housed beyond the General Retention Schedule.