



## REPORT— STATUS REVIEW

## District in substantial compliance with the USFR

### Our Conclusion

Ganado Unified 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 year 2012 financial audit reports and USFR Compliance Questionnaire, the District was not in compliance for that year.

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 November 14, 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 payroll and Classroom Site Fund payments and property control, are summarized in this report.

We performed a status review of Ganado Unified 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 November 14, 2013.

Ganado Unified 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 2012 financial audit reports and USFR Compliance Questionnaire prepared by an independent certified public accounting firm.

We performed a status review as of November 14, 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 payroll and Classroom Site Fund payments and property

Although the District substantially complied with the USFR as of November 2013, we found some weaknesses in its internal controls. The most significant findings and recommendations are summarized below.

### Payroll

Salaries, wages, and related payroll costs are a major part of the District's expenditures, therefore it is critical to have strong payroll controls in place. Proper controls include preparing payroll registers from approved timecards, authorized employee pay rates, and written documentation of deductions. Additionally, a supervisor should review and approve payroll registers to help ensure all employees are paid appropriately. However, the District did not have these controls in place. Timecards were not always approved by a supervisor, documentation of voluntary payroll deductions was not always maintained, and payroll registers were not reviewed by a supervisor for accuracy. Because adequate controls were not in place, the District risked paying employees for unworked hours and making unauthorized payments or deductions.



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## Classroom Site Fund

The District receives additional funding through the Classroom Site Fund (CSF) that can be used only for instructional staff salary increases and performance pay, and other specified maintenance and operations purposes. Therefore, it is important that the District have procedures in place to ensure only eligible employees are paid from the CSF and all payments are adequately supported. However, in fiscal year 2014 the District incorrectly made payments from the CSF for base salary increases for noninstructional staff and made additional CSF payments for teacher compensation that were above what was allowed by the District's salary schedule and teacher contracts. In addition, in fiscal year 2013 the District made CSF performance payments to employees; however, the District did not maintain sufficient documentation that the performance objectives included in its plan were achieved.

### Recommendation

The District should improve controls over payroll and CSF payments.

## Property control

The District invests significant resources in acquiring and maintaining district property, such as 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 did not ensure that its property was properly protected and accounted for since it had not performed a physical inventory of equipment within the last 3 years to update its property control lists. As a result, the District was also unable to accurately report its property information to taxpayers and state agencies in its fiscal year 2013 annual financial report.

### Recommendation

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