

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2013**

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
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**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**

Independent Auditor's Report

Governing Board
Tucson Unified School District No. 1

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 Tucson Unified School District No. 1, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tucson Unified School District No. 1's basic financial statements, and have issued our report thereon dated December 27, 2013. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tucson Unified School District No. 1's internal control over financial reporting (internal control) to determine the 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 Tucson Unified School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Tucson Unified School District No. 1's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tucson Unified School District No. 1's financial statements are free from 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 determination of financial statement 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 Auditing Standards*.

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 District'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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 27, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Governing Board
Tucson Unified School District No. 1

Report on Compliance for Each Major Federal Program

We have audited the Tucson Unified School District No. 1's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tucson Unified School District No. 1's major federal programs for the year ended June 30, 2013. Tucson Unified School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tucson Unified School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tucson Unified School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tucson Unified School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Tucson Unified School District No. 1 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

Tucson Unified School District No. 1's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Tucson Unified School District No. 1's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Tucson Unified School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tucson Unified School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tucson Unified School District No. 1's 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. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

Tucson Unified School District No. 1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tucson Unified School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tucson Unified School District No. 1 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tucson Unified School District No. 1's basic financial statements. We issued our report thereon dated December 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted 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 OMB Circular A-133 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 27, 2013

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Impact Aid	84.041	N/A		\$ 3,337,968
Indian Education - Grants to Local Educational Agencies	84.060	N/A		415,512
Foreign Language Assistance	84.293	N/A		34,436
Magnet School Assistance	84.165	N/A		1,792,506
Passed through Arizona Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A120003		19,485,291
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A120007	\$ 9,342,016	
Special Education - Preschool Grants	84.173	H173A120003	290,589	
Total Special Education Cluster			<hr/>	9,632,605
School Improvement Grant	84.377	S377A120003		3,958,212
Career and Technical Education - Basic Grants to States	84.048	V048A120003		1,768,966
Education for Homeless Children and Youth	84.196	S196A120003		93,099
Twenty-First Century Community Learning Centers	84.287	S287C110003		2,424,069
Education Technology State Grants	84.318	S318X100003		9,742
English Language Acquisition Grants	84.365	S365A120003		964,399
Improving Teacher Quality State Grants	84.367	S367A120049		3,728,314
Mathematics and Science Partnerships	84.366	S366B110003		238,650
Race to the Top	84.413	B143A120003		4,747
Passed through the University of Arizona:				
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	P407A100036		<hr/> 132,441
Total U.S. Department of Education				<hr/> 48,020,957
<u>U.S. Department of Agriculture</u>				
Passed through Arizona Department of Education:				
Supplemental Nutrition Assistance Program, Recovery Act	10.551	N/A		54,216
Fresh Fruit and Vegetable Program	10.582	9AZ310AZ1		177,630
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	7AZ300AZ3	371,871	
Summer Food Service Program for Children	10.559	8AZ300AZ3	87,229	
Non-Cash Assistance Subtotal			<hr/> 459,100	
Cash Assistance:				
School Breakfast Program	10.553	7AZ300AZ3	2,569,438	
National School Lunch Program	10.555	7AZ300AZ3	13,778,872	
Summer Food Service Program for Children	10.559	8AZ300AZ3	582,052	
Cash Assistance Subtotal			<hr/> 16,930,362	
Total Child Nutrition Cluster				<hr/> 17,389,462
Total U.S. Department of Agriculture				<hr/> 17,621,308

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Arizona Department of Economic Security:				
Social Services Block Grant	93.667	N/A		344
Child Care and Development Cluster:				
Child Care and Development Block Grant	93.575	N/A	164,170	
Child Care Mandatory and Matching Funds of the Child Development Fund	93.596	N/A	<u>115,410</u>	
Total Child Care and Development Cluster				279,580
Passed through Arizona Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0030-02		6,760
Passed through Public Consulting Group Inc.:				
Medical Assistance Program	93.778	N/A		<u>301,561</u>
Total U.S. Department of Health and Human Services				588,245
<u>U.S. Department of Defense</u>				
Direct Program:				
ROTC	12.Unknown	N/A		92,429
<u>U.S. Department of Interior</u>				
Passed through Arizona Department of Education:				
Indian Education - Assistance to Schools	15.130	SMK0E060699		3,816
<u>National Science Foundation</u>				
Passed through the University of Arizona:				
Education and Human Resources	47.076	ESI-0424983		<u>80,805</u>
Total Expenditures of Federal Awards			\$	<u><u>66,407,560</u></u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Tucson Unified School District No. 1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.165	Magnet School Assistance
84.010	Title I Grants to Local Educational Agencies
84.377	School Improvement Grant
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$1,992,227

Auditee qualified as low-risk auditee? yes X no

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: 2013-1

Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Agency: U.S. Department of Education

Pass-Through Agency: Arizona Department of Education

Applicable ARRA Programs: N/A

Grantor Number: S010A120003

Questioned Costs: N/A

Type of Finding: Noncompliance

Compliance Requirement: Special tests and provisions

CRITERIA

According to 34 CFR, §200.55, all teachers of core academic subjects were to be highly qualified by fiscal year 2005-06. In addition, 34CFR §200.58 requires that paraprofessional who work in a program supported with Title I Grants to LEAs have an associate's degree or 60 semester hours of coursework documented on an official transcript from an accredited institution of higher education or pass a formal state assessment.

CONDITION/CONTEXT

The District did not meet the requirement that 100 percent of teachers of core academic subjects be highly qualified. In addition, all instructional paraprofessionals who worked in a program supported with Title I Grants to LEAs did not meet the highly qualified paraprofessional requirement.

EFFECT

The District is not in compliance with the requirement that for highly qualified teachers and paraprofessionals and therefore allow the District to meet the 100 percent rule.

CAUSE

The District was unable to find applicants that would meet the definition of highly qualified and therefore allow the District to meet the 100 percent rule.

RECOMMENDATION

The District should continue to implement guidance prescribed by the Arizona Department of Education to help ensure that all teachers meet the highly qualified requirement.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: 2013-1

VIEWES OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Beginning in fiscal year 2013-14, the District has implemented the following initiatives to comply with 34 CFR, §200.55:

1. Early Recruitment of graduating seniors and offers of Letter of Assurance.
2. Implementation of the Standby Teacher Program.
3. Issuing contingency contracts to allow for a reasonable time period to obtain highly qualified status.
4. One-time signing bonuses for designated hard to fill positions.
5. An incentive program for current general education teachers to obtain special education certifications/endorsements has been in place for several years.
6. Increased recruitment and outreach to colleges, universities, local businesses, and the military.

Contact Person: Anna Maiden, Chief Human Resources Officer

Anticipated Completion Date: Ongoing

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: 2013-2

Program:	CFDA Number:	Grantor Number:	Questioned Costs:
Title I Grants to Local Educational Agencies	84.010	S010A120003	\$ 78,025
School Improvement Grant	84.377	S387A120003	115,069
Magnet School Assistance	84.165	N/A	N/A

Federal Agency: U.S. Department of Education

Pass-Through Agency: Arizona Department of Education

Applicable ARRA Programs: N/A

Type of Finding: Noncompliance; significant deficiency in internal control over compliance

Compliance Requirement: Allowable costs/cost principles

CRITERIA

According to the Office of Management and Budget (OMB) Circular A-87 where employees work solely on a single cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

CONDITION/CONTEXT

Forty employees were reviewed for compliance with time and effort documentation requirements. The following were noted.

1. For two employees reviewed from the School Improvement Grant, the employees' certification did not indicate the grant that the certification applied to.
2. For one employee reviewed from Title I Grants to Local Educational Agencies, the supervisor did not sign and approve the certification. Additionally, one employee's time and effort certification did not substantiate the employee's pay distribution.
3. For five employees reviewed from the Magnet School Assistance grant, time and effort certifications were prepared for the entire year rather than semi-annually. Additionally, all certifications were signed in advance.

EFFECT

Federally funded salaries for District employees were not properly substantiated, as a result, the District did not comply with the provisions of OMB Circular A-87.

CAUSE

Internal controls were not designed to adequately monitor all employees whose salary was funded with federal funds to ensure adequate time and effort documentation was prepared and retained.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Concl'd)

Reference Number: 2013-2

RECOMMENDATION

Employees paid from Federal funds should complete appropriate certification of the duties performed.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

We have established accurate processes and procedures for the improvement of collecting time and effort logs. New work logs and substitute time sheets to account for all hourly employees have been created and were implemented at the end of fiscal year 2013. Mandatory training has been scheduled for school site office managers and department staff who are responsible for collecting time and effort logs.

Contact Persons: Ana Gallegos – Title I Director, Tina Stephens – School Improvement Grant Director, Victoria Callison – Magnet Director, Jose Figueroa – Finance Budget Manager
Anticipated Completion Date: July1, 2013

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

Status of Federal Award Findings and Questioned Costs

Reference Number: 2012-1
Program: Title I, Part A Cluster
CFDA Number: 84.010, 84.389

Status: Corrected.

Reference Number: 2012-2
Program: Title I, Part A Cluster
CFDA Number: 84.010, 84.389

Status: Not corrected, see current year finding 2013-1.

Reference Number: 2012-3
Program: Improving Teacher Quality State Grants
CFDA Number: 84.367

Status: Not corrected, see current year finding 2013-2.