

# Hackberry Elementary School District

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

### List of deficiencies

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.		
Question	Deficiency	
1.	The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees. A.R.S. §38-502 and A.R.S. §38-509	The District did not provide training on what constitutes a conflict of interest to the Governing Board and did not retain conflict of interest forms for the Governing Board during fiscal year (FY) 2020-21. It was noted that this training was provided and conflict of interest forms maintained as of November 2021.
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.		
Question	Deficiency	
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 comply with the following budget form's Submission and Publication Instructions: <ul style="list-style-type: none"> <li>The proposed expenditure budget was submitted electronically to the Superintendent of Public Instruction and the County School Superintendent (CSS) on 8/12/20, 38 days after the July 5 deadline.</li> <li>The expenditure budget was adopted on 8/25/20, 41 days after the July 15 deadline, and it was filed electronically with the CSS and the Superintendent of Public Instruction on 8/27/20, 40 days after the July 18 deadline.</li> </ul>
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.	The following expenditures were not coded in accordance with the USFR Chart of Accounts: <ul style="list-style-type: none"> <li>An expenditure for an attendance software subscription (Synergy) in the amount of \$16,790.50 was incorrectly coded to Fund 001—Maintenance and Operation (M&amp;O) and Object 6430—Repairs and Maintenance Services. Software cannot be paid for from the M&amp;O Fund.</li> <li>An expenditure for an accounting software subscription (Visions) in amount of \$4,875.02 was incorrectly coded to Fund 001—M&amp;O and Object 6810—Dues and Fees. Software cannot be paid for from the M&amp;O Fund.</li> <li>An expenditure for computer operation system licenses (Windows 10) was coded to Fund 001—M&amp;O and Object 6810—Dues and Fees. Software cannot be paid for from the M&amp;O Fund.</li> <li>An expenditure for an instructional software subscription was incorrectly coded to Fund 001—M&amp;O and Object 6340—Technical Services. Textbooks or Instructional Aids cannot be paid for from the M&amp;O Fund.</li> <li>An expenditure for computers was coded to Fund 001—M&amp;O and Object 6442—Rental of</li> </ul>

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		<p>Equipment and should have been coded to Object 6737—Technology-Related Hardware and Software. Object 6737 cannot be paid for from the M&amp;O Fund.</p> <ul style="list-style-type: none"> <li>• An expenditure for a vendor for the Service Rendered as Acting Superintendent was coded to Object 6110—Certified Salaries and should have been coded to Object 6300—Purchased Professional and Technical Services.</li> <li>• An expenditure for Vehicle Repair was coded to Object 6421—Disposal Services and should have been coded to Object 6430—Repairs and Maintenance Services.</li> <li>• A repayment to the Arizona Department of Education (ADE) of IDEA part B Entitlement grant due to failure to maintain fiscal effort for compliance was coded to Fund 510—Food Service, Function 3100—Food Service Operations and Object 6810—Dues and Fees and should have been coded as the reduction of revenues received from the IDEA part B Entitlement grant (220-0000-4500).</li> </ul>
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.	Six of ten adjusting journal entries reviewed were not signed or dated by a secondary reviewer. Documentation was not provided for an additional two adjusting journal entries.
3.	The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.	During FY 2020-21, the cash balances with the CSS reports and financial transactions for July 2020 through March 2021 were not reconciled until April 2021.
4.	The District reconciled cash balances by fund monthly with the CSS or county treasurer’s records, and properly supported, documented, and dated the reconciliations.	

**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 adequately supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	Eight of 10 local revenue deposits reviewed were not supported by a prenumbered receipt. Additionally, the District has not implemented procedures to reconcile cash deposits to cash collected.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.	<p>The following deposits were not made timely:</p> <ul style="list-style-type: none"> <li>• One of five food service deposits reviewed was made 24 days after the meal date.</li> <li>• Five of ten local revenue deposits to the county reviewed were deposited from 10 to 28 days after the provided check date. Additionally, the check or received date was not determined for 2 additional deposits. As such, it was not determined whether the deposits were made timely.</li> </ul>

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3.	All District bank accounts were reconciled monthly by an employee not involved with cash handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.	It was noted that the Mohave County office provided a secondary review of bank reconciliations performed by the business manager. However, the bank reconciliations were not signed or dated with the date of the County's secondary review.
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**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. USFR page VI-E-3	
2.	The District recorded additions on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not update the capital asset listing for all assets costing greater than \$5,000, as of June 30, 2021.
3.	The District properly tagged assets and updated asset lists.	
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	
5.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold included the location, identification number, and description, and was updated for any acquisition, transfer, or disposal.	The District did not maintain a stewardship listing of all capital items costing between \$1,000 and \$5,000.
6.	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.

**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 A.R.S. §15-207, A.R.S. §15-304, A.R.S. §15-907, and A.R.S. §15-916.	For 4 of 26 expenditures reviewed, the purchase orders were created after the invoices.
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 26 expenditures selected for review, the authorization to pay or a receiving report that indicated the items or services were received or completed was not documented.

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3.	The District prepared an Advice of Encumbrance for levy funds with the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the 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's Advice of Encumbrance was submitted to the CSS on August 9.
4.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	Fully executed copies of two intergovernmental agreements were not provided.

**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.	Signed credit card user agreements were not provided for credit card users in FY 2020-21.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$157.27 of credit card interest and finance charges during the FY 2020-21 school 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 4 of 4 vendors reviewed in the written quote range that required written quotes, the District did not provide documentation supporting quotes from at least 3 different vendors or that the purchases were otherwise exempt from requiring written quotes (i.e. sole source, cooperative purchase, etc.)

**Classroom site fund** - The District should ensure it appropriately spends the State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as required by law.

	Question	Deficiency
1.	For Fund 012, expenditures were made only in accordance with the governing-board-adopted, performance-based teacher compensation system, including employment-related expenses and registered warrant expense.	A Board approved Classroom Site Fund Plan was not provided for FY 2020-21. As such, it could not be determined whether the three employees who received Fund 012 performance payments were paid in accordance with the Classroom Site Fund Plan.

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**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.	The District did not maintain a compensated absences listing as of June 30, 2021.
2.	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.	Timecards were not maintained for one salaried employee who did not appear to be exempt from federal fair labor laws.
3.	The District's payroll was properly reviewed and approved before processing and distribution to employees.	Documentation was not provided for a stipend of \$1,670 paid to an employee. It was noted that the transaction was canceled 12/20/21 and the money was returned to the District. For 4 of 10 employees reviewed, the salary amount on their contract did not agree to the actual amount paid as indicated on the Payroll Journal Report, resulting in a total over payment of \$14,132.33. It was noted that as of report date, 3 of the 4 employees had repaid the overpaid balance.

**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 submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports	The District did not submit an SDER for FY 2020-21.

**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 reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 1 of 5 students reviewed for withdrawals, a withdrawal date was not listed on the student's withdrawal form. As such, it could not be determined whether the withdrawal date on the form agreed with the withdrawal date in the student attendance system.
2.	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	Documentation was not provided to determine if 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.

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3.	For students participating in distance learning, the District followed attendance procedures defined in a distance learning plan ADE approved.	Though the District had distance learning during the 2020-21 school year, a formal distance learning plan was not provided. As such it could not be determined if distance learning students were reported as provided in the distance learning plan.
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**Information technology** - 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 did not establish written policies that address separation of duties within their computerized systems. Additionally, 5 of the District's 8 users had more access than needed to perform their job duties and can initiate and complete a transaction without an independent review and approval.
2.	The District assessed security risks for its systems and data and provided employees annual security awareness training.	Documentation was not provided that the District assessed security risks for unauthorized access to the District's systems, network, and data, including through email, Internet use, VPN, wireless access, and mobile devices. Documentation was not provided that the District provided employees with security awareness training to prevent, identify, and report suspected security risks and threats.
3.	The District removed terminated or transferred employees' or vendors' access immediately from all systems.	The District did not establish written policies that addressed user access after employee termination. It was noted that no employees that terminated employment in FY 2020-21 had access to the District's financial systems.
4.	The District enforced data security policies that required strong network passwords that aligned with credible industry standards, such as strong password requirements, screen locks, repeated failed sign-on attempt lockouts, and prohibited sharing of user IDs and passwords.	The District did not establish written policies that provide detail on password security including minimum password lengths as well as failed log-in attempt lockouts.
5.	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed the instances.	The District did not monitor and review IT system-generated incident or error reports to identify security threats or other unusual activity.
6.	The District had recovery 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 did not have a recovery and contingency planning document in place to restore or resume system services in case of disruption or failure.