

Young Elementary School District

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

List of deficiencies

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 3 of 18 disbursements tested, the District did not use the correct object code in accordance with the USFR chart of accounts.
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 1 of 6 journal entries tested, the District did not retain supporting documentation.
3.	The District documented a monthly reconciliation of its revenues, expenditures, transfers, and cash balances by fund monthly and at year-end, after all encumbrance transactions were recorded, to the county school superintendent (CSS) and county treasurer records, as applicable, and properly researched and resolved differences.	The District did not perform monthly reconciliations to the CSS records.
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 Revolving Fund, Student Activities, and Café bank accounts did not have any activity besides interest revenues earned and \$16 monthly bank fees deducted each month totaling \$256 for all bank accounts during the fiscal year before the District closed the bank accounts.
2.	The District paid bank charges from only the Maintenance & Operation Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	The District did not reimburse bank charges from an appropriate District bank account.
3.	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.	For 3 of 64 cash transactions reviewed, the District did not prepare a cash receipt or cash deposit form.

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4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 19 of 25 receipts selected for testing, the District did not deposit the receipt within a timely manner. Additionally, the District did not reconcile cash receipts to cash deposits.
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 District did not perform bank reconciliations during the current fiscal year.

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 6 of 15 asset tags tested, the District did not have a tag on the tested assets when observed.
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 conducted an inventory of capital asset items within the last 3 fiscal years.

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 Administration (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. Arizona Revised Statute (A.R.S.) §15-342(5)	The District did not use the correct ADOA rate mileage reimbursement for an employee. The District used mileage rate of 0.655 instead of 0.67.

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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 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 did not maintain documentation for training and credit card user agreements for 1 employee during the fiscal year.
2. The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	The District did not ensure someone other than a card user reconciled credit card supporting documentation and billing statements during the fiscal year.
3. The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 10 of 13 credit card statements tested, the District had finance charges totaling \$986 and late fees totaling \$39.
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 performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. Arizona Administrative Code R7-2-1191(D)	The District did not perform due diligence for the cooperatives it used.
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. A.R.S. §15-904(F)	For multiple funds, the revenues and expenditure amounts on the AFR did not agree to the District's accounting records.
2. The District submitted its prior year's audit reports and USFR Compliance Questionnaire (CQ) to the CSS and Arizona Department of Education(ADE). A.R.S. §15-914(D)	From ADE's document submission report, determined the District did not submit the USFR CQ to ADE.

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Student attendance reporting—The District should report accurate student membership and attendance information to Arizona Department of Education to ensure it receives the appropriate amount of State aid and/or local property taxes.	
Question	Deficiency
1. The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).	For 1 of 5 student enrollments tested, the District did not maintain a birth certificate.
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.	For 4 of 8 accounting system users, 1 District employee and 3 external users had excessive system access. Additionally, the employee has super-user access in the financial software.
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's IT contingency plan lacked critical components, including the order in which critical systems should be restored, contingencies for continued business operations during a system outage, detailed procedures to facilitate the restoration of critical assets, and evidence of annual review performed by appropriate staff.
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 overreported mileage to ADE by 284 miles.

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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 does not have a process in place to protect or dispose of confidential records.