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FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45

SINGLE AUDIT REPORT

Fiscal Year Ended June 30, 2023

FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SINGLE AUDIT REPORT
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YEAR ENDED JUNE 30, 2023

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board of
Fowler Elementary School District No. 45
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowler Elementary School District No. 45 (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-004 through 2023-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

District response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit that are presented in its corrective action. The District is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 *CWDL, Certified Public Accountants*

Mesa, Arizona

January 4, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board of
Fowler Elementary School District No. 45
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fowler Elementary School District No. 45's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 4, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Mesa, Arizona
January 4, 2024

FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Assistance Listing Number	Additional Award Identification (Optional)	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture:					
<i>Passed through The Arizona Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553		N/A	\$ 940,820	\$ -
National School Lunch Program	10.555		N/A	1,687,296	-
Supply Chain Assistance	10.555	COVID-19	N/A	139,675	-
Commodities - Food Distribution Noncash	10.555		N/A	291,435	-
Subtotal Child Nutrition Cluster				3,059,226	-
Total U. S. Department of Agriculture				3,059,226	-
U.S. Department of Education:					
<i>Passed through the Arizona Department of Education:</i>					
Title I - LEAs	84.010		22FT1TTI-211273-01A	1,478,600	-
Special Education Cluster (IDEA):					
IDEA Basic Grant Entitlement	84.027A		23FESCBG-311273-09A	833,263	-
IDEA Preschool	84.173A		23FECCEBP-311273-37A	54,600	-
ARP - IDEA Basic Grant Entitlement	84.027X	COVID-19	22FARPIB-211273-01A	150,593	-
ARP - IDEA Preschool	84.173X	COVID-19	22FARPIP-211273-01A	11,189	-
Subtotal Special Education Cluster (IDEA)				1,049,645	-
Title II - Improving Teacher Quality	84.367		22FT1TII-211273-03A	168,904	-
Twenty-first Century Community Learning Centers	84.287		23FCCLC2-311273-16C	276,556	-
Title IV-A Student Support & Academic Enrichment	84.424		22FT4TIV-211273-01A	87,855	-
Title III - English Language Acquisition State Grant	84.365	COVID-19	23FELLEP-311273-10A	152,297	-
School Safety Program	84.425D	COVID-19	22FSSPES-211273-01A	92,091	-
Education Stabilization Fund - ESSER II	84.425D	COVID-19	21FESSII-111273-01A	1,533,227	-
Education Stabilization Fund - ESSER III	84.425U	COVID-19	21FESIII-111273-01A	4,649,928	-
Subtotal Education Stabilization Fund				6,275,246	-
Total U. S. Department of Education				9,489,103	-
U.S. Department of Health and Human Services:					
<i>Passed through the City of Phoenix:</i>					
Headstart	93.600		Unknown	1,588,872	-
Total U. S. Department of Health and Human Services				1,588,872	-
Total Federal Expenditures				\$ 14,137,201	\$ -

FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the District's federal grant activity for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and Federal Assistance Listings numbers were obtained from the federal or passthrough grantor or the 2023 Federal Assistance Listings.

NOTE 4 - NON-CASH ASSISTANCE

Food donations as reported for the Child Nutrition Cluster represents the amount of donated food used during the fiscal year ended June 30, 2023. Commodities are valued at fair value at the time of donation.

NOTE 5 - INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	<u>No</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>Federal Assistance Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.425D, 84.425U</u>	<u>Education Stabilization Fund - COVID-19</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 Revenue Posting

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Repeat Finding: Yes, Similar to 2022-001.

Condition/Context: Material audit adjustments were necessary to properly record revenues in proper period. The District's miscellaneous receipt clearing account had a June 30, 2023 balance of \$76,681.84 for fiscal year 2022-23 collections, and the balance was not cleared and was not posted as fiscal year 2022-23 revenues. In addition, the District's Food Service Clearing bank account had a balance of \$155,632.86 for fiscal year 2022-23 food sales collection as of June 30, 2023, and the balance was cleared in August 2023 and the revenues were post to fiscal year 2023-24 instead of 2022-23.

Criteria: The Uniform System of Financial Records (USFR) and internal control procedures.

Effect: Noncompliance and revenues could be posted mis posted.

Cause: Management oversight.

Recommendation: For monies received in the clearing bank accounts, the District should clear them to the county treasurer at least monthly and record them in the period they are earned, measurable, and available.

Response: The District concurs with this recommendation and will evaluate its cash and revenue reporting process.

Contact person: Catherine King, Finance Director

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-002 Expenditure Posting

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Repeat Finding: No.

Condition/Context: A material audit adjustment was necessary to properly record expenditure in the proper period. An expenditure of \$295,818.44 was incurred through the period ending June 30, 2023, and was paid during the encumbrance period, but recorded into the fiscal year ending June 30, 2024, accounting module.

Criteria: The Uniform System of Financial Records (USFR) and internal control procedures.

Effect: Errors could be posted and remain undetected or unposted transactions could be missing within the general ledger.

Cause: Management oversight.

Recommendation: We recommend the District review its procedures over year-end cutoff transactions to ensure that expenditures are recorded in the period incurred. The District should review all transactions within the encumbrance period to ensure they are being properly posted within the correct accounting module within their general ledger software.

Response: The District concurs with this recommendation and will evaluate its year-end cutoff procedures.

Contact person: Catherine King, Finance Director

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-003 Journal Entries

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Repeat Finding: No.

Condition/Context: The District did not establish a system of internal controls over journal entries that required an individual other than the preparer to review and approve the entries. For ten of 25 journal entries selected, there was no documentation that someone other than the preparer reviewed the entry.

Criteria: The Uniform System of Financial Records (USFR) and internal control procedures.

Effect: Noncompliance with the USFR and potential for material misstatement or error within the general ledger.

Cause: Management oversight.

Recommendation: In order to strengthen internal controls, the District should evaluate its procedures over journal entries and implement procedures to ensure that all journal entries are reviewed and properly supported. This review and approval process ensures all required information is maintained to support the entry proposed and will mitigate errors.

Response: The District concurs with this recommendation and will evaluate its internal control process over journal entries.

Contact person: Catherine King, Finance Director

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-004 Information Technology

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Repeat Finding: No.

Condition/Context: The District did not establish internal control procedures over information technology processes to ensure proper protection of District and personnel data. The District did not limit access within the District's accounting software to only those areas in each employee's job function. Several employees had full administrative access to the accounting software, including third-party consultants, without compensating manual controls.

Criteria: The Uniform System of Financial Records (USFR) and internal control procedures.

Effect: Noncompliance with the USFR and potential for unauthorized access to the District's data.

Cause: Management oversight.

Recommendation: In order to strengthen internal controls, the District should evaluate its procedures regarding information technology security. The District should review user access rights and only grant access to those programs and modules that are necessary for individuals to perform their job functions. If that is not possible due to the District's limited staff size, manual controls should be established as a compensating control.

Response: The District concurs with this recommendation and will evaluate its internal control procedures.

Contact person: Catherine King, Finance Director

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-005 Payroll

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Repeat Finding: No.

Condition/Context: For two of 40 payroll transactions tested, the employee's gross pay was unable to be recalculated based on their contract or work agreement on file.

Criteria: The Uniform System of Financial Records (USFR) and internal control procedures.

Effect: Noncompliance with the USFR and potential for unapproved payroll disbursements being processed.

Cause: Management oversight.

Recommendation: In order to strengthen internal controls, the District should evaluate its procedures regarding payroll procedures to ensure that all contracts or personnel action request forms are maintained to support employee pay.

Response: The District concurs with this recommendation and will evaluate its internal control procedures over payroll.

Contact person: Catherine King, Finance Director

**FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

FOWLER ELEMENTARY SCHOOL DISTRICT NO. 45
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Finding 2022-001 Financial Reporting

- An adjusting journal entry without explanation / documentation was made to transfer \$272,276.45 from Fund 457 to Funds 523, 524 and 570. However only \$223,067 was posted to increase cash in Funds 523, 524 and 570 while Fund 520's Cash and Fund Balances were reduced in error by \$49,207.45.
- A bond interest payment of \$159,856.67 was coded to "Function 0000" and "Object 1510 - Interest on Investments", and should have been coded to "Function 5000 - Debt Service" and "Object 6841 - Bonds Interest Payments".
- The Daycare center clearing account had a cash balance at June 30, 2022 of \$166,441 that was not recorded in fiscal year 2021-22, resulting in daycare revenues being understated by \$166,441 for fiscal year 2021-22.
- 30 items on the capital asset listing had negative costs of \$(318,243). 19 of these items with a total negative cost of \$(245,350) were over-depreciated with depreciation totaling \$(712,517).
- The AzEd ADM15 report's membership days did not agree to the District's computerized attendance system records. The AzEd ADM15 reported 313,176 membership days and the District's computerized records reported 313,064.5 membership days, indicating membership was over reported by 111.5 days.

Status: Similar to finding 2023-001 and 2023-002.