

# Audit Results

Fiscal Year Ended June 30, 2017

# Reports Issued/Purpose

- Comprehensive Annual Financial Report (CAFR)
  - Audited financial statements
  - Unmodified opinion
- Single Audit Report
  - Results of federal program testing and report on internal controls
- Management Letter
  - Internal control items not reported in Single Audit Report
- Uniform System of Financial Records Compliance Questionnaire (USFR CQ)
  - Compliance with various items outlined in USFR/state statute

# CAFR

- District Finance Department provides source documents to auditor
- Auditor performs audit based on source data
- Auditor compiles financial statements (CAFR) from source data
- Auditor issues opinion on financial statements

# Highlights from CAFR

- Page 13: Opinion
- Pages 17-27: Management's Discussion and Analysis
  - Explains reasons for changes in activity
- Pages 32-33: Government Wide Financial Statements
  - Accrual based financial statements, including all capital assets and debt
- Pages 36-46: Fund Financial Statements
  - Modified accrual basis financial statements
- Pages 47-71: Notes to Financial Statements

# Financial Highlights

- Major Funds/Cash :
  - General Fund \$19.3M
  - Debt Service Fund \$31.0M
  - Bond Building Fund \$41.9M
  
- Unrestricted Net Position <\$115.3M>
  
- Bonded Debt Outstanding \$242M

# Single Audit Report

- Just over \$13M in federal grant expenditures
- Auditors rotate federal program compliance tests
  - Child Nutrition Cluster
- Internal Control Deficiencies reported
  - Capital Assets
  - Procurement; Conflict of Interest
- Federal Deficiency reported
  - Verification of income applications

# Single Audit Finding FS-2017-001

- Significant Deficiency Over Capital Assets

- Corrective Action Plan:

District accounting personnel were trained on the correct procedure to capture and record activities on projects that are only partially completed at fiscal year-end. The District will ensure that the transactions are reviewed by an additional person in the finance department to confirm the activities were recorded properly. Special attention will be made to transactions that do not get processed through the District's general ledger.

# Single Audit Finding FS-2017-002

- Significant Deficiency; Compliance and Other Matters Procurement; Conflict of Interest

- Corrective Action Plan:

The District is continuing to work with legal counsel and the Attorney General's Office to resolve the allegations against the District.

The District will set a strong tone from the Superintendent and District's General Counsel that all conflicts of interest be disclosed and any conflicted party will remove themselves from participating in any manner in accordance with Arizona Revised Statutes.

The District will continue to ensure all conflict of interest forms are maintained in one central file for ease of access. District personnel will ensure the Procurement Office is made aware of any noted conflicts.

# Single Audit Finding FS-2017-002

- Corrective Action Plan (Cont'd):

To assure compliance with the conflict of interest laws:

1. The requirements of Arizona conflict of interest law and Board policy GBEAA shall be included in new employee orientation. As part of that orientation, in addition to the fundamentals of that law, the following should be addressed:
  - a) The requirement that a substantial interest of an employee's relative must also be included in the disclosure and the definition of relative.
  - b) The importance of refraining from participating in "in any manner" in transactions or decisions involving a substantial interest.
2. The requirements of Arizona conflict of interest law and Board policy should be a part of a mandatory in-service training of all employees. As part of that training, the following should be addressed.
  - a) The requirement that a substantial interest of an employee's relative must also be included in the disclosure and the definition of relative.
  - b) The importance of refraining from participating in "in any manner" in transactions or decisions involving a substantial interest.

# Single Audit Finding FS-2017-002

- Corrective Action Plan (Cont'd):

- 3) Employees should be required to review the District policy and affirmatively state they have no conflict of interest (if that is the case) on a regular basis. They should be reminded to fill out a disclosure form if they have a conflict of interest.
- 4) Supervisors should be vigilant if they believe an employee has a substantial interest in a transaction or decision and address it with the employee.
- 5) GBEAA-E should be amended to more closely follow the form recommended by the Arizona Attorney General.
- 6) GBEAA should be amended to fully explain the Arizona conflict of interest law and include the definition of parent, as well as an explanation of “substantial interest.”
- 7) The District should continue to maintain conflict of interest disclosures in a central location, which currently is in the Legal Department.

The District will further ensure processes are put into place to periodically compare amounts charged by vendors to the contract award to determine whether charges are consistent with the billing amounts, are correct, and that the terms and conditions of awards are being met.

# Single Audit Finding 2017-001

- Noncompliance; Special Tests and Provisions Nutrition Cluster
- Corrective Action Plan

The District will retain adequate supporting documentation for the verification report.

The supporting documentation for application and student counts on the verification report encompasses many pages of raw data which must be counted manually. Such aggregation is very susceptible to human error. The District will ensure that a review of this aggregation is conducted by a second individual not involved in making the initial count, thus providing a cross check and accuracy of the totals. It should also be noted that SUSD Nutrition Services has awarded a new point of sale vendor for FY19 and will be implementing new modules, including verification. The new and enhanced system will not require hand tabulation and counting and will be generated by the system. A second person providing a cross check will remain in the procedures moving forward to provide assurance that the totals remain accurate.

# Management Letter

- Procurement item related to a federal requirement
  - Suspension and debarment check was not always maintained

# USFR Compliance Questionnaire

- Variety of areas including:
  - Student Attendance Reporting
  - Accounting Records
  - Cash and Revenues – bank accounts, deposits
  - Student Activities
  - Other

# Other

- No disagreements with management about accounting principles
- No difficulties performing audit
- Audit adjustment was required
- Responsibility for fraud prevention rests with the District

# Questions?