Elfrida 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
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.		
1.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District was unable to provide documentation that the governing board appointed a student activities treasurer.
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.		
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 District did not retain documentation showing that it emailed a clickable link to the District's webpage where the proposed and adopted budgets were posted, to the Arizona Department of Education's (ADE) School Finance Budget Team, as required by the submission and publication instructions.
2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit (GBL) and the unrestricted capital budget limit (UCBL). A.R.S. §15-905(E)	The originally adopted M&O budget was $1,255,511, which exceeded the published proposed M&O budget of $1,188,571 by $66,940.
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.	The District incorrectly coded its annual liability insurance to function code 1000—Instruction, and object code 6111—Classroom Teacher Base Salaries, rather than to function code 2310—Support Services—Governing Board and object code 6521—Current Year Insurance.

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 15 journal entries selected, the District's auditors noted the following: • For 1 journal entry, the District could not provide proper supporting documentation. • For 3 journal entries, the District could not provide supporting documentation or documentation that the journal entries were reviewed by a secondary employee.
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.	Although there were monthly reconciliations, the District could not provide documentation to support that monthly differences were researched, resolved, documented, and dated or that reconciliations to the CSS/county treasurer were complete. Reconciliation details revealed various monthly "unknown" variances, ranging from $(48,752) to $58,307. The District's failure to prepare a complete reconciliation from the District's cash balance records to cash balances reported by the county treasurer was part of the basis for the independent auditor's qualified opinion on the District's governmental activities, each major fund, and aggregate remaining fund information in its financial statements.
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 did not provide May and June 2025 bank statements for 2 of its 8 bank accounts; therefore, its auditors could not determine whether those accounts were authorized, active, and included in the District's accounting records. The accounts were 2 of 4 bank accounts that appeared to function as M&O Fund Revolving bank accounts. At June 30, 2025, the 4 accounts had balances of $7,425, $75, $979 and $190, and the District did not provide evidence that the accounts were maintained at or reconciled to the governing-board-approved imprest amounts.
2.	The District used an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.	
3.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The Miscellaneous Receipts Clearing bank account had a $3,635 balance at the beginning of the fiscal year and an $8,481 balance at June 30, 2025. The District could not provide evidence that it made monthly remittances to the county treasurer or cleared the account at year-end.

4.	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 Food Service Fund clearing bank account had a $3,213 balance at the beginning of the fiscal year and a $3,912 balance at June 30, 2025. The District could not provide evidence that it made monthly remittances to the county treasurer or cleared the account at year-end.
5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District's auditors noted the following deposits that were not made at least weekly: • 2 of 5 student activity deposits selected were made 28 days after collection. • 3 of 5 food service deposits selected ranged from 8 to 28 days after initial collection. • All 5 selected deposits made directly to the county ranged from 15 to 21 days after collection.
6.	The District safeguarded unused checks.	For 4 of 8 bank accounts the Business Manager was both an authorized check signer and had custody of the blank checks.
7.	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 provide May and June 2025 bank statements for 2 of its 8 bank accounts. Therefore, the District's auditors could not determine if the monthly bank account reconciliations were prepared.
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 maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	The capital asset listing contained the required column headings; however, most asset records did not include complete information in the required fields.
2.	The District's stewardship list for items costing at least $1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The District did not provide a stewardship listing.

3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District's auditors noted the following related to the District's capital assets and stewardship items: • For all 5 items selected from the capital asset list, 3 did not have a recorded tag number. • For 4 of 5 items selected from the premises, the items could not be matched to a tag number on the list. • All 5 stewardship items selected could not be traced because the District did not provide a stewardship list.
4.	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 was unable to provide evidence that a physical inventory of all equipment was completed and reconciled in the last 3 years.

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 was unable to provide 5 of 22 invoices selected for testing, which totaled $24,793. Consequently, the District could not provide sufficient documentation to demonstrate the expenditures were for valid District purposes, were for the amounts recorded, and were adequately supported before payment. Additionally, 4 of 20 expenditures reviewed did not have receiving reports that documented the date of receipt, quantity received, and signature of the recipient for all goods and services received.
2.	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.)	The District did not provide documentation that the Advice of Encumbrance was filed with the CSS by July 18.

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 ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	The District was unable to provide credit card statements for 3 months during the fiscal year for 1 of the District credit cards.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred $39 in late fees and finance charges during the fiscal year.

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 4 purchases within the written quote range, with vendor totals of $17,200, $16,100, and $11,000, the District was unable to provide evidence that it requested and obtained at least 3 written quotes.
2.	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. Arizona Administrative Code (A.A.C.) R7-2-1191 through R7-2-1195	For both expenditures reviewed that were made through purchasing cooperatives, the District did not retain the applicable cooperative purchasing agreements in its procurement files.
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)	For both expenditures reviewed, that were made through purchasing cooperatives, the District did not document that it performed due diligence to verify that the cooperative or lead district procured the contracts in compliance with the School District Procurement Rules.
4.	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 both expenditures reviewed, that were made through purchasing cooperatives, the District did not prepare or retain the required written determinations explaining the reasons for using the cooperative contracts, how the determinations were made, the rationale for selecting the vendors, and how use of the contracts were advantageous to the District.

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.	The District did not maintain a system to track employee leave accruals, usage, and balances; therefore, it could not verify that leave was calculated and used in accordance with District policy. The District's failure to prepare a compensated absences listing was part of the basis for the independent auditor's qualified opinion on the District's governmental activities, each major fund, and the aggregate remaining fund information in its financial statements.
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)	The AFR did not agree with the District's accounting records as follows: • For the Other State Projects Fund, the AFR reported $50,546 in revenues and $101,312 in expenditures, compared with District records of $86,549 and $136,816, respectively. As a result, the AFR understated revenues by $36,003 and expenditures by $35,504. • The School-Level AFR reported $1,682,994 in expenditures, compared with $1,718,992 in District records, understating expenditures by $35,998.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District does not have a working link on their website to the District's AFR. Additionally, the District did not have documentation that it submitted the AFR to the County School Superintendent (CSS) by October 15.
3.	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 could not provide documentation that the SDER was filed accurately or timely.

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 appropriately tracked and reported student membership and absences. A.R.S. §15-901	The District was unable to provide sign-in and sign-out registers; therefore, sufficient documentation was not available to verify that student membership was appropriately tracked and reported in accordance with A.R.S. §15-901.
2.	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 all 8 student files reviewed, the District did not provide legal documentation sufficient to verify that the student's name in the student management system agreed to the name on the legal document on file.
3.	The entry date in the computerized attendance system agreed to the entry form.	For all 5 student files reviewed, the District did not provide enrollment forms or other supporting documentation sufficient to verify that the entry date in the computerized attendance system agreed to the entry date on the enrollment form.
4.	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. ADE's External Guideline GE-17 First Day Absence	For all 5 student files reviewed, the District did not provide attendance or enrollment documentation sufficient to verify that membership began on the student's first date of actual attendance.
5.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction (AOI) program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For all 5 student files reviewed, the District did not provide an Arizona Residency Documentation Form, Affidavit of Shared Residence, or equivalent verifiable documentation sufficient to demonstrate compliance with A.R.S. § 15-802.
6.	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 files reviewed, the District did not provide Official Notice of Pupil Withdrawal forms or other supporting documentation; therefore, it could not be verified that the forms were prepared, retained, and signed by a school administrator.
7.	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 all 3 student files reviewed, the District did not provide Official Notice of Pupil Withdrawal forms; therefore, it could not be verified that the withdrawal date agreed with the detailed attendance system report or attendance register and was the same day as the student's last day of attendance.

8.	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 District's 100th-day AzEDS ADM15 report did not agree with its computerized attendance system records, as the District underreported 901 membership days.
9.	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	For all 5 students reviewed, the District did not provide documentation sufficient to determine whether any student was a nonresident and, if applicable, verify that the student was excluded from the District's attendance count.
10.	The District reported students who completed all high school requirements with the applicable graduation code and used the appropriate year-end status code for all other students.	For all 5 students reviewed, the District did not provide sufficient supporting documentation to verify that the students graduation codes were properly recorded in the Student Records reports.

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 Principal and Business Manager appear to have "full access" to all modules within the computerized accounting program.
2.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	The District was unable to provide a data-sharing agreement for at least 1 vendor, the CSS's office, who has access to the District's financial system.
3.	The District ensured changes to data in business (i.e., employee information, pay rates) and IT (i.e., user roles, access rights) systems were approved by an authorized individual prior to processing changes.	The District could not provide documentation that changes to data were reviewed and approved by the District's designated employee.
4.	The District monitored and reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity and addressed noted issues.	The District could not provide evidence that audit trail events and system activity were reviewed by designated personnel.

5.	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 could not provide documentation that they approved recovery and contingency planning documents to restore or resume system services in case of disruption or failure.