

REPORT STATUS REVIEW

District in substantial compliance with the USFR

Our Conclusion

Canon Elementary School District is responsible for complying with the *Uniform System of Financial Records (USFR)*. Our Office is responsible for determining whether the District has complied with the USFR. Based on our review of the fiscal years 2010, 2011, and 2012 financial audit reports and USFR Compliance Questionnaires, the District was not in compliance for those years.

We subsequently performed a status review to determine whether the District made improvements to comply with the USFR. Based on this review, we determined that, as of December 5, 2013, the District substantially complied with the policies and procedures described in the USFR. However, we found weaknesses that the District should address to improve its financial accountability. The most significant findings, which are related to cash, bank accounts, and property control, are summarized in this report.

We performed a status review of Canon Elementary School District to determine if the District had made improvements to comply with the USFR, and found that it was in substantial compliance as of December 5, 2013.

Canon Elementary School District is responsible for complying with the USFR. Our Office is responsible for determining whether the District has complied with the USFR. Previously, we notified the District that it had not complied with the USFR based on our review of its fiscal year 2010 financial audit reports and USFR Compliance Questionnaire prepared by an independent certified public accounting firm. We subsequently reviewed the District's fiscal years 2011 and 2012 financial audit reports and USFR Compliance Questionnaires and determined the District was still in noncompliance with the USFR.

We performed a status review as of December 5, 2013, to determine if the District had made improvements to substantially comply with the USFR. Based on our review of the District's records and procedures, and interviews with personnel, we determined that the District substantially complied with the policies and procedures described in the USFR.

The *Uniform System of Financial Records (USFR)* prescribes the minimum internal control policies and procedures to be used by Arizona school districts. The policies and procedures in the USFR are designed to help school districts maintain adequate financial accountability, and compliance with state and federal laws and regulations.

District should improve controls over cash, bank accounts, and property

Although the District is in substantial compliance with the USFR, we found some weaknesses in its internal controls. The most significant findings and recommendations are summarized below.

Cash and bank accounts

Because of the relatively high risk of fraud, theft, or misuse associated with cash transactions, cash must be safeguarded and properly accounted for. However, the District did not have adequate policies and procedures in place to ensure district and student monies were safeguarded and its bank accounts were used as authorized by statute.

Cash receipts and disbursements—The District did not always adequately document the amount of district and student monies received. Therefore, the District could not ensure all monies collected were deposited. Also, deposits were not made in a timely manner, increasing the risk that monies could be lost or stolen.



2014

Further, the District did not properly account for extracurricular tax credit donations to ensure that the donations were used in accordance with statutory and donor restrictions.

Bank accounts—The District paid wages from the Maintenance and Operation (M&O) Fund revolving bank account even though payroll disbursements are not allowed to be paid from that account. For other M&O Fund revolving bank account disbursements, the District did not maintain adequate documentation to support that the disbursements were appropriate. In addition, the District's bank reconciliations for the M&O Fund revolving and Student Activities Fund bank accounts were not adequate to ensure the accuracy of both the bank and district balances.

Recommendation

The District should strengthen controls over cash and bank accounts to protect district and student monies.

Property control

The District invests significant resources in acquiring and maintaining district property, including land, buildings, and equipment, so it is essential that this property be properly protected from loss and theft. Maintaining complete and accurate lists of district property is an essential part of protecting it. The District made significant progress in improving its property control system since our January 2012 compliance review report, including performing an inventory of equipment items and updating the lists. However, controls were still not adequate to account for all district property. Specifically, the District had not finished reconciling the inventory to the property control lists and disposing of damaged and obsolete items. Also, the District did not analyze capital expenditures to ensure that all assets purchased in the past year were included on the property control lists. Further, the property control lists included items that did not meet the Governing Board's policy for inclusion on the lists.

Recommendation

The District should continue to improve its property control system to protect district property.