

Gila Bend Unified 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. | | |
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| Question | Deficiency | |
| 1. The District held governing board meetings in accordance with A.R.S. §§38-431 to 38-431.09, and prepared and retained written minutes and/or recordings. | It could not be confirmed that the recordings of the Board meetings were made available for public inspection within 3 working days after a Board meeting. | |
| 2. 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 38-509 | The District did not annually provide 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. | |
| 3. The District annually obtained conflict-of-interest (COI) forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or service, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. A.R.S. §38-502 | The District did not obtain COI forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or services. | |
| 4. The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122 | The appointment of the Student Activities Treasurer was not approved in the governing board minutes. | |
| 5. The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 | The Governing Board was not provided a list of student clubs' and organizations' fundraising events to approve as provided in A.R.S. §15-1121. | |
| 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. | Adopted budget did not include Fund 665 – Energy and Water Savings, Fund 901 – Jobs for Arizona's Graduates (JAG), and Fund 955 – Intergovernmental Agreements (IGA). | |

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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 |
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| 1. | The District coded transactions in accordance with the USFR Chart of Accounts. | <p>The following items were not coded in accordance with the USFR Chart of Accounts:</p> <ul style="list-style-type: none"> • Proceeds of \$400 from copier surplus property sale was coded as local revenue to Fund 001—Maintenance and Operation (M&O) and should have been recorded in Fund 500 – School Plant. • A bus lease payment was coded to Function 2700—Transportation and Object 6736—Vehicles and should have been coded to Function 5000—Debt Service and Objects 6832—Lease Principal and 6842—Lease Interest. • The bond principal payment was coded to Object 5600—Other Long-Term Debt Proceeds and should have been coded to Object 6831—Principal Payment on Bonds. • Two interest payments for the District's bonds were coded to Object 1510—Interest Income and should have been coded to Object 6841—Interest Payments on Bonds. • A school counselor's salary was coded to Object 6150—Classified salaries and should have been coded to Object 6114—Other salaries. |
| 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. | The District did not have separated responsibilities to initiate, approve, and record journal entries, and one employee had full access over transactions. For 12 of 15 adjusting journal entries reviewed, they were signed and dated by the entry's originator, but were not signed and dated by a secondary reviewer. Supporting documentation was not attached to 6 of 15 adjusting journal entries (AJE) selected for review. |
| 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. | Documentation was not provided that 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. |
| 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. | The District did not document and date the review of the monthly reconciliations with the County Treasurer, so the auditor could not determine if the reconciliations were completed on a timely basis. |
| 5. | The District reconciled revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported. | Documentation was not provided that the District reconciled the revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at year end with the CSS. |

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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 |
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| 1. | The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20). | There were two miscellaneous clearing account checks that were paid to vendors. One check was \$6,600 for Therapy Services and the other check was \$53,219.99 for IT Services. The revenues and the expenditures appeared to not be recorded in the accounting records of the District resulting in revenues and expenditures being under reported by \$59,819.88. It was not determined what the source of the unrecorded revenue was attributed to. Additionally, there was no supporting documentation for a withdrawal from the miscellaneous clearing bank account of \$3,760 that was signed for by a District employee. The transaction was not recorded in the District's accounting records. |
| 2. | 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 | One of seven auxiliary deposits did not include prenumbered receipts. Three of seven auxiliary deposits were only supported with a cash collection report. Documentation was not provided for 3 of 10 auxiliary deposits selected for review. Two of the deposits were selected from the auxiliary bank account and one was deposited directly to the County and selected from the journal transaction report. |
| 3. | The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account. | Three of 10 student activities deposits selected for review were only supported with a cash collection report. Documentation was not provided for 5 of 10 student activity deposits selected for review. One of the deposits was selected from the student activity bank account and four were deposited directly to the County and selected from the journal transaction report. |
| 4. | 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 paid \$87 in bank fees from the Clearing Account. |
| 5. | 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. | Fourteen out of twenty-five local deposits made directly to the County Treasurer did not include prenumbered receipts. |
| 6. | 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"> • Twelve out of twenty-five deposits made directly to the County Treasurer were deposited between 15 and 302 days after collection. • Two of seven auxiliary receipts were deposited between 21 and 40 days after collection. • Two of five student activities receipts were deposited between 15 and 41 days after collection. |

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| | | <ul style="list-style-type: none"> Two of seven auxiliary deposits and two of five student activities deposits did not include bank deposit slips. |
| 7. | The District's deposits and cash balances with the county treasurer were reconciled. | For two out of twenty-five deposits made directly to the County Treasurer, sequentially numbered deposit transmittal forms or treasurer's receipts were not included. Therefore, validated treasurer's receipts or revenue posting reports were not reconciled to the District's accounting records and to copies of deposit transmittals or treasurer's receipts. |
| 8. | The District retained supporting documentation for disbursements from bank accounts. | For one of eight student activity deposits reviewed, the invoices supporting the disbursement for an expense reimbursement of \$1,607.15 were not provided. |
| 9. | 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. | The bank statements were not reconciled during fiscal year (FY) 2021. |

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 |
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| 1. | The District properly tagged assets and updated asset lists. | Two items selected from the property assets listing were not located. |
| 2. | 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 provide documentation that an inventory of capital assets was conducted within the past three years. The date of the last time an inventory was conducted could not be determined. |
| 3. | The governing board approved stewardship and capital asset items disposed of during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131(C). | Disposal of capital items were not taken to the Board for approval. |

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, 15-304, 15-907, and 15-916. | As of June 30, 2021, the following funds had negative cash balances: Fund 555 (Textbooks) – \$(168), Fund 595 (Advertisement) – \$(113), and Fund 955 (IGA) – \$(5,828). |

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| 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 4 of 40 expenditures reviewed, purchase orders were issued after the invoice dates. For 2 of 40 expenditures reviewed, the check amounts were over the purchase order amount. |
| 3. | 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. | Four of seven student activities expenditures were not documented in the student club minutes. |

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 |
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| 1. | The District paid credit card and p-card statements before the due date to avoid finance charges and late fees. | The District incurred \$256.11 of credit card finance charges and late fees during FY 2021. |

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 |
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| 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 thirteen of fifteen purchases between \$10,000 and \$100,000, the District did not maintain documentation that quotes were obtained, or the purchases were otherwise exempt from requiring quotes (ex. Sole source, cooperative purchase, etc.). |
| 2. | The District properly procured expenditures that individually or cumulatively totaled over \$100,000. | For purchases from two vendors that exceeded \$100,000, only three quotes were obtained. Also, one other vendor with purchases over \$100,000 did not have any bid/proposal documentation or other documentation that the purchase was otherwise exempt from requiring an RFP or IFB to be issued (ex. cooperative purchase, sole source, etc.). |
| 3. | The District maintained a list of prospective bidders. AAC R7-2-1023 | |
| 4. | The District issued solicitations for invitation for bids (IFB) or request for proposals (RFP) during the fiscal year. | |
| 5. | The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. | Due diligence documentation was not provided for eight cooperative purchases of specified professional services and construction services. |
| 6. | 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 to use the contract was made. AAC R7-2-1004 | Written determinations were not provided for five construction related cooperative purchases. |

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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 |
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| 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. | For 1 of 5 employees reviewed for CSF performance pay, half of their performance pay was paid from Fund 011 instead of Fund 012. |
| 2. | The District's teacher base salary increases (Fund 011), performance-based teacher compensation increases (Fund 012), and monies spent from Fund 013 for teacher compensation increases were paid only to employees possessing a teaching certificate and employed to provide instruction related to the District's educational mission. Arizona Attorney General Opinion I13-005 | A school counselor received Fund 012 performance pay of \$4,884. Documentation was not provided that the counselor had a teaching certificate or that they were employed to provide instruction related to the District's educational mission. Arizona Attorney General Opinion I13-005. |

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 |
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| 1. | The District's payroll was properly reviewed and approved before processing and distribution to employees. | The District's superintendent received a \$12,455 adjustment to his base pay that was not provided for per the Superintendent's contract. No documentation was provided that the additional pay had been approved by the Board. Nine of seventeen classified employees' actual hourly rates did not agree to the approved contracts. It was noted that the employees' hourly rates changed in January 2021. However, the District did not issue revised contracts to be approved by the Board to reflect the new rates. |
| 2. | The District ensured hourly employees were not paid for more than the actual hours worked to date. | For 15 of 18 timecards reviewed, the timecard did not agree to the hours paid per the payroll journal. In addition, a salaried employee was paid for overtime hours. A timecard was not available supporting the 14 hours of overtime paid. A timecard was not provided for 1 of 18 hourly employees reviewed. |
| 3. | 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. | |
| 4. | The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4. | The following payroll documents were not provided: One of forty employees did not have an I-9 Form and teaching certificate on file. One of forty employees did not have a W4 or A4 form on file. Contracts were not provided for three of forty employees selected for review. |

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| 5. | 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, 15-342, and 41-1750(G) | Three of forty employees did not have fingerprint cards on file. The District did not have a method to obtain and track employees' fingerprint clearance cards and other credentials and monitor expiration dates. |
| 6. | 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 leave slips for the five employees selected from the leave report were not provided. As such, it could not be verified if the District's leave report was accurately documenting authorized leave taken. |

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 |
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| 1. | Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget. | The AFR budget for Fund 510 and Fund 700 did not agree to the final revised budget. |
| 2. | The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation. | Fund 001 – M&O expenditures of \$3,951,690 reported on the AFR for FY 2021 submitted to the Arizona Department of Education (ADE) did not agree to the District's Fund 001 accounting records of \$4,131,081 expenditures, indicating an underreporting of expenditures totaling \$179,391. |
| 3. | 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 | A copy of the SDER report filed in FY 2021 was not provided, as such it could not be determined if the SDER the District submitted was accurate and timely filed. |

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 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 1 of 5 students reviewed, the entries had a date on the enrollment form that was 6 days after the date of the student's actual first day of attendance. |
| 2. | The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines | For 1 of 5 students reviewed for entries, the District did not provide documentation supporting the student's Proof of Arizona Residency form. |

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| 3. | 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 | For 1 of 5 student withdrawals reviewed, the withdrawal form was not signed by a district administrator. |
| 4. | 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 2 of 5 students reviewed who were withdrawn after 10 consecutive unexcused absences, the withdrawal date was the date of the 10th unexcused absence and not the last day of actual attendance or excused absence. |

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 |
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| 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 IT Director and the business manager had full access to the Visions financial software. It was noted that seven County School Office employees had full access to the Visions financial software and one County School Office employee had full access to the AP module. |
| 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 District systems and data and implemented procedures to prevent and detect technology-related threats. |
| 3. | 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. | It was noted that although the District had recovery and contingency planning documents in place to restore or resume system services in case of disruption or failure, the planning documents were not reviewed and 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 |
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| 1. | The District accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922 | The District did take an actual count of riders. However, an average of 25 day's counts within the first 100 days was not calculated as required by ADE policies and procedures manual SF-0002. |