

# Fredonia-Moccasin Unified School District

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

List of deficiencies for the year ended June 30, 2022

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 approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	The student activity fundraisers were not provided to the Board for approval as provided in A.R.S. §15-1121 and AG Opinion I84-018.
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 District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(I)	The District's final revised expenditure budget was completed on June 7, 2022, after the May 15 deadline. Additionally, the final revised expenditure budget was filed electronically with the Superintendent of Public Instruction on June 8, 2022, after the May 18 deadline.
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 §III Chart of Accounts.	<ul style="list-style-type: none"> <li>Federal COVID-19 revenues received totaling \$40,000 from the Governor's Office for the AZ Summer Camp program were recorded to Fund 470—Vocational and Technical Education and Object 3200—Restricted State Revenue and should have been recorded to a fund in the 300-range reserved for federal funds and object 4500—Restricted Federal Revenues Received Through the State.</li> <li>The District used Funds 870—Elementary Schoolwide 3 and 880—High School Schoolwide 3 to track expenditures during the year with the intention of clearing the funds' expenditures to their proper funds at the end of the year. It was noted that instead of fully clearing the expenditures to their proper funds, expenditures totaling \$19,790 and \$18,150 were reported in Funds 870 and 880, respectively, at year end.</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.	<ul style="list-style-type: none"> <li>One of ten adjusting journal entries (AJE) selected for review did not have documentation that a second person reviewed and approved the AJE for posting.</li> <li>Two of ten AJEs selected for review were not properly documented so that a second person reviewing the AJE could verify the accuracy of the amounts posted.</li> </ul>
3.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.	The District's June 2022 reconciliation to the County School Superintendent's cash report had a variance amount of \$11,422 that was not resolved.

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**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 used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	A total of \$7,456.35 was deposited into the District's miscellaneous receipts clearing account during fiscal year (FY) 2022. It was noted that no checks were written from the account to clear the deposits timely for four different months during FY 2022.
2.	The District used a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35.	A total of \$4,106.21 was deposited into the District's food service clearing account during FY 2022. It was noted that no checks were written from the account to clear the deposits timely for three different months during FY 2022.

**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.	The District's capital asset list did not include the capital additions from FYs 2021 and 2022 totaling \$3,000,305 and \$1,127,591, respectively.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	
3.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	
4.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, included financed assets, and contained all required information.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold of \$5,000 was not provided.
5.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
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 did not complete a physical inventory of all equipment at least every 3 years. It was noted the last physical inventory of all equipment was done in May 2019.

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List of deficiencies for the year ended June 30, 2022

**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.	<ul style="list-style-type: none"> <li>• For 1 of 25 expenditures tested, the purchase order was created after the invoice date.</li> <li>• The District did not ensure that sufficient cash was available in a cash-controlled fund prior to making an expenditure, resulting in a negative cash balance of \$34,743 in Fund 596 – Career Technical Education.</li> </ul>
2.	The District prepared an Advice of Encumbrance for levy funds based on list the 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.)	An Advice of Encumbrance was not provided. It was noted that the District posted \$23,179 in encumbrance expenditures for FY 2022.
3.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year vocational education spending. A.R.S. §15-393	Per recalculation of the FY 2022 CTED supplanting worksheet indicating a reduction of \$19.78 in spending per student, it appears that it is possible that monies received from a CTED were used to supplant the District's base year vocational education spending.
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	Copies were not provided of intergovernmental agreement(s) in effect during FY 2022.

**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 one purchase within the written quote range, written quotes or documentation that the purchase was otherwise exempt from requiring written quotes (ex. sole source, cooperative purchases, etc.) was not provided.
2.	The District obtained signed procurement disclosure statements for all employees with job responsibilities related to each procurement and for all nonemployee consultants or technical advisors involved in each procurement process. R7-2-1008 and R7-2-1015	Signed procurement disclosure statements for all employees or technical advisors involved in the procurement process were not provided for one invitation for bid.

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List of deficiencies for the year ended June 30, 2022

3.	The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. A.R.S. §15-213(N) and R7-2-1003	Documentation was not provided that the District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.
4.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative, including how the determination was made. R7-2-1004	Written determinations were not provided for two purchases made through a school purchasing cooperative for specified professional services related to construction.

**Classroom site fund (CSF)** - 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.	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977 (see CSF FAQs).	A copy of the performance pay plan was not provided. As such it could not be determined if the District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S. §15-977.

**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's payroll was properly reviewed and approved before processing and distribution to employees.	For one of fifteen employees selected for review, the employee's contract amount did not agree with the District's payroll journal. The employee's contract was for \$18,250 and they were paid \$24,333, a difference of \$6,083. It was noted the District provided that the difference was due to the employee being paid for additional teaching duties that were not provided for in the contract.

**Fredonia-Moccasin Unified School District**

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List of deficiencies for the year ended June 30, 2022

**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.

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1.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	<p>The following funds did not have budgeted expenditures as reported on the AFR that agreed with the District's final budget:</p> <table border="1"> <thead> <tr> <th data-bbox="1311 418 1827 443">Fund</th> <th data-bbox="1827 418 1908 443">AFR Budget</th> <th data-bbox="1908 418 1989 443">Final Budget</th> <th data-bbox="1989 418 2572 443">Difference</th> </tr> </thead> <tbody> <tr> <td>001 – Maintenance and Operation (M &amp; O)</td> <td>\$ -</td> <td>\$ 2,149,053</td> <td>\$ (2,149,053)</td> </tr> <tr> <td>010 – Classroom Site Fund (CSF)</td> <td>\$ -</td> <td>\$ 288,465</td> <td>\$ (288,465)</td> </tr> <tr> <td>020 – Instructional Improvement</td> <td>\$ 6,600</td> <td>\$ 37,205</td> <td>\$ (30,605)</td> </tr> <tr> <td>050 – County, City, and Town Grants</td> <td>\$ 13,218</td> <td>\$ 11,916</td> <td>\$ 1,302</td> </tr> <tr> <td>500 – School Plant</td> <td>\$ 5,124</td> <td>\$ 2,969</td> <td>\$ 2,155</td> </tr> <tr> <td>515 – Civic Center</td> <td>\$ 58,800</td> <td>\$ 87,745</td> <td>\$ (28,945)</td> </tr> <tr> <td>525 – Auxiliary Operations</td> <td>\$ 24,915</td> <td>\$ 24,000</td> <td>\$ 915</td> </tr> <tr> <td>530 – Gifts and Donations</td> <td>\$ 1,792</td> <td>\$ 1,576</td> <td>\$ 216</td> </tr> <tr> <td>535 – Career and Technical Education Projects</td> <td>\$ 1,053</td> <td>\$ 54</td> <td>\$ 515</td> </tr> <tr> <td>540 – Fingerprint</td> <td>\$ 738</td> <td>\$ 58</td> <td>\$ 680</td> </tr> <tr> <td>550 – Insurance Proceeds</td> <td>\$ 2,000</td> <td>\$ 22,798</td> <td>\$ (20,798)</td> </tr> <tr> <td>555 – Textbooks</td> <td>\$ 214</td> <td>\$ 272</td> <td>\$ (58)</td> </tr> <tr> <td>565 – Litigation Recovery</td> <td>\$ 4,766</td> <td>\$ 4,200</td> <td>\$ 566</td> </tr> <tr> <td>570 – Indirect Costs</td> <td>\$ 2,800</td> <td>\$ 2,000</td> <td>\$ 800</td> </tr> <tr> <td>575 – Unemployment Insurance</td> <td>\$ 8,531</td> <td>\$ 2,126</td> <td>\$ 6,405</td> </tr> <tr> <td>585 – Insurance Refund</td> <td>\$ 760</td> <td>\$ 461</td> <td>\$ 299</td> </tr> <tr> <td>590 – Grants and Gifts to Teachers</td> <td>\$ 4,334</td> <td>\$ 7,610</td> <td>\$ (3,276)</td> </tr> <tr> <td>595 – Advertisement</td> <td>\$ 2,383</td> <td>\$ 1,036</td> <td>\$ 1,347</td> </tr> <tr> <td>596 – Career Technical Education (CTE)</td> <td>\$ 43,973</td> <td>\$ 36,036</td> <td>\$ 7,937</td> </tr> <tr> <td>610 – Unrestricted Capital Outlay (UCO)</td> <td>\$ 705,330</td> <td>\$ 608,003</td> <td>\$ 97,327</td> </tr> <tr> <td>691 – Building Renewal Grant</td> <td>\$ -</td> <td>\$ 754,000</td> <td>\$ (754,000)</td> </tr> <tr> <td>850 – Student Activities</td> <td>\$ 26,738</td> <td>\$ 26,000</td> <td>\$ 73</td> </tr> </tbody> </table>	Fund	AFR Budget	Final Budget	Difference	001 – Maintenance and Operation (M & O)	\$ -	\$ 2,149,053	\$ (2,149,053)	010 – Classroom Site Fund (CSF)	\$ -	\$ 288,465	\$ (288,465)	020 – Instructional Improvement	\$ 6,600	\$ 37,205	\$ (30,605)	050 – County, City, and Town Grants	\$ 13,218	\$ 11,916	\$ 1,302	500 – School Plant	\$ 5,124	\$ 2,969	\$ 2,155	515 – Civic Center	\$ 58,800	\$ 87,745	\$ (28,945)	525 – Auxiliary Operations	\$ 24,915	\$ 24,000	\$ 915	530 – Gifts and Donations	\$ 1,792	\$ 1,576	\$ 216	535 – Career and Technical Education Projects	\$ 1,053	\$ 54	\$ 515	540 – Fingerprint	\$ 738	\$ 58	\$ 680	550 – Insurance Proceeds	\$ 2,000	\$ 22,798	\$ (20,798)	555 – Textbooks	\$ 214	\$ 272	\$ (58)	565 – Litigation Recovery	\$ 4,766	\$ 4,200	\$ 566	570 – Indirect Costs	\$ 2,800	\$ 2,000	\$ 800	575 – Unemployment Insurance	\$ 8,531	\$ 2,126	\$ 6,405	585 – Insurance Refund	\$ 760	\$ 461	\$ 299	590 – Grants and Gifts to Teachers	\$ 4,334	\$ 7,610	\$ (3,276)	595 – Advertisement	\$ 2,383	\$ 1,036	\$ 1,347	596 – Career Technical Education (CTE)	\$ 43,973	\$ 36,036	\$ 7,937	610 – Unrestricted Capital Outlay (UCO)	\$ 705,330	\$ 608,003	\$ 97,327	691 – Building Renewal Grant	\$ -	\$ 754,000	\$ (754,000)	850 – Student Activities	\$ 26,738	\$ 26,000	\$ 73
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2.	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	<p>Revenues as reported on the AFR did not agree with the District's accounting records for the following funds:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>AFR Revenues</th> <th>District Records</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>001 – M &amp; O</td> <td>\$ 1,401,439</td> <td>\$ 1,446,887</td> <td>\$ (45,448)</td> </tr> <tr> <td>010 – CSF</td> <td>\$ 200,448</td> <td>\$ 218,626</td> <td>\$ (18,178)</td> </tr> <tr> <td>020 – Instructional Improvement</td> <td>\$ 5,617</td> <td>\$ 7,626</td> <td>\$ (2,009)</td> </tr> <tr> <td>050 – County, City, and Town Grants</td> <td>\$ -</td> <td>\$ 40</td> <td>\$ (40)</td> </tr> <tr> <td>374 – E-Rate (A.R.S. §15-1261)</td> <td>\$ 669</td> <td>\$ 44,955</td> <td>\$ (44,286)</td> </tr> <tr> <td>500 – School Plant</td> <td>\$ -</td> <td>\$ 17</td> <td>\$ (17)</td> </tr> <tr> <td>595 – Advertisement</td> <td>\$ 5</td> <td>\$ 985</td> <td>\$ (980)</td> </tr> <tr> <td>610 – UCO</td> <td>\$ 595,930</td> <td>\$ 602,658</td> <td>\$ (6,728)</td> </tr> </tbody> </table> <p>Expenditures as reported on the AFR did not agree with the District's accounting records for the following funds:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>AFR Expenditures</th> <th>District Records</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>001 – M &amp; O</td> <td>\$ 1,998,090</td> <td>\$ 2,021,122</td> <td>\$ (23,032)</td> </tr> <tr> <td>010 – CSF</td> <td>\$ 76,786</td> <td>\$ 78,927</td> <td>\$ (2,141)</td> </tr> <tr> <td>050 – County, City, and Town Grants</td> <td>\$ 2,358</td> <td>\$ 3,081</td> <td>\$ (723)</td> </tr> <tr> <td>080 – Student Success</td> <td>\$ -</td> <td>\$ 221</td> <td>\$ (221)</td> </tr> <tr> <td>220 – IDEA Part B</td> <td>\$ 38,431</td> <td>\$ 43,389</td> <td>\$ (4,958)</td> </tr> <tr> <td>378 – Impact Aid [A.R.S. §15-905(R)]</td> <td>\$ 168,524</td> <td>\$ 163,021</td> <td>\$ 5,503</td> </tr> <tr> <td>470 – Vocational and Technical Education</td> <td>\$ 36,233</td> <td>\$ 36,591</td> <td>\$ (358)</td> </tr> <tr> <td>530 – Gifts and Donations</td> <td>\$ 2,282</td> <td>\$ 2,581</td> <td>\$ (299)</td> </tr> <tr> <td>691 – Building Renewal Grant</td> <td>\$ 1,054,952</td> <td>\$ 1,060,747</td> <td>\$ (5,795)</td> </tr> <tr> <td>870 – Elementary Schoolwide 3</td> <td>\$ -</td> <td>\$ 19,792</td> <td>\$ (19,792)</td> </tr> <tr> <td>880 – High School Schoolwide 3</td> <td>\$ -</td> <td>\$ 18,150</td> <td>\$ (18,150)</td> </tr> </tbody> </table>	Fund	AFR Revenues	District Records	Difference	001 – M & O	\$ 1,401,439	\$ 1,446,887	\$ (45,448)	010 – CSF	\$ 200,448	\$ 218,626	\$ (18,178)	020 – Instructional Improvement	\$ 5,617	\$ 7,626	\$ (2,009)	050 – County, City, and Town Grants	\$ -	\$ 40	\$ (40)	374 – E-Rate (A.R.S. §15-1261)	\$ 669	\$ 44,955	\$ (44,286)	500 – School Plant	\$ -	\$ 17	\$ (17)	595 – Advertisement	\$ 5	\$ 985	\$ (980)	610 – UCO	\$ 595,930	\$ 602,658	\$ (6,728)	Fund	AFR Expenditures	District Records	Difference	001 – M & O	\$ 1,998,090	\$ 2,021,122	\$ (23,032)	010 – CSF	\$ 76,786	\$ 78,927	\$ (2,141)	050 – County, City, and Town Grants	\$ 2,358	\$ 3,081	\$ (723)	080 – Student Success	\$ -	\$ 221	\$ (221)	220 – IDEA Part B	\$ 38,431	\$ 43,389	\$ (4,958)	378 – Impact Aid [A.R.S. §15-905(R)]	\$ 168,524	\$ 163,021	\$ 5,503	470 – Vocational and Technical Education	\$ 36,233	\$ 36,591	\$ (358)	530 – Gifts and Donations	\$ 2,282	\$ 2,581	\$ (299)	691 – Building Renewal Grant	\$ 1,054,952	\$ 1,060,747	\$ (5,795)	870 – Elementary Schoolwide 3	\$ -	\$ 19,792	\$ (19,792)	880 – High School Schoolwide 3	\$ -	\$ 18,150	\$ (18,150)
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4.	The District's website included its average teacher salary information required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report.	The District's website did not include a copy of or a link to the District's page from the most recent Auditor General's District Spending Report. It was noted a copy of the 2020 Spending Report was included while the most recent one was 2021.																																																																																				
<p><b>Student attendance reporting</b> - The District should report accurate student membership and attendance information to the Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.</p>																																																																																						
<p><b>Question</b></p>		<p><b>Deficiency</b></p>																																																																																				
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. A.R.S §15-828.	For one of five enrollment forms reviewed, the students entry date was not provided on the enrollment form.																																																																																				

# Fredonia-Moccasin Unified School District

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

List of deficiencies for the year ended June 30, 2022

2.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For one of five students reviewed for entries, documentation was not provided supporting the student's proof of Arizona residency form.
3.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For one of five withdrawal forms reviewed, the withdrawal date on the withdrawal form did not agree to the withdrawal date on the computerized system. For one of four students reviewed, the withdrawal was not entered into the computerized system within five working days. The date of withdrawal of November 29, 2021, but it was not entered into the system until June 7, 2022.
4.	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	The AzEds ADM15 report's membership days did not agree to the District's computerized attendance system records. The AzEds ADM15 reported 18,154 membership days and the District's computerized records reported 17,708 membership days, a difference of 446 days. Additionally, the AzEds ADM15 reported 47 absence days, and the District's computerized records reported 1,442 absence days, a difference of 1,395 days. It was also noted, the AzEd ADM15 report did not have any absent days reported for grades K-12, and the District's report did not have any absence days report for grades K-6.

**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.	It was noted that two employees had full access to the Visions software financial modules.
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 the risks to the IT systems and data.
3.	The District immediately and appropriately modified terminated or transferred employees' or vendors' access to all District systems.	An employee that terminated employment June 2022 was still listed as an active user for the District's financial software.
4.	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed noted issues.	The District relies on a 3rd party to monitor and review IT system-generated incident or error reports to identify security threats or other unusual activity and did not have procedures to obtain and review the reports to ensure that any instances have been properly addressed.
5.	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.	Documentation was not provided that the IT disaster recovery plan was reviewed at least annually to ensure employees understand their responsibilities, identify internal and external vulnerabilities, and take action to update equipment or remedy any issues identified since the last review.