

Seligman Unified School District

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

List of deficiencies for the year ended June 30, 2023

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 District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as part of their employment. A.R.S.§§38-502 and 38-509	COI training was not provided to governing board members.
2.	The District annually obtained COI forms that allowed governing board members and employees to make known and fully disclose a COI in any contract, sale, purchase, service, or decision, 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 and 38-503	The District did not obtain COI forms from governing board members.
3.	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	Monthly Student Activities Fund reports were not sent to the governing board for review.
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 Chart of Accounts .	An expenditure for the annual emergency management software subscription was coded to Object 6531—Telecommunications and should have been coded to Object 6655—Short-term non-instructional software subscriptions.

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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 supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	For 2 of 5 auxiliary operations cash receipts tested, documentation was not maintained to reconcile cash collections to sales.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 8 of 20 cash receipts tested, deposits were not made in a timely manner.
3.	The District safeguarded signature stamps, signature plates, and electronic or digital signatures used for approving accounting transactions, checks, and other District documents to ensure that access was limited to only the employee whose signature they represented.	Signature stamps for board members were locked in a vault at the District office but were accessible by District staff.
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's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 12 of 15 assets, the identifying number affixed to the asset was not present or did not agree to the corresponding asset list.
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.	For 6 of 35 general disbursements tested, the PO was dated after the invoice, noting the expenditure was purchased before authorization.

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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 1 of 35 general disbursements tested, an invoice was not maintained. In addition, the District reimbursed costs for a retirement party which did not appear to be an allowable purchase.
3.	The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under A.R.S. §§43-1089.01 and 15-342(24).	For 1 of 5 extracurricular activities fees tax credit fund expenditures tested, the expenditure did not appear to be for an allowable activity. The expenditure was for student and staff gift cards.
4.	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 3 of 5 student activity disbursements tested, student club minutes were not maintained to support the approval of the purchase by the student club.
5.	The District prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the County School Superintendent 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.)	The District did not record an expenditure in the fiscal year 2023 accounting records for a School Facilities Division transaction of \$118,710 that was paid during the encumbrance period. An audit adjustment was necessary to record the expenditure in the proper period.

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 issued and tracked possession of all District credit cards and trained employees who make credit card purchases or process transactions on the District's policies and procedures.	Five credit cards are locked in the Business Manager's office for employees to check out, however, there is no sign-in/out process to track possession of the cards.
2.	The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.	For 3 of 20 credit card transactions tested, documentation was not provided to clearly identify the employee making the purchase.

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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.	Documentation was not provided to support that at least 3 written quotes were obtained, or the purchase was otherwise exempt from requiring written quotes for 1 of 3 purchases within the written quote range tested.
2.	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 Arizona Administrative Code R-7-2-1003.	Documentation was not provided to support the District provided training and guidance to employees, their supervisors, and others who participate in the planning, recommending, selecting, or contracting for materials, services, goods, construction, or construction services of a school district or school purchasing cooperative related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.
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 properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance & Operation Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	Actual expenditures reported on the Food Service AFR did not agree with the District's accounting records.
Student attendance reporting - The District should report accurate student membership and attendance information to Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	The District prorated high school students' membership if enrolled in less than 4 subjects.	For 1 of 3 high school students tested that were enrolled in less than 4 subjects, that student's membership days were not properly prorated.
2.	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 for entries did not have an entry date on their enrollment form that agreed to their enrollment date in the computerized attendance system.

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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.	Two employees and 1 consultant have Global Super User access to the District's financial system.
2.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	Security policies related to passwords and user authentication were not provided.
3.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	Documentation was not provided regarding the District's IT system generated electronic audit trail reports or change logs.
4.	The District monitored and reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity and addressed noted issues.	Documentation was not provided to support the District monitored and reviewed IT system-generated incident or error reports.
5.	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.	Documentation was not provided to support whether the District's IT Disaster Recovery Plan was 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
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	When calculating eligible students, the District reported the gross AM and PM counts instead of the average over the 25 day period.