Quartzsite Elementary School District

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

List of deficiencies for the year ended June 30, 2025

	Question	Deficiency
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.		
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	An expenditure for bus repair (tires replacement) was coded to object 6330—Other Professional Services and should have been coded to Object 6431—Nontechnology-Related Repairs and Maintenance.
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 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 17 cash receipts tested, the District did not provide a sales report that reconciled sales to the amounts collected. Only a summary report of cash collected was maintained.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 4 of 17 cash receipts tested, deposits were not made timely. The deposits were made between 11 and 23 days after the receipt.
3.	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.	Bank reconciliations were not performed for 7 months (from July 2024 to January 2025) of the fiscal year. The bank reconciliations were completed starting from the February 2025 statements, but the reconciliations were not reviewed by another employee other than the reconciler.
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 3 of 5 items selected from the capital assets list and 2 of 5 items selected from the stewardship list, the items were not 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.	Documentation was not provided to support the District performed a physical inventory of all equipment at least every 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 Arizona Revised Statues (A.R.S.) §§15-207, 15-304, 15-907, and 15-916.	For 15 cash disbursements tested, 4 of the POs were created or approved after the goods or services were received and 1 PO did not have a signature to indicate it was approved by an authorized employee.
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 8 of 15 cash disbursements tested, a receiving report was not maintained as well as an approval indicator such as "okay to pay".
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 County School Superintend (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 the Advice of Encumbrance was prepared or submitted to the CSS by July 18th.
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. A.R.S. §15-342(5)	For all 3 mileage reimbursements tested, mileage was reimbursed at the previous rate of 62.5 cents per mile instead of the current rate of 65.5 cents per mile. This led to an underpayment of $44.88 in total for the 3 reimbursements.

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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.	For 1 of 4 employees tested who made credit card purchases during the fiscal year, a signed user agreement was not maintained for that user. In addition, documentation that a credit card training was conducted for all employees that use credit cards was not maintained.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	Documentation was not provided that showed a District employee reconciled credit card supporting documentation to billing statements and related receipts.
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 $34.98 in interest charges and $25 in fees.
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 3 of 5 vendors tested, documentation was not provided to support if the District obtained at least 3 written quotes for purchases costing at least $10,000 but less than $100,000.
2.	The District properly procured expenditures that individually or cumulatively totaled over $100,000.	For the only purchase tested over $100,000 that was required to have procurement procedures performed, documentation was not provided to support a Request for Proposal (RFP)/Invitation for Bid (IFB) or other procurement procedures were performed for this purchase.
3.	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	Documentation was not provided to support 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.
4.	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 3 cooperative purchases tested, documentation was not provided to support due diligence was prepared and maintained for contracts used under those cooperative agreements.

5.	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	For all 3 sole source vendors tested, the District did not include the estimated total dollar value of the proposed procurement and documentation the price was fair and reasonable, within the sole source determination submitted to the Governing Board for approval.
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 any adjustments to pay for employees who received prorated wage payments during the year were based on each employee's official rate of pay.	For 1 of 2 employees tested who received prorated wages, during 1 pay period, the District did not adjust the employee's pay for overtime worked.
2.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-4 through 6.	For the 7 employee files tested: • 4 employee files did not have an A4 form on file. • 2 employee files did not have a W4 form on file. • 1 employee file did not have an I-9 form on file.
3.	The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G)	For 2 of 4 employees tested requiring fingerprint clearance cards, the employees did not have a fingerprint clearance card on file.
4.	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 the 12 timecards tested: • 6 were not approved by the employee's supervisor. • 1 was not approved by the employee. • 1 was approved by neither the employee nor the supervisor.

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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.	Audit adjustments totaling $11,239.36 were necessary to properly record expenditures in the year incurred. Two invoices for services in April and May 2025 were recorded within the fiscal year (FY) 2026 financial system module and should have been recorded as expenditures for FY 2025. In addition, the District did not properly accrue National School Lunch Program reimbursement revenue of $10,094.58 received in August 2025 in the FY 2025 accounting records.
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 1 of 5 student entries tested, the entry date recorded within the computerized system did not match the enrollment 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. Arizona Department of Education's (ADE) External Guideline GE-17 First Day Absence	For 3 of 5 student entries tested, student membership, as reported within the computerized attendance system, began before the first day of actual attendance.
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 employees who had more access to the financial software than was required for their job function. Specifically, 3 employees had full access to all accounting modules within the District's financial reporting software. In addition, individual employees had full access to the Vendor Maintenance, Invoice Processing, Employee Maintenance, and Payroll Processing modules in the accounting system.

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 support that an annual security awareness training was performed.
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's Disaster Recovery Plan was dated 3/17/2015, but documentation was not provided to support the plan was reviewed and tested at least annually.
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	Mileage and eligible riders reported on the TRAN55-1 did not agree with the District's records. The number of eligible riders on the TRAN55-1 was 109 while the District's records listed 64 resulting in a difference of 45 eligible riders. Mileage on the TRAN55-1 was 36,473 while the District's records listed 35,914 resulting in a difference of 559 miles. The difference would have an impact on the District's funding.
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 implement procedures to ensure records were being disposed of in accordance with District policies and the Arizona State Library, Archives and Public Records guidelines.