

Tucson 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 annually provide guidance to all employees on what constitutes a substantial interest and did not notify all employees that disclosing substantial interests is required as a part of their employment.
2.	The District annually obtained conflict-of-interest 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 obtain conflict-of-interest forms from all employees. Nine District employees did not submit a conflict-of-interest form to disclose a conflict of interest for a vendor for which they had a substantial interest.
3.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General Opinion 184-018	For 3 of 10 student activities cash receipts reviewed, the fundraisers were not approved by the governing board or governing board designee.
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 signed cover pages of the adopted, December, and final revised expenditure budgets were not submitted to the Superintendent of Public Instruction within 5 days of the electronic budget submission.

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2.	The District revised its budget on or before December 15, if the Arizona Department of Education (ADE) notified the District that its Maintenance and Operations (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the general budget limit (GBL) or unrestricted capital budget limit (UCBL). A.R.S. §15-905(E).	The District did not post the notice of public hearing at least 10 days before the meeting to adopt the December revised expenditure budget.
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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 Chart of Accounts.	A One-time State aid supplemental payment of \$5,365,679 was coded to object code 3120—Additional State Aid rather than object code 3100—Unrestricted.
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.	For 2 of 25 journal entries reviewed, the journal entries were not approved by someone other than the preparer.

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 Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For 6 of 10 student activities cash receipts reviewed, the District did not prepare a reconciliation of recorded sales to cash collected.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 10 student activities and 1 of 10 auxiliary operations cash receipts reviewed, the deposits were not made timely.

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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.	The District did not adequately separate the duties of receiving, issuing, and accounting for the issuance of custodial supplies and property control inventories as well as the duties of monitoring inventories, performing physical inventory, and reconciling the physical inventory to the inventory lists.
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 recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District's capital asset listing did not include 4 assets acquired during the current year that met the District's capitalization threshold totaling \$86,593.
2.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The District's stewardship listing did not include the location for all items.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 stewardship items and 2 of 5 capital assets selected from the listing, the assets were not tagged. For 2 of 5 stewardship items selected from the listing, the items could not be located.
4.	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 Arizona Administrative Code (A.A.C) R7-2-1131.	Stewardship and capital asset disposals were not approved by the governing board.

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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 Arizona Department of Administration (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.	For 1 of 10 travel reimbursements reviewed, adequate supporting documentation was not retained to support all the reimbursement amounts and the employee was reimbursed for amounts in excess of the maximums established by ADOA, both resulting in an overpayment of \$32.69.
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 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 A.A.C. R7-2-1003	The District did not provide training and guidance to all employees related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.
2.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	For 1 sole source vendor reviewed, the District did not maintain written documentation of the governing board's determination that there was only 1 source and that the determination was reasonable.
3.	For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by A.R.S. §15-323.	The District did not follow School District Procurement rules for purchases of \$6,090 from an employee-owned business and a purchase of \$4,020 from an employee-owned business.

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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's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For 1 of 5 employees reviewed, the personnel file did not include the Federal and State Withholding Allowance Certificates (Form W-4 or A-4).
2.	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.	Errors related to the vesting date of employees were noted in the original compensated leave schedule resulting in an overstatement of liabilities of \$1.2 million.
3.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act and were approved by the employee and the employee's supervisor.	For 8 of 22 hourly employees reviewed, the timecards were not approved by the employee.
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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures reported on the AFR for Fund 378—Impact Aid and Funds 300-399—Other Federal Projects did not agree with the most recently revised expenditure budget by \$506,715 and \$41,235,670, respectively.
2.	The District completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F)	Actual expenditures reported on the AFR for Fund 610—Unrestricted Capital Outlay did not agree with the District's accounting records by \$581,728.

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3.	The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The food service match of \$1,050,388 from Fund 001—Maintenance and Operation in the AFR did not agree to the District's accounting records of \$970,816. The food service match of \$1,911,954 from Fund 610—Unrestricted Capital Outlay Fund in the AFR did not agree to the District's accounting records of \$168,405.
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 prorated high school students' membership if enrolled in less than 4 subjects.	For 3 of 7 high school students enrolled in less than 4 subjects, the District did not properly prorate membership resulting in a net understatement of full-time equivalent (FTE) of 0.25.
2.	The District maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (AOI) program, including redetermining the actual 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 2 of 7 AOI student attendance records reviewed, the hours reported on the District computer-generated daily log did not agree to the hours reported to ADE; the amount of hours reported to ADE were understated by 2.72 hours.
3.	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 1 of 15 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency.
4.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S. §15-901(A)(1)	For 6 of 15 student attendance records reviewed for 10 consecutive unexcused absences, the withdrawal date was not the last day of actual attendance or excused absence.
5.	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	For 1 of 15 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency. As a result, it could not be determined if the student should have been excluded from the District's student count and state aid calculations or if the student should have been charged tuition.