



STATUS REVIEW REPORT

Our Conclusion

Red Mesa 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 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 19, 2013, the District still had not complied with the policies and procedures described in the USFR. We will notify the Arizona State Board of Education of the District's noncompliance with the USFR and request action be taken as prescribed by law. The most significant findings, which are related to property control, expenditures, cash, and student count reporting, are summarized in this report.



2014

District not in compliance with the USFR

We performed a status review of Red Mesa Unified School District to determine if the District had made improvements to comply with the USFR, and we found that it was not in compliance as of December 19, 2013.

Red Mesa 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 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 19, 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 district personnel, we determined that the District still had not complied with the policies and procedures described in the USFR. We will notify the Arizona State Board of Education of the District's noncompliance with the USFR and request action be taken as prescribed by law.

The *Uniform System of Financial Records (USFR)* prescribes the minimum internal control policies and procedures for 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 property, expenditures, cash, and student count reporting

The most significant findings and recommendations are summarized below.

Property control

The District invests significant resources in acquiring and maintaining district property, including 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. However, the District did not ensure that its property was controlled and accounted for. Specifically, the District had not performed a physical inventory of equipment within the last 3 years to update its property control lists. In addition, the District did not review capital expenditures to ensure that all equipment purchased was included on its property control lists, and there were items included on the property control lists that the District could not locate. Further, the District did not always clearly tag or mark district property with an identifying number. Finally, for several items that the District tagged, the District did not include accurate tag numbers and descriptions on the property control lists to allow for appropriate tracking.

Recommendation

The District should improve its property control system to protect district property and ensure all items are properly identified, inventoried, and accounted for on the property control lists.

Expenditures

Competitive purchasing—The School District Procurement Rules adopted by the State Board of Education promote open and fair competition among vendors and help ensure that districts receive the best possible value for the public monies they spend. The rules require districts to seek competitive bids or proposals for purchases exceeding \$100,000 and describe limited procedures that a district must follow when it determines that there is only one source for a required good or service. However, the District designated certain vendors as sole-source providers that would not require a competitive purchasing process without always adequately determining that the vendor was a sole source.

Credit cards and purchasing cards (p-cards)—Effective use of credit cards and p-cards can help districts streamline the purchase and payment processes for goods or services and can provide a method for making purchases from vendors that do not accept purchase orders. However, without proper controls, the use of credit cards and p-cards can create greater risk of unapproved and fraudulent transactions. The District did not have proper credit card and p-card controls in place. Specifically, its credit card and p-card policies did not include card holder, single transaction, or monthly purchase limits, which if monitored would reduce the risk of inappropriate payments. In addition, employees did not always sign credit card and p-card receipts to identify who was making the purchase. Further, the District did not always reconcile credit card and p-card receipts to the billing statements and review purchases to ensure they were approved and for allowable district purposes. Finally, the District incurred late fees and finance charges because it did not pay statement balances in a timely manner.

Expenditure authorization—The District spends tax dollars to purchase goods and services; therefore it is essential that the District follow procedures designed to help ensure that all expenditures are appropriate, properly approved, and adequately supported and that sufficient resources exist for all approved expenditures. However, the District did not always prepare purchase orders to authorize purchases before ordering goods or services. In addition, the employees responsible for receiving the goods or services did not always sign receiving documents to support that they determined all items requested were received. Further, the District reported deficit fund balances in three separate funds for a total deficit of \$70,584 as of November 2013, indicating that the District did not always ensure sufficient cash was available before authorizing expenditures.

Recommendation

The District should strengthen controls over competitive purchasing, credit and p-cards, and expenditure authorization.

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 it safeguarded district and student monies and it used its bank accounts as authorized by statute.

Cash receipts—The District did not always adequately document the amount of monies received. Therefore, the District could not ensure it deposited all monies collected. In addition, the District did not deposit district and student monies in a timely manner, increasing the risk that monies could be lost or stolen. For example, the District did not deposit gate receipts from one athletic event for approximately 2 months because the District misplaced them in the safe and did not discover them until auditors inquired about their deposit during this review.

Bank accounts—The District’s bank charged the student activities bank account monthly service fees ranging from \$76 to \$106 in the months of September through November 2013. However, bank charges are not authorized to be paid from this bank account. In addition, the District did not investigate the reason for the unusually high bank charges or reimburse the account for the charges. Further, the District did not remit monies in the miscellaneous receipts or food service clearing bank accounts to the County Treasurer at least monthly to ensure that revenues were deposited in the appropriate district accounts and available to pay district expenditures.

Recommendation

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

Student count reporting

The Arizona Department of Education provides transportation funding to the District based on the number of eligible students transported to and from school, and the United States Department of Education provides federal Impact Aid payments to the District based on the number of eligible students attending the District during the year. These agencies rely on student count information that the District reports on the transportation route report and Impact Aid application, respectively, to calculate payment amounts. However, in fiscal year 2013, the District included ineligible students on these reports. The District’s transportation route report incorrectly included students who lived less than 1 mile from the District, and the Federal Impact Aid application included several out-of-state students.

Recommendation

The District should follow the Arizona Department of Education’s student membership and attendance guidelines and federal Impact Aid guidelines to ensure that only eligible students are included in student counts reported to state and federal agencies.



**Red Mesa Unified
School District**

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