

# Sierra Vista Unified School District

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

List of deficiencies for the year ended June 30, 2024

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 District annually provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, A.R.S. 38-503, and 38-509	The District did not provide COI training to governing board members and 13 employees.
2.	The District annually obtained COI forms that allowed governing board members and employees to make known and fully disclose a conflict of interest in any contract, sale, purchase, service, or decision, 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 and 38-503	The District did not require governing board members to submit and did not ensure all employees submitted annual conflict-of-interest disclosure forms.
3.	The District maintained, for public inspection, a special file with all documents necessary to memorialize all governing board members and employees COI disclosures. A.R.S. §38-509	The District reported it did not have any COI forms on file from previous years, indicating that no substantial interests had ever been disclosed.
4.	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	<p>In fiscal year 2024, the Governing Board approved a contract addendum providing the Chief Financial Officer (CFO) \$10,000 in additional performance pay for work that appeared to be related to the CFO's primary job responsibilities and did not approve the addendum until after the work had reportedly been performed.</p> <p>Additionally, the Governing Board paid the Superintendent \$4,500 in performance pay in fiscal year 2023 without setting and approving required performance goals and ensuring payments were appropriate.</p>
5.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District did not appoint a student activities treasurer during the current fiscal year.

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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 meeting notification to adopt the budget was not posted 10 days prior to the meeting that was on 6/21/2023. The District posted the meeting notification on 06/15/2023.
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 reconciled cash balances by fund monthly with the County School Superintendent or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The cash on deposit with county treasurer reconciliation was not performed timely to ensure reconciling items were properly posted to the general ledger. An adjustment was proposed during the audit process to record \$355,740 of Classroom Site Fund monies that were not recorded within the original trial balance provided. In addition, an audit adjustment of \$725,420 was necessary to properly record debt service activity that was not recorded. Lastly, at the end of the current fiscal year-end, there were additional unposted reconciling items within the cash on deposit with county treasurer reconciliation.
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 separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	For 4 of 37 cash receipts and cash collection forms tested, there was no second review of the cash collected.
2.	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.	In reviewing cash receipts at 3 schools, the following was noted: <ul style="list-style-type: none"><li>• In 1 school's receipt book, 6 receipts had been unused and skipped, although they remained intact in the receipt book.</li><li>• At the 2<sup>nd</sup> school, 1 cash deposit included 3 cash receipts totaling \$537.99 and 2 of the prenumbered receipts were issued out of sequential order.</li><li>• At the 3<sup>rd</sup> school, the District issued 1 prenumbered receipt out of order and issued another receipt that was not prenumbered.</li></ul>

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3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 10 of 50 cash deposits reviewed totaling \$428, the District deposited the cash received between 8 and 36 days after the money was collected.
4.	The District safeguarded unused checks.	The business manager position is a check signor and has access to unused checks.

**Supplies inventory—The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.**

	Question	Deficiency
1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	Auditors noted the following when examining the District's controls over fuel supplies: <ul style="list-style-type: none"><li>• The fence gates to the District's fuel tanks were not consistently locked.</li><li>• Reports produced by the District's fueling system did not always record the name and/or personal identification number of the person fueling vehicles and did not require drivers to input the vehicle's mileage.</li><li>• Fueling reports for fiscal year 2023 identified at least 15 instances where vehicles were fueled at unusual times such as late at night or weekends, and neither the District nor the District's transportation contractor could provide documented support that the fuelings were related to a District-authorized trip or other authorized purpose.</li></ul>

**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 governing board or authorized designee approved stewardship and capital asset disposals during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with A.A.C. R7-2-1131.	The District did not maintain documentation showing the governing board approved current year capital asset disposals.

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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'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.	<p>The former CFO's invoices for consulting work only listed the hours charged, supported by a timekeeping system report, and did not provide any supporting documentation or information about what services were provided to the District during the hours charged.</p> <p>Additionally, for 7 of 18 purchases tested, the following was noted:</p> <ul style="list-style-type: none"><li>• 1 purchase lacked evidence of prior supervisory approval.</li><li>• 5 purchases lacked documentation of employee verification that the goods or services were received, and billings were accurate before payment.</li><li>• 1 expenditure lacked both evidence of prior approval and that an employee verified that services had been provided and the billing was accurate before payment.</li></ul>
Travel—The District should ensure employee travel is for an approved District purpose and travel reimbursements are correctly calculated and appropriately supported by travel documentation.		
	Question	Deficiency
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 the ADOA and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred.	Prior to approving the invoices, the District did not require the former CFO to submit any receipts to support the requested reimbursement and verify that travel had occurred. In addition, the consulting contract required travel reimbursements to follow the State-approved travel rates, however the amounts reimbursed for meals and lodging exceeded these rates.
Credit cards and p-cards—The District should control credit cards and p-cards to help reduce the risk of unauthorized purchases and approve purchases to ensure compliance with competitive purchasing requirements in the USFR and School District Procurement Rules.		
	Question	Deficiency
1.	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.	The District did not limit the number of card users to the minimum necessary for effective purchasing, as required by the USFR. The District had at least 85 purchasing cards and 58 authorized users.

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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.	The District hired the former CFO as a consultant prior to obtaining 3 written quotes for services. The District approved payments for 2 invoices totaling \$12,249.
Classroom site fund—The District should ensure it appropriately spends the State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as required by law.		
	Question	Deficiency
1.	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF FAQs.	The District did not have a separate performance pay plan established for the fiscal year ending June 30, 2024, nor did the District have documentation of how employees met the criteria to earn performance pay.
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 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, 15-342, and 41-1750(G)	For 1 of 25 employees tested, a fingerprint clearance card was not current through the fiscal year. The employee's fingerprint clearance card expired on 10/31/2022.
2.	The District enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	For 29 of 48 employees reviewed, the District improperly included accumulated leave and/or incentive payments when it calculated the employees ASRS withholdings. As a result, the District withheld nearly \$6,800 more in total from these 29 employees pay than it should have. When both employee and district contributions are included, the District paid almost \$13,530 more to the ASRS than required.

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3.	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.	For all 5 District employees reviewed, the employees accrued between 2.4 and 16.7 hours less sick leave than required by State law and the District did not provide the employees personal leave in accordance with its policy. Additionally, the District recorded incorrect sick leave amounts for 3 employees reviewed who the District had previously improperly placed on probationary status for their first 90 days of employment, the District overcompensated 2 employees by a total of 8.4 hours and undercompensated 1 employee by 8 hours.
4.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	<p>The District's payroll review process does not include reviews of payroll supporting documentation, accounting system changes, or new employees' payroll and leave details. Additionally, the following payroll payments did not have proper supporting documentation:</p> <ul style="list-style-type: none"><li>• The District improperly paid its superintendent \$500 for a cell phone reimbursement in addition to the technology allowance included in his employment contract.</li><li>• The District made \$2,447 in unsupported payments to 4 of 13 employees reviewed. While the District provided e-mails describing the reasons for the adjustments, it did not retain sufficient evidence such as the hours worked or approved pay rates to support the amounts paid and demonstrate that the pay calculations were accurate.</li><li>• The District underpaid 7 of 8 employees reviewed who received on-call payments by a total of at least \$77 and the on-call rate adjustments for 2 employees were delayed by up to 4 months.</li></ul>
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.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Invoices within the encumbrance period were not always recorded within the proper accounting module. In addition, audit adjustments of \$204,477 and \$29,550 were necessary to properly record expenditures within the proper fiscal year for the Special Projects Fund and General Fund.

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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 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	Membership was overstated by 381 days.
Information technology (IT)—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.	The District's network, accounting, and student information systems, allowed 5 users access to initiate and complete payroll transactions without another employee reviewing and approving the transactions. Additionally, the District granted 4 users unnecessary administrator-level access.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not remove access to 45 accounts that were associated with terminated employees or former contractors. Additionally, 10 of the accounts had been accessed between 10 and 170 days after the employees had terminated employment.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District's password requirements were not aligned with credible industry standards. Additionally, the District did not always require multifactor authentication to sign into some systems.
4.	The District had incident response and 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.	The District's disaster recovery plan did not include all the required elements.



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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	Total route miles did not agree between the TRAN55-1 report and the District's transportation logs. Total route miles appear to have been averaged over the 100-day period instead of using actual route miles driven. In addition the student count reported on the TRAN55-1 did not agree with the District's transportation records. Total mileage appeared to be understated by 668 miles and eligible student count was underreported by 89 students.