



Tombstone Unified School District

STATUS REVIEW REPORT

District in substantial compliance with the USFR

Our Conclusion

Tombstone 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 2013 financial audit reports and the 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 December 18, 2014, 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. We summarize the most significant findings, which are related to expenditures and accounting records, in this report.

We performed a status review of Tombstone 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 December 18, 2014.

Tombstone 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 2013 financial audit reports and USFR Compliance Questionnaire prepared by an independent certified public accounting firm.

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.

We performed a status review as of December 18, 2014, 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.

District should improve controls over expenditures and accounting records

Although the District substantially complied with the USFR as of December 2014, we found some weaknesses in its internal controls. We summarize the most significant findings and recommendations below.

Expenditures

Competitive purchasing—The District did not always comply with competitive purchasing guidelines. School district purchasing guidelines, as specified in the USFR, promote open and fair competition among vendors and help ensure that districts receive the best possible value for the public monies they spend. The guidelines require districts to seek written price quotations from at least three vendors for purchases costing at least \$50,000, but less than \$100,000, and oral price quotations from at least three vendors for purchases costing at least \$10,000, but less than \$50,000. However, the District did not always obtain at least three written or oral price quotations when required and did not document attempts to obtain additional quotations.

Credit Cards—The District did not adequately monitor credit card purchases. Effective use of credit 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. Although no improper transactions were detected in the items we reviewed, without proper controls, the use of credit cards can create



2015

greater risk of unapproved and fraudulent transactions. The District did not have proper credit card controls in place, as responsibilities for issuing credit cards; requesting, authorizing, and executing purchases; and payment processing were not adequately separated among district employees. Separating such responsibilities can help the District ensure that all credit card purchases are appropriate and serve a district purpose. Additionally, the District incurred finance charges and late fees because it did not pay statement balances on time.

Recommendation

The District should strengthen controls over competitive purchasing and credit cards.

Accounting records

The District did not ensure that its accounting records were accurate. The Legislature, state agencies, district governing board members, and district taxpayers rely on district financial information to make decisions. Districts should ensure that they have policies and procedures in place to accurately identify, record, and report all financial transactions. To help achieve these objectives, districts should reconcile their accounting records regularly and at fiscal year-end. However, the District did not always perform monthly reconciliations of its cash balances in a timely manner and had not resolved significant differences noted in reconciliations of its cash balances to the County Treasurer. Further, the District did not follow its year-end closing procedures to ensure that accounting records were properly reconciled and finalized for fiscal year 2014. Specifically, the District did not reconcile its fiscal year 2014 records of revenues and expenditures to the County School Superintendent's records before reporting its financial activity in its annual financial report.

Recommendation

The District should strengthen controls over its accounting records to ensure the accuracy of its financial information.