

**Bowie Unified School District**  
**Not in compliance with the Uniform System of Financial Records (USFR)**  
**List of deficiencies**  
**For the year ended June 30, 2020**

**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 governing board annually appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District did not appoint a student activities treasurer for the current fiscal year.
2.	The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	The governing board did not receive monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances.

**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 submit its adopted budget until 8/16. Additionally, the District did not submit its adopted budget to the county school superintendent.

**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 separated responsibilities to initiate, approve, and record journal entries and transfers so that 1 individual did not have complete authority over a transaction.	For all 10 journal entries reviewed, the District did not have a process to ensure that journal entries were reviewed by someone other than the preparer and the District did not maintain documentation of the review and approval of the journal entry.
2.	The District sequentially numbered journal entries, and retained supporting documentation and evidence the journal entry was signed, dated, and approved by someone other than the preparer.	
3.	The District prepared reports that reconciled sales to cash collected at student activities events.	The District did not maintain any cash receipting or deposit documentation for student activity receipts. Therefore, the auditor was unable to determine if the District complied with the USFR.

**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.

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1.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The District did not clear out the miscellaneous receipts clearing bank account to the County Treasurer during the fiscal year, resulting in monies accumulating in the account for several months.
2.	The District used the State income tax withholdings bank account in accordance with A.R.S. §15-1222.	The District inappropriately deposited various miscellaneous receipts in the State income tax withholdings bank account including donations, tax credit receipts, food service sales revenue, and CTED revenue. This bank account also acts as the federal tax clearing account and electronic payments clearing account for insurance activity.
3.	The District paid bank charges from only the M&O Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	The District was assessed paper statement fees for the State income tax withholding account, and no documentation that those fees were reimbursed from an appropriate fund was noted by the audit firm.
4.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics and were supported by appropriate documentation. A.R.S. §15-1126	
5.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	The District did not maintain any cash receipting or deposit documentation. In addition, student activities funds were improperly recorded through the miscellaneous clearing account. As a result, the auditor was unable to determine if the District properly recorded and deposited auxiliary operations and student activities monies. Further, the auditor qualified the opinion on the financial statements for lack of adequate cash receipting support and revenue recognition. A total of \$49,252 of cash receipts were not properly supported.
6.	The Student Activities Fund deposits were properly supported and included only student clubs' and organizations' monies that were raised through the efforts of students with the approval of the governing board.	
7.	The extracurricular activities fees tax credit monies were included in the Auxiliary Operations Fund and/or separately accounted for in an Extracurricular Activities Fees Tax Credit Fund.	
8.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	

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9.	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.	
10.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.	
11.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	

**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 reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	Fifteen capital asset and stewardship assets were tested. One capital asset did not have a tag affixed to the asset. Four stewardship items were unable to be located within the District's property.
2.	The governing board approved stewardship and capital asset items disposed of during the fiscal year, and the assets were removed from the corresponding list and disposed of in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131(C).	The current year disposals were not approved by the governing board. Those assets were disposed of, i.e., removed from the asset list, because they could not be found within the District's property.

**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'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 21 of 31 disbursements tested, the invoices were not approved for payment and were not subsequently stamped "paid" to avoid duplicate payment. Additionally, for 1 of 31 disbursements tested, the District did not maintain the invoice.
2.	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	For all 5 student activities disbursements tested, the District did not maintain documentation of the student clubs' approval of the disbursement.

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3.	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, 15-304, 15-907, and 15-916.	The District had a deficit cash balance in Fund 510 - Food Service at year-end.
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**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 obtained 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 all 3 purchases tested within the written quote range, the District did not maintain supporting documentation for purchases made.
2.	The District's procurement files included applicable written determinations as required throughout the procurement rules.	The District did not maintain supporting documentation to support any procurements performed.
3.	The District followed A.R.S. §15-213, and R7-2-1093 for the use of multi-term contracts.	
4.	The District's procurement files included the required information, as applicable. R7-2-1001(96)	

**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 ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §15-512, A.R.S. §15-342, and A.R.S. §41-1750	For 1 of 25 employees tested, their fingerprint clearing card (FCC) expired during the fiscal year and was not renewed. Additionally, for 1 of 25 employees tested, the employee never had an FCC on file.
2.	The District enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	For 1 of 25 employees tested, the employee was a full-time teacher and was not enrolled in ASRS.
3.	The District accurately calculated and in a timely manner remitted the alternative contribution rate payments to ASRS for all applicable positions filled by ASRS retirees.	For 1 employee tested, the District made contributions on the fiscal 2019 rate of 10.53% rather than the fiscal 2020 rate of 10.41%.

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4.	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.	For all 18 hourly employees tested, the District did not maintain documentation that the time card was approved by the employee's supervisor.
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5.	The District's payroll was properly reviewed and approved before processing and distribution to employees.	For 1 of 5 vouchers selected for testing, no documentation was maintained to show vouchers were approved by the governing board.
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**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 reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	Maintenance and Operations Regular Education expenditures and Title I expenditures on the AFR did not agree with the District's accounting records.
2.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Source documents were not always maintained for revenues posted to the District's accounting records.

**Student attendance reporting**—The District should report accurate student membership and attendance information to the Arizona Department of Education to ensure it receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The entry date in the computerized attendance system agreed to the entry form and was entered into the attendance system within 5 working days after the actual date of the student's enrollment.	For 1 of 6 students tested, no entry date was recorded on the enrollment form or application to distinguish if membership began on the first day of actual attendance.
2.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school.	
3.	The District reported student withdrawal dates to ADE and maintained documentation that supported the date of data entry.	For 2 of 6 student withdrawals tested, the date in the attendance system did not agree to the withdrawal form as no withdrawal form was maintained.
4.	The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	

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5.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S.§15-901(A)(1)	For 1 of 2 students withdrawn for having 10 consecutive unexcused absences, no withdrawal form was maintained to support the actual last day of attendance.
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**Information technology (IT)**–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.	Per review of the User Role Listing, several employees had full administrative access to Visions' financial module without adequate compensating controls to prevent one employee from completing a transaction without additional review.
2.	The District removed terminated or transferred employees' or vendors' access immediately from all systems.	The former business manager had full access to Visions and accessed the system in July 2019 after his termination on 6/30/19.
3.	The District had recovery or 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 maintain documentation that the contingency plan was tested at least annually.

**Transportation support**–The District should accurately report its transportation miles and eligible student riders to ADE, to ensure the District receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The District accurately calculated and maintained documentation for miles reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	The District did not maintain documentation to support the mileage and eligible riders reported on the Transportation Route Report.
2.	The transported students reported as eligible on the Transportation Route Report met the definition in A.R.S. §15-901(A)(8).	