

**Deer Valley Unified School District**  
**Uniform System of Financial Records Compliance Questionnaire**  
**For Fiscal Year Ended June 30, 2020**

## Instructions

Arizona Revised Statutes (A.R.S.) §15-271 requires the Auditor General's Office to inform any school district failing to establish and maintain the requirements prescribed by the *Uniform System of Financial Records for Arizona School Districts* (USFR) that it has 90 days to correct the cited deficiencies. To assist the Auditor General's Office in determining whether a district has attained an acceptable degree of compliance with the requirements of the USFR, the audit firm must complete this USFR Compliance Questionnaire (CQ).

In addition, A.R.S. §§15-213(F) and 15-914(G) require districts to have a systematic review of their purchasing practices and average daily membership (ADM), respectively, performed in conjunction with their annual or biennial financial audit to determine whether the District is in compliance with the applicable procurement and student attendance laws and rules of the State of Arizona. The Procurement and Student attendance reporting questions included in the USFR CQ help districts meet these requirements.

The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. Audit Firms must gain an understanding of the District's internal controls and obtain appropriate audit evidence to complete the USFR CQ in accordance with the requirements prescribed below. The Auditor General's Office may reject those CQs not meeting the minimum requirements.

- Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the District has implemented procedures to comply with the USFR. The evidence must be included in the audit documentation to support the comments. If the evidence was obtained and documented during the financial statement audit, that evidence may be referenced to answer related questions. Click the "tooltip" next to the CQ question to get more information about USFR requirements and review procedures that must be considered to address the question's objective.
- Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers on the CQ. Sufficient evidence of approval includes signatures or initials and dates.
- Population size should be considered in determining the number of items to test, and the items selected should be representative of the population. Also, additional instructions in the Credit cards, Procurement, and Student attendance reporting sections prescribe minimum sample sizes that must be used for specific questions. Population and sample sizes used for test work should be entered in the fields provided next to the related question.
- The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing 1 transaction, record, or item is not sufficient.
- The sample size should be expanded if the Audit Firm cannot clearly determine whether the District complied with the USFR on that question.
- For questions related to the establishment of policies and procedures, the Audit Firm must gain an understanding of the District's internal controls and perform sufficient test work to determine that the procedures were implemented, followed, and systematically communicated to employees.
- For Governing board/management procedures question 4, the Audit Firm should confirm management's appropriate action to resolve all allegations of theft, fraud, or misuse of District monies or assets by either examining copies of the incident reports or communicating with the agency involved in investigating the allegations. The Audit Firm should also consider if the District's internal controls failed to prevent or detect the theft, fraud, or misuse and include a deficiency in the USFR compliance area where the control failed.
  - If the Audit Firm determines that District management was aware of allegations but did not appropriately resolve them in a timely manner (e.g., no action was taken; actions were not documented; actions were delayed, inadequate, or inappropriate to the circumstances), the Audit Firm should answer the question "No." This includes instances where an external investigation is underway for allegations but District Management did not request the investigation, was not fully cooperating with the investigators, or was not otherwise attempting to resolve the allegations.
  - If the Audit Firm determines that District management was not aware of any allegations (based on inquiry, review of Governing Board minutes, search of local media coverage, and results of audit test work), the question should be answered "N/A."
  - If the Audit Firm finds evidence of theft, fraud, or misuse of District assets but does not find evidence that District management was aware of the possible theft, fraud, or misuse, the Audit Firm should report the incident to the Auditor General's Office, and answer this question "N/A."
- A "Yes" answer indicates that the Audit Firm has determined that the District appears in compliance with the USFR on that question and a "No" answer indicates the District does not comply. However, the final determination of compliance on each question, as well as overall compliance with the USFR, is made by the Auditor General's Office based on the evidence presented in the questionnaire, audit reports, the audit documentation, and any other sources of information available.
- The Audit Firm must adequately explain all "No" answers in the comment box below the question. Deficiencies must be described in sufficient detail to enable the Auditor General's Office to determine the nature and significance of the deficiency for: (a) assessing compliance with the USFR, (b) appropriately describing the deficiency in a report, and (c) testing compliance during a status review. The

description should include the number of items tested and the number of exceptions noted, or dollar amount of the error, and any other relevant information that would provide context for the deficiency.

- The Audit Firm must adequately explain all “N/A” answers in the comment box below the question, unless the reason for the N/A is obvious.
- Cash and revenues questions apply to all the District's cash and revenue, including food service, auxiliary operations, extracurricular activities fees tax credit, and student activities receipts and bank accounts. Comments for “No” answers to these questions should indicate the type of receipt or bank account to which the deficiency applies.
- The questions in the CQ do not address all requirements of the USFR. If the Audit Firm is aware of noncompliance with a requirement of the USFR that is not addressed in the CQ, including the School District Procurement Rules and the Arizona Department of Education’s (ADE) membership and attendance guidelines, the Audit Firm should include the compliance findings in its reports issued in accordance with *Governmental Auditing Standards and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as applicable.

The Audit Firm must make the resulting audit documentation supporting the Audit Firm's answers on the CQ available on request for the Auditor General's Office and the ADE’s review. To facilitate this review, the Audit Firm should include in the audit documentation a copy of the CQ with references to the audit procedures performed for each question.

As required by A.R.S. §§15-914(D), Audit Firms must submit the completed USFR CQ with the audit reporting package to the Auditor General’s Office and the District’s county school superintendent’s office, and ADE Grants Management, as applicable. Once the Audit Firm has completed, reviewed, and signed the CQ, it must submit it electronically to the Auditor General’s Office by following the instructions at the end of the CQ. Audit Firms should print the file to PDF to create the CQ document to distribute to the District, the county school superintendent’s office, and ADE Grants Management.

## Governing board/management procedures

**Objective: To determine whether the governing board and District management have established and implemented certain procedures as required by statute.**

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.

No ▼

The District violated open meeting law during the July 14, 2020 Board Meeting, as a result of the District not reading public comments that were submitted. This matter was reported to the Arizona Attorney General's Office.

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 [A.R.S. §38-509](#)

Yes ▼

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](#)

No ▼

During the year, the District spent \$139,798 with a vendor owned by an employee. The employee did not disclose this conflict on a COI form.

4. The District maintained, for public inspection, a special file with all documents necessary to memorialize all conflict-of-interest disclosures. [A.R.S. §38-509](#) Yes

5. Employees or governing board members with reported conflicts, except as provided in [A.R.S. §15-323](#), refrained from voting upon or otherwise participating in any manner in that purchase. [A.R.S. §38-502\(11\)](#) and [A.R.S. §38-503\(B\)](#) Yes

6. The District's management notified the Auditor General's Office and appropriately resolved all allegations of theft, fraud, or misuse of District monies and assets in a timely manner. Yes

During the year, an employee used a District p-card to make personal purchases. The employee's supervisor caught the misuse and the employee was terminated. An investigation by the District confirmed \$187 in fraudulent charges as well as \$1,011 in potentially fraudulent charges. The District reported the matter to the police department and the Auditor General's Office. The employee was ordered to pay restitution to the District.

7. The governing board established written personnel and payroll policies and approved employee contracts that included salary and wage schedules, and any other agreed-upon terms of employment. Yes

8. The governing board annually appointed a student activities treasurer and, if applicable, assistant student activities treasurers. [A.R.S. §15-1122](#) Yes

9. 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](#) Yes

10. The governing board obtained voter approval to construct buildings and purchase or lease school sites, unless otherwise exempted by [A.R.S. §15-342\(25\)](#). Yes

## Budgeting

**Objective: To determine whether the District's budget preparation processes ensure that the District properly allocates the monies it receives, stays within those budgets, and accurately informs the public about the use of those monies.**

1. The budget included all funds as required by [A.R.S. §15-905](#) and followed the form's [Budget Submission and Publication Instructions](#).

Yes ▼

2. Total budgeted expenditures on the adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget. [A.R.S. §15-905\(E\)](#)

Yes ▼

3. Total budgeted expenditures on the adopted budget for the M&O Fund and UCO Fund were within the general budget limit and the total budgeted expenditures. If not, and ADE notified the District, the District followed the requirements of [A.R.S. §15-905\(E\)](#).

Yes ▼

4. The District completed its revised expenditure budget before May 15 and filed it electronically with the county school superintendent (CSS) and the Superintendent of Public Instruction by May 18. [A.R.S. §15-905\(I\)](#)

Yes ▼

5. The District reduced the budget by the prior year's overexpenditure (or a portion of the prior year's overexpenditure, as approved by the Superintendent of Public Instruction) or the District committed to correcting its prior year's data. [A.R.S. §15-905\(M\)](#) and [A.R.S. §15-915](#)

N/A ▼

No prior year over-expenditure.

## Accounting records

**Objective: To determine whether the District accurately maintains accounting records to provide support for financial information.**

**Test work should indicate the procedures performed to document what processes and controls the District has in place to reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies, such as tracing detailed source documents to the District's trial balance that agree to the financial statements.**

1. The District coded transactions in accordance with the [USFR Chart of Accounts](#).

No ▼

We noted for following coding errors:

- For two of 50 disbursements reviewed, the expenditure was not coded in accordance with the USFR Chart of Accounts.
- The District coded refunds to object code 6891 rather than reverse revenue.
- The District coded ESG expenditures to Fund 327 rather than Fund 328 as required by the USFR chart of accounts.
- The District classified \$1,419,675 of state aid revenues in object code 2120 rather than object code 3120.

2. 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.

Yes ▼

3. 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.

No ▼

For one of 25 journal entries reviewed, the journal entry was not signed to indicate approval.

Population

7504

Sample

25

4. The District transferred monies only between funds listed in the [USFR §III Chart of Accounts–Authorized Transfers](#).

Yes ▼

5. 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.

N/A ▼

District participated in the Accounting Responsibility Program.

6. The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, and properly supported, documented, and dated the reconciliations.

Yes ▼

7. 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 or county treasurer's records, and the reconciliation was reviewed and properly supported.

8. The District prepared reports that reconciled sales to cash collected at student activities events.

## Cash and revenue

**Objective: To determine whether the District maintained controls over cash transactions to safeguard monies, protect employees involved in handling monies from accusations of misuse, and reduce the risk of theft or loss. Test work for cash and revenue should document how the processes work, employees involved in those processes, and how the processes were verified.**

1. The District closed any bank accounts that were inactive or not authorized by statute.

2. The District used an M&O Fund revolving bank account in accordance with [A.R.S. §15-1101](#).

3. The District used miscellaneous receipts clearing bank account(s) in accordance with [A.R.S. §15-341\(A\)\(20\)](#).

4. The District used a Food Service Fund clearing bank account(s) in accordance with Arizona Attorney General Opinion I60-35.

5. The District used a Food Service Fund revolving bank account in accordance with [A.R.S. §15-1154](#).

N/A

No account.

6. The District used an Auxiliary Operations Fund bank account in accordance with [A.R.S. §15-1126](#).

N/A

No account.

7. 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](#)

Yes

Population

845

Sample

5

8. The extracurricular activities fees tax credit monies were included in the Auxiliary Operations Fund and/or separately accounted for in a Extracurricular Activities Fees Tax Credit Fund.

Yes

9. The District used the Auxiliary Operations Fund revolving bank account(s) in accordance with [A.R.S. §15-1126](#).

Yes

10. The District used the Student Activities Fund bank account(s) in accordance with [A.R.S. §15-1122](#).

N/A

No account.

11. The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.

Yes

12. 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.

Population

Sample

13. The District used the Student Activities Fund revolving bank account in accordance with [A.R.S. §15-1124](#).

14. The District used the federal payroll tax withholdings bank account in accordance with USFR page VI-H-6.

15. The District used the State income tax withholdings bank account in accordance with [A.R.S. §15-1222](#).

16. The District used the employee insurance programs withholdings bank account(s) in accordance with [A.R.S. §15-1223](#).

17. The District used the payroll direct deposits clearing bank account in accordance with [A.R.S. §15-1221](#).

18. The District used the electronic payments clearing bank account in accordance with [A.R.S. §15-1221](#).



19. The District used the grants and gifts to teachers bank account in accordance with [A.R.S. §15-1224](#).

No account.

20. The District used the principals' supplies bank account(s) in accordance with [A.R.S. §15-354](#).

No account.

21. The use of debit cards was prohibited as a payment method associated with any District bank account.

22. 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.

23. The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.

24. 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.

Sample

25. The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.

No ▼

For one of five miscellaneous cash receipts reviewed, the deposit was not made timely. Additionally, for two of five student activities cash receipts reviewed, the deposit was not made timely.

Sample

20

26. The District's deposits and cash balances with the county treasurer were reconciled.

Yes ▼

27. The District retained supporting documentation for disbursements from bank accounts.

Yes ▼

Sample

10

28. The District safeguarded unused checks.

Yes ▼

29. 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.

Yes ▼

30. All District bank accounts were reconciled monthly by an employee not involved with cash handling or issuing checks, or reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.

Yes ▼

31. The District tracked and reconciled the number of meals sold to the total cash collected per day.

Yes 

## Supplies inventory

**Objective: To determine whether the District has controls in place to help physically safeguard and report inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.**

1. The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.

Yes 

## Property control

**Objective: To determine whether the District has effective controls to safeguard property from theft and misuse since significant resources are invested in acquiring and maintaining District property. Test work should be completed on a sample basis annually and documented to ensure that land, buildings, and equipment are properly valued, classified, and reported on the stewardship and capital assets lists.**

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. USFR page VI-E-3

Yes 

The District maintains the capital asset listing in Visions, and uses supplemental excel worksheets.

2. The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.

Yes 

3. The District recorded additions on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.

Yes 

4. The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold included the location, identification number, and description, and was updated for any acquisition, transfer, or disposal.

The District maintains the stewardship listing in Visions.

5. The District properly tagged assets and updated asset lists.

6. The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.

7. 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.

Data Entry

09/17/2020

8. 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).

Data Entry

N/A

## Expenditures

**Objective: To determine whether the District has effective controls for expenditures in place to ensure expenditures are for an allowable District purpose. Test work should document processes and controls that demonstrate expenditure transactions are properly approved, are for an amount within budget capacity or available cash, and protect employees from allegations of misuse.**

1. The District separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).

Yes ▼

2. 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](#).

Yes ▼

3. 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.

Yes ▼

Sample

85

4. 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 [A.R.S. §15-342\(24\)](#).

Yes ▼

Population

345

Sample

5

5. 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.

Yes ▼

6. The District's invoices were periodically compared to awarded contracts, including cooperative contracts, to verify billing amounts were correct and the contract terms and conditions were being met.

Yes ▼

7. The District prepared an Advice of Encumbrance for levy funds with the list of 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](#).)

8. 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 vocational education and to supplement, rather than supplant, the District's base year vocational education spending. [A.R.S. §15-393](#)

9. 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](#)

## Travel

**Objective: To determine whether the District implemented effective controls to ensure employees were traveling for District purposes and appropriately compensated.**

1. The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of Arizona Department of Administration. Amounts were reimbursed or reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred, in accordance with governing board prescribed policies and procedures.

Population

Sample

## Credit cards and p-cards

**Objective: To determine whether the District has implemented effective controls over credit card and purchasing card (p-card) purchases to help reduce the risk of misuse and unapproved or fraudulent transactions.**

1. The District used credit cards.

Yes ▼

Data Entry

55 fuel cards

2. The District used p-cards.

Yes ▼

Data Entry

546 Mastercards

3. The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.

Yes ▼

4. 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.

No ▼

For three of ten purchasing/credit card transactions reviewed, the District did not have signed user agreements for the employee making the purchase.

5. The District recovered cards immediately from terminated employees.

Yes ▼

6. The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.

Yes ▼

7. The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.

Yes ▼

8. 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.

9. The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.

## Procurement

**Objective: To determine whether the District followed the School District Procurement Rules and USFR purchasing guidelines to promote fair and open competition among vendors that helps ensure the District is getting the best value for the public monies it spends.**

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.

Population

Sample

2. The District properly procured expenditures that individually or cumulatively totaled over \$100,000.

3. The District maintained a list of prospective bidders. 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 published and, as applicable, provided other adequate notice of the issuance of solicitations. R7-2-1022, R7-2-1024(C), or R7-2-1042(C)

Population

Sample

Data Entry

6. The District issued solicitations at least 14 days before the time and date set for bid opening or the closing date and time for receipt of bids or proposals. R7-2-1024(A) or R7-2-1042(B)

7. The District included all required content in the solicitation, as applicable. R7-2-1024(B) or R7-2-1042(A)

8. The District recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. R7-2-1029 or R7-2-1045

9. If the District awarded multiple contracts, it established and followed procedures for the use and award of multiple contracts. R7-2-1031(D) and R7-2-1050(C)

10. The District awarded contracts according to R7-2-1031, R7-2-1032, R7-2-1046(A)(1), or R7-2-1050 and retained documentation to support the award(s).

11. If the District procured construction projects that used construction-manager-at-risk, design-build, or job-order-contracting to procure construction services, it complied with the requirements of R7-2-1100 through R7-2-1115.

12. The District's procurement files contained 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(C) and R7-2-1015

Yes ▼

13. The District's procurement files included applicable written determinations as required throughout the procurement rules.

Yes ▼

14. The District followed [A.R.S. §15-213](#), and R7-2-1093 for the use of multi-term contracts.

Yes ▼

15. The District followed R7-2-1117 through R7-2-1123 for contracts for specified professional services.

N/A ▼

No such contracts

16. The District's procurement files included the required information, as applicable. R7-2-1001(96)

Yes ▼

17. 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 (Effective for all procurements July 1, 2020 and thereafter.)

N/A ▼

Requirement not effective for this audit.

18. The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. R7-2-1191 through R7-2-1195

Yes ▼

19. 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.

Population

Sample

Data Entry

20. 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. R7-2-1004

21. The District, when acting as a lead district in a procurement, followed the procurement procedures required for competitive sealed bidding or competitive sealed proposals, as applicable, and considered the total estimated volume of purchases for all public procurement units identified in the solicitation. R7-2-1011

Population

Sample

Data Entry

22. For all emergency procurements, the District retained a written statement documenting the basis for the emergency, the selection of the particular contractor, and why the price paid was reasonable, and this statement was signed by the individual authorized to initiate emergency procurements. R7-2-1055 and R7-2-1056

23. The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. R7-2-1053

24. For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by [A.R.S. §15-323](#).

25. The District followed the School District Procurement Rules for purchases of any supplies, materials, and equipment from governing board members if the purchase exceeded \$100,000, or followed the guidelines for written quotes if below the threshold. [A.R.S. §38-503](#)

No such purchases.

26. For purchases the District made from General Services Administration (GSA) schedules 70-IT and 84-Law Enforcement, the governing board first authorized the contracts in writing. [A.R.S. §15-213\(K\)](#) and R7-2-1196(C)

No such purchases.

## Classroom site fund

**Objective: To determine whether the District appropriately spent these State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as allowed by law.**

1. The District's total Classroom Site Fund (CSF) revenues were properly allocated among the following funds: 011–Base Salary (20%), 012–Performance Pay (40%), and 013–Other (40%), and expenditures in the CSFs (011-013) were within the CSF budget limit. [A.R.S. §15-977](#)

2. For Fund 011, expenditures were only for teacher base salary increases, employment-related expenses, and registered warrant expense.

3. 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.

4. For Fund 013, expenditures were only for class size reduction, teacher compensation increases, assessment-intervention programs, teacher development, dropout-prevention programs, teacher liability insurance premiums, and registered warrant expense, and not used for school-sponsored athletics.

5. 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

Yes

6. The District's CSF revenues and expenditures were recorded in the separate CSFs (011-013) throughout the fiscal year rather than only at year-end.

Yes

7. The District's CSF monies were used to supplement, rather than supplant, existing funding from all other sources. (See [USFR Memorandum No. 194](#))

Yes

8. The District's budget balances remaining at year-end in any of the 3 CSFs (011-013) were carried forward in the same funds to ensure that the restrictions placed on the original allocation of revenues was applied in future years.

Yes

## Payroll

**Objective: To determine whether the District has implemented effective controls to reduce the risks associated with payroll expenditures by documenting evidence of review, verification, and approval to ensure employees are appropriately compensated.**

1. The District's payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.

Yes

2. The District established a delayed payroll system for hourly employees that did not delay payments more than 7 business days during its normal 2-week payroll processing cycle and allowed adequate time for payroll adjustments to be made, if needed, between the end of the pay period and the payment date.

Yes

3. The District required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.

4. The District ensured any adjustments to pay for employees who received prorated wage payments during the year were based on each employee's official rate of pay.

Population

Sample

5. The District ensured hourly employees were not paid for more than the actual hours worked to date.

Population

Sample

6. The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.

7. 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](#)

8. The District enrolled employees who met the ASRS membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.

9. 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. [ASRS Alternate Contribution Rate](#) Yes ▼

10. 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. Yes ▼

11. 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. No ▼

The District did not require employees who were "on call" during school closures as a result of the pandemic to submit time sheets.

12. The District's payroll was properly reviewed and approved before processing and distribution to employees. Yes ▼

## Financial reporting

**Objective: To determine whether the District properly prepared its financial reports, including its Annual Financial Report (AFR), for the audit year to provide legislative and oversight bodies, investors and creditors, and the public a transparent view of the District's financial position operational results.**

1. Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget. Yes ▼

2. The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation. Yes ▼

3. The District prepared the AFR and AFR summary (if one was prepared) with all information as required by [A.R.S. §15-905](#), and followed the [AFR Review, Submission, and Publication Instructions](#), and [A.R.S. §15-904](#). Yes

4. The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records. Yes

5. Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements. Yes

6. The District's website included its average teacher salary and a copy of or a link to the District's page from the most recent Auditor General's District Spending Report. [A.R.S. §15-905](#) and [A.R.S. §41-1279.03](#) Yes

7. The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. [A.R.S. §15-941](#) Yes

## Student attendance reporting

**Objective: To determine whether the District has implemented effective controls to reported accurate student membership and attendance information to ADE to reduce the risk that the District received an inappropriate amount of State aid and/or local property taxes.**

1. The District's calendar ensured school was in session for the required days and offered students the required instructional hours per grade level, including Arizona Online Instruction (AOI) Programs as prescribed in [A.R.S. §15-808\(J\)\(1\)](#), [A.R.S. §15-901\(A\)\(1\)](#), and [A.R.S. §15-901.07](#). Yes



2. If the District had an early (pre-) kindergarten program, the District calculated and submitted membership information for early (pre-) kindergarten students' attendance records for this program only for students with disabilities. [A.R.S. §15-901\(A\)\(1\)\(a\)\(i\)](#) and [USFR Memorandum No. 175](#)

Yes ▼

Sample

3

3. The District appropriately tracked and reported student membership and absences. [A.R.S. §15-901](#)

No ▼

For three of seven high school attendance records reviewed, absences were not reported correctly, resulting in no net effect. Additionally, for two of 18 elementary and junior high attendance records reviewed, absences were not reported correctly, resulting in a net understatement of absences of 0.50.

Population

32186

Sample

25

Data Entry

18 EJH, 7 HS

4. The District prorated high school students' membership if enrolled in less than 4 subjects.

Yes ▼

Sample

7

5. The District was a CTED or CTED member. [A.R.S. §15-808](#)

Yes ▼

6. The District had an AOI program. [A.R.S. §15-808](#)

Yes ▼

7. For students enrolled in a program provided by a CTED in a facility the District owned or operated (satellite programs), the District reported the actual enrollment for only the District classes the student was enrolled in at the District's school (excluding CTED program classes) under the District's CTDS number.

For one of seven CTED satellite students reviewed, the District was unable to provide a CTED STUD72, therefore it could not be determined if the FTE was prorated properly. Additionally, for one of seven CTED satellite students reviewed, the sum of the ADM claimed by both the District and the CTED exceeded 1.25.

Population

Sample

8. For students enrolled in a program the CTED provided in a facility the District owned or operated (satellite programs), the District calculated student absences in accordance with ADE's methods based on the number of District classes the student was enrolled in and attended at the District's school. (excluding CTED satellite program classes)

For four of seven CTED attendance records reviewed, absences were not reported correctly resulting in a net overstatement of absences of 0.25.

9. For CTED satellite programs, the CTED reported actual student enrollment data for only the CTED program classes the student was enrolled in at that member district's satellite location (excluding school district classes). [A.R.S. §15-393\(Q\)](#)

Not a CTED.

Sample

10. For CTEDs that meet for at least 150 minutes (not including any breaks) per class period on a CTED central campus, the CTED reported the membership as 0.75. [A.R.S. §15-393\(Q\)](#)

Not a CTED.

Sample

11. For students enrolled in both District and in CTED central program courses, the sum of the ADM was no more than 1.75 and the amount claimed by either entity was no more than 1.0. [A.R.S. §15-393\(Q\)](#)

Sample

12. The District maintained appropriate documentation and accurately reported students enrolled in its AOI program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI Program following a student's withdrawal or after the end of the school year. [A.R.S. §15-808](#)

 ▼

For three of seven AOI attendance records reviewed, the hours reported on the District computer-generated daily log did not agree to the hours reported to ADE.

Sample

13. The District ensured the student's name in the student management system matched the name on the legal document on file. [A.R.S. §15-828\(D\)](#).

 ▼

Sample

14. 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.

 ▼

Population

Sample

15. 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.

 ▼

16. 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 Arizona Residency Documentation Guidelines

 ▼

For one of 15 entries reviewed, the student's legal guardian or parent name as listed did not agree to the provided documents. Therefore, it could not be determined if the student was an Arizona resident and whether they should have been excluded from the District's student count and state aid calculations.

17. The District reported student withdrawal dates to ADE and maintained documentation that supported the date of data entry.

No ▼

For one of 15 withdrawal records reviewed, the District did not enter the withdrawal date into the District's computerized attendance system within five working days after the actual day of withdrawal.

Population

196

Sample

15

18. 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](#)

Yes ▼

19. 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\(A\)\(1\)](#)

No ▼

For one of 15 students withdrawn for having 10 consecutive unexcused absences, the withdrawal date was not the last day of actual attendance or excused absence. Additionally, for two of 15 students reviewed, the student was withdrawn prior to 10 consecutive unexcused absences.

Population

41

Sample

15

20. 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](#)

Yes ▼

21. If students were admitted who were nonresidents of Arizona, the District excluded the student from the District's student count and State aid calculations and charged tuition as applicable. [A.R.S. §15-823\(G\) and \(L\)](#)

No ▼

For one of 15 entries reviewed, the student's legal guardian or parent name as listed did not agree to the provided documents. Therefore, it could not be determined if the student was an Arizona resident and whether they should have been excluded from the District's student count and state aid calculations.

## Information technology

**Objective: To determine whether the District adopted an information technology (IT) security framework that aligned with credible industry standards and implemented controls that provide reasonable assurance that its data was accurate and reliable and protected from unintended exposure and consequences. Test work should determine that the District adopted a framework and controls were operating to protect District and student data.**

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.

Yes 

2. The District reviewed and documented any system or software changes implemented.

Yes 

3. The District assessed security risks for unauthorized access to the District's systems, network, and data, including through email, internet use, VPN, wireless access, and mobile devices, and provided employees security awareness training at least annually to prevent, identify, and report suspected security risks and threats.

Yes 

4. The District removed terminated or transferred employees' or vendors' access immediately from all systems.

Yes 

5. The District's system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.

Yes 

6. The District scheduled and performed backup-control procedures for all critical systems at least annually to ensure uninterrupted operations and minimal loss of data.

Yes 

7. The District routinely completed software and application updates and patches when they became available.

Yes 

8. The District had vendor contracts or data-sharing agreements in place with 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.

Yes ▼

9. The District ensured changes to data in business (i.e., employee information, pay rates) and IT (i.e., user roles, access rights) systems were approved by an authorized individual prior to processing changes.

Yes ▼

10. The District enforced data security policies that required strong network passwords that aligned with credible industry standards, such as strong password requirements, screen locks, repeated failed sign-on attempt lockouts, and prohibited sharing of user IDs and passwords.

Yes ▼

11. The District's IT systems generated electronic audit trail reports or change logs with information about the electronic transaction that the District reviewed or analyzed regularly to determine transactions' propriety.

Yes ▼

12. The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed the instances.

Yes ▼

13. The District had a 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.

Yes ▼

## Transportation support

**Objective: To determine whether the District has implemented effective controls for its transportation program to ensure it properly reports its transportation miles and student riders to ADE, which helps to ensure the District receives the appropriate amount of State aid.**

1. The District accurately calculated and maintained documentation for miles reported on the Transportation Route Report submitted to ADE. [A.R.S. §15-922](#)

Yes

2. The transported students reported as eligible on the Transportation Route Report met the definition in [A.R.S. §15-901\(A\)\(8\)](#).

Yes

## Records management

**Objective: To determine whether the District has implemented effective controls to properly protect and maintain its records, including student and employee data, and that its records were disposed of securely and in accordance with established time frames.**

1. The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. [www.azlibrary.gov/records](http://www.azlibrary.gov/records)

Yes

## General long-term debt

**Objective: To determine whether the District is following the laws related to bonds to ensure voters are informed and the District complies with the bond covenants.**

1. The District calculated and issued debt in accordance with Arizona Revised Statutes and the Arizona Constitution. [A.R.S. §15-1021](#)

Yes

2. The District did not expend bond proceeds for items with useful lives less than the average life of the bonds issued or 5 years. [A.R.S. §15-1021\(F\)](#)

Yes

3. If outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board transferred the remaining balance to the Debt Service Fund. Otherwise, if the District had no outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board used the remaining balance to reduce taxes. [A.R.S. §15-1024\(B\)](#)

N/A ▼

Bond Building Fund still active.

4. The District credited interest or other money earned from investing bond proceeds to the Debt Service Fund unless the voters authorized the interest to be credited to the Bond Building Fund or federal laws or rules require the interest to be used for capital expenditures. [A.R.S. §15-1024\(C\)](#)

Yes ▼

**Preparer (AUDIT FIRM Representative)**

**Title**

**Date**

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Partner

12/16/2020