

Young Elementary 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.		
	Question	Deficiency
1.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The prior student activities treasurer left the District and a new student activities treasurer was not appointed by governing board for fiscal year (FY) 2022.
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 during FY 2022.
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.	Two expenditures were not coded in accordance with the USFR: <ul style="list-style-type: none"> Financial accounting software was recorded in Fund 001—Maintenance and Operations (M&O) and coded to Object 6300—Professional Services. The expenditure should have been coded to Object 6739—Technology-Related Hardware and Software. In addition, per the USFR, Object 6739 cannot be paid from the M&O Fund. Tax refund payback was coded to Object 6310—Official/Administrative Services and should have been coded to Object 6890—Miscellaneous Expenditures.
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 posted two adjusting journal entries during FY 2022 but did not provide documentation to support the journal entries. As such, it could not be determined if there was a secondary review of the journal entries.
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 maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	The M&O Revolving account had no activity 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.	The food service clearing bank account's June 30, 2022, balance was \$2,517. Only four clearing checks were issued during FY 2022. It was noted that all of the clearing checks were issued during July 2021.
3.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	Two of 5 student activities deposits reviewed were not properly supported by reports that reconciled sales to cash collected.

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4.	The District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	<p>The District did not always prepare sequential prenumbered receipts for each cash payment received and did not prepare receipts for some checks received through the mail. Specifically:</p> <ul style="list-style-type: none"> • 7 of 10 county treasurer deposits did not include prenumbered receipts. • The District used copies of cash receipt forms and manually assigned a receipt number for all \$15,476 of its extracurricular activities fees tax credit and student activities cash collections, and it did not prepare receipts for \$117,305 of cash received through the mail from other governments, community organizations, and vendors. <p>In addition, the District did not reconcile cash receipts to cash deposits and could not always locate receipt copies within deposit documentation to support whether 27 cash receipts totaling \$1,827 were deposited.</p>
5.	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 bank charges of \$132 from the food service clearing account. The bank charges were not reimbursed from an appropriate District fund or bank account.
6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	<p>The following deposits were not made timely:</p> <ul style="list-style-type: none"> • Two of five student activities deposits were made ranging from 17 to 43 days after collection. • Four of five food service deposits were made ranging from 16 to 151 days after collection. • Three of ten County Treasurer deposits were made ranging from 12 to 22 days after collection. • Documentation was not provided for one of five food service collections selected for review. As such, it could not be determined if the deposit was made timely. • Prenumbered receipts were not provided for seven of ten County Treasurer deposits. As such, it could not be determined if the deposits were made timely.
7.	The District retained supporting documentation for disbursements from bank accounts.	Supporting documentation was not provided for the five student activity disbursements selected for review.
8.	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 District had three bank accounts with a total of \$9,213 held in the bank accounts as of June 30, 2022. The bank accounts were not reconciled during FY 2022.
9.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	Documentation was not provided for one of five food service collections selected for review.

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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 did not reconcile their capital outlay expenditures or update their capital asset listing for FY 2022. It was noted that there was \$184,425 in capital additions during FY 2022.
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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	
5.	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 did not maintain a stewardship listing of capital items costing between \$1,000 and \$5,000, as required by the USFR.

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.	In FY 2021, contrary to Attorney General opinion No. 182-136, the District used more than \$21,600 of District monies intended to be used for its required K-12 instructional program, to pay for its community preschool program.
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.	Student club minutes documenting the five student activity disbursements selected for review were not provided.

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
1.	The District paid with credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$143.95 in credit card finance charges and late fees during FY 2022.

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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 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 vendor purchase in the written quote range, written quotes or documentation that the purchase was exempt from requiring written quotes (i.e., sole source, cooperative purchase, etc.) was not provided.
2.	The District properly procured expenditures that individually or cumulatively totaled over \$100,000.	A firm was paid \$111,675 for a project to replace 11 HVAC systems that was funded by the School Facilities Oversight Board. No procurement documentation was provided. As such, it could not be determined if the project was properly procured.
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	The District did not provide 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 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 two cooperative purchases.
5.	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	The District did not prepare written determinations for two specified professional construction services purchased through a school purchasing cooperative.

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.	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.	The District paid an employee \$34,000 for maintenance services on a contracted salaried basis. It was noted that the employee was not exempt from the Federal FLSA and the District should have maintained hourly timecards to ensure that FLSA overtime and minimum wage requirements were adhered to.
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.	It appears that one employee that worked for more than 20 hours for 20 weeks was not enrolled in ASRS. It was noted the employee was enrolled in ASRS for FY 2023. In addition, timecards were not maintained for one other classified hourly employee that was not enrolled in ASRS. As such, it could not be determined if they should have been enrolled in ASRS.

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 prepared the AFR and AFR summary (if one was prepared) with all	The AFR was submitted and filed 02/06/23, 114 days past the due date of October 15, 2022.

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	information as required by A.R.S. §15-904, and followed the AFR Review, Submission, and Publication Instructions.	
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 two of five student enrollment forms reviewed the following issues were noted: <ul style="list-style-type: none"> • The entry date was not provided on the enrollment form for one student. • A student did not have an enrollment form on file. As such, it could not be determined if the entry date in the computerized attendance software agreed with the entry form or when the student's actual first day of attendance was.
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. ADE's External Guideline GE-17	
3.	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 entries, the District did not have the student's Proof of Arizona Residency on file.
4.	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For three of five student withdrawals reviewed, the District did not have the withdrawal forms on file.
5.	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	
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.	The District's 4 business office employees and 1 consultant had user access that allowed them to be able to initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. The District also granted administrator-level access to its accounting system to 2 of these business office employees. This type of access gave the 2 employees full control over accounting system settings, such as the ability to add new users and modify the level of access users have in the accounting system, including granting themselves full access to view and edit all data in the accounting system.
2.	The District immediately and appropriately modified terminated or transferred employees' or vendors' access to all District systems.	The District did not have a process to revise employees' access when they terminated employment and was not timely performing detailed reviews of user accounts and assessing their need for network

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		access to ensure that access was disabled when it was no longer needed. Four network user accounts were linked to terminated employees who were 2 months to almost 2 years post termination. Additionally, 1 of these accounts had broad, administrative network privileges.
3.	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed noted issues.	Documentation was not provided that the District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity.
4.	The District had incident response 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.	The District did not have a written, up-to-date IT contingency plan.
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 and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	Documentation was not provided to support the 978 miles reported for the 100-day mileage or the 17 eligible students reported on the TRAN55-1 for FY 2022.