

Kingman Unified School District

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

List of deficiencies for the year ended June 30, 2022

Governing board/management procedures - The governing board and District management should establish and implement procedures as required by Arizona Revised Statutes (A.R.S.) to ensure their oversight duties are met.		
	Question	Deficiency
1.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General (AG) Opinion I84-018	Four of 15 student activities fundraising events reviewed were not provided to the Governing Board for approval.
Budgeting - The District should prepare budgets based on legal requirements and allowable uses of monies and monitor spending to accurately inform the public about its planned spending and ensure it stays within those budgets.		
	Question	Deficiency
1.	The budget included all funds as required by A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The following budget requirements were not in compliance with the Budget Submission and Publication Instructions: <ul style="list-style-type: none"> The notice of the public hearing and board meeting regarding the adopted budget was electronically transmitted to Arizona Department of Education (ADE) on 7/8/21, only 5 days before the meeting date of 7/13/21. The proper notification of the proposed expenditure budget or summary of the proposed budget and the notice of hearing was not provided.
2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay (UCO) Funds were less than or equal to the budgeted amounts on the published proposed budget. A.R.S. §15-905(E)	Total budgeted expenditures on the originally adopted budget for the M&O Fund was \$49,395,410 which was \$548,801 more than the budgeted amount of \$48,846,609 on the published proposed budget.
Accounting records - The District should accurately maintain accounting records to support the financial information it reports and follow processes and controls that reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies.		
	Question	Deficiency
1.	The District coded transactions in accordance with the USFR §III Chart of Accounts.	The District did not record State equalization revenues of \$542,862 or a related administrative expense to properly record a transaction for the District's Transwestern property tax settlement. Additionally, the general property tax collected totaling \$17,891,642 was all applied to Fund 001—M&O Fund and not allocated between the M&O Fund and Fund 610—UCO Fund, as required. Based on the proportion of the final budgets for the M&O Fund and the UCO Fund, the District should have apportioned \$2,304,443 of the property tax to the UCO Fund.
2.	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	Three of 25 adjusting journal entries (AJE) were not signed and dated by someone other than the preparer. Four of 25 AJEs did not have supporting documentation attached to the AJE.

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3.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.	The June 2022 reconciliation identified a reconciling difference of \$63,385 that was not resolved.
4.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	

Cash and revenue - The District should document and control cash transactions to safeguard monies, provide evidence of proper handling to protect employees involved in handling monies from unfounded accusations of misuse, and reduce the risk of theft or loss.

	Question	Deficiency
1.	The District used a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35.	A total of \$32,771 was deposited into the food service clearing account in fiscal year (FY) 2022—with \$17,431 of the total deposited during June 2022. It was noted that only three clearing checks were issued during the year and a fourth check was issued during July 2022 to deposit the June 2022 balance of \$23,627 to the County for FY 2022.
2.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	Reports were not prepared that reconciled sales to cash collected for 11 of 15 student activity deposits reviewed. For a deposit of Scholastic Bookfair fundraiser, the deposit amount of \$6,167.18 did not agree to the total cash and checks collected amount of \$6,466.82 of the three Scholastic register receipts provided.
3.	The District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	<p>The District's auditor noted:</p> <ul style="list-style-type: none"> • Cash register receipts or sequentially numbered handwritten cash receipt forms documenting the date the monies were received were not provided for 12 of 15 student activity deposits reviewed. As such, it could not be determined if the monies were deposited in a timely manner. • A cash register receipt or sequentially numbered handwritten cash receipt form was not provided for one of 25 local deposits selected for review. As such, it could not be determined if the deposit was made timely. • Documentation was not provided to determine when the collections of an auxiliary fundraiser were received from students. As such, it could not be determined if the collections from students were deposited in a timely manner. • One of fifteen auxiliary deposits was made 13 days after the event. • Two local food service deposits were made 13 and 14 days after the collections.

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5.	All District bank accounts were reconciled monthly by an employee not involved with cash-handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.	An authorized check signer prepares the reconciliations of the four bank accounts each month. A secondary review of the reconciliations was not provided on the reconciliations.
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Property control - The District should properly value, classify, and report land, buildings, and equipment on its stewardship and capital assets lists. In addition, the District should safeguard its property, which represents a significant investment of its resources, from theft and misuse.

	Question	Deficiency
1.	The District 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.	The FY 2022 capital asset report did not have the current year depreciation calculated for 43 items. It was noted all the items were FY 2022 new additions.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	Five FY 2022 expenditures with a total amount of \$299,195.55 were not included in the FY 2022 capital asset report. Additionally, an energy savings project with a total cost of \$21,460,441 was completed in FY 2022 and was not included in the report.
3.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, included financed assets, and contained all required information.	A stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold was not provided.
4.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	One of five items selected from the capital asset list could not be located. It was noted that the item had been disposed of in the previous year and was not removed from the capital asset list. In addition, one of five items selected from the District premises was not on the District's capital asset or stewardship lists.
5.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District 's FY 2022 capital assets list included 37 line items with a total cost of \$128,552.01 that were noted as disposed in FY 2020.
6.	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.	Documentation was not provided supporting the occurrence and date of a physical inventory of the District's capital assets within the last 3 years.

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Expenditures - The District should ensure spending approvals document both the allowable District purpose and confirmation that spending was within budget capacity or available cash, to ensure appropriate use of public monies and compliance with budget limits, and to protect employees from unfounded allegations of misuse.		
	Question	Deficiency
1.	The District separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).	Checks were sent out to the vendors by the employee who creates the expenditure vouchers prior to a secondary review comparing the checks to an original invoice to verify the amount and vendor on the check is correct. It was noted, vouchers were not reviewed by a second employee until after the checks were sent out.
Procurement - The District should follow the School District Procurement Rules and USFR purchasing guidelines for purchases it makes to promote fair and open competition among vendors that helps ensure the District receives the best value for the public monies it spends.		
	Question	Deficiency
1.	The District requested at least 3 written quotes for purchases costing at least \$10,000 but less than \$100,000 and followed the guidelines prescribed by the USFR.	Written quotes or documentation that the purchase was otherwise exempt from requiring written quotes (i.e., sole source, cooperative purchase, etc.) was not provided for the hiring of charter buses for student athletic trips purchased from one vendor totaling \$52,341 during FY 2022.
2.	The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. A.R.S. §15-213(N) and R7-2-1003	Documentation was not provided to support that 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 in FY 2022.
Payroll - The District should document the review, verification, and approval of payroll expenditures to ensure employees are appropriately compensated and payments to employees are supported by Governing Board approved contracts, pay rates, and terms of employment.		
	Question	Deficiency
1.	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 following District policies.	Documentation was not provided for one of ten leave payouts selected for reviewed.
Financial reporting - The District should accurately prepare its financial reports, including its Annual Financial Report (AFR), to provide the public and oversight bodies, including bond investors and district creditors, a transparent view of the District's financial position.		
	Question	Deficiency
1.	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	Expenditures on the AFR did not agree with the District's accounting records for the following funds: Fund 001—Maintenance & Operation had AFR expenditures of \$48,397,918 and the District's accounting records had expenditures of \$48,405,123, a difference of \$7,205.

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2.	The District prepared the AFR and AFR summary (if one was prepared) with all information as required by A.R.S. §15-904, and followed the AFR Review, Submission, and Publication Instructions	A school-level AFR was not published on ADE's website.
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Student attendance reporting - The District should report accurate student membership and attendance information to ADE to ensure it receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	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 ten of ten students enrolled in the District's AOI program reviewed, the students' intended FTE Enrollment Statements were not provided.
2.	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 Updated Residency Guidelines	For two of 15 students reviewed, verifiable documentation of Arizona residency was not provided.

Information technology - The District should adopt an IT security framework that aligns with credible industry standards and through that framework the District should implement controls that provide reasonable assurance that its financial and student data is accurate, reliable, and secure.

	Question	Deficiency
1.	The District maintained adequate separation of duties in its IT systems that prevented 1 employee from completing a transaction without additional review and approval procedures.	Four employees were noted as having full access to Visions. It was noted that the A/P module for one employee provides full access to create and approve vendors, requisitions, and purchase orders and to process invoices.
2.	The District assessed security risks for its systems and data and provided employees annual security awareness training.	The District did not provide IT threat awareness training to employees during FY 2022.
3.	The District immediately and appropriately modified terminated or transferred employees' or vendors' access to all District systems.	The District did not remove two terminated employees' access to Visions financial software immediately upon termination of their employment with the District. Subsequent to audit inquiry, the employees' access to Visions financial software was disabled.

Transportation support - The District should accurately report its transportation miles and eligible student riders to ADE, to ensure the District receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The District accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	The District reported 636,475 eligible route miles on the FY 2022 TRAN55-1 report. However, the supporting documentation calculated to 642,171 miles, a difference of 5,696 miles. In addition, documentation was not provided to support the number of 1,954 eligible students reported on the FY 2022 TRAN55-1 report.