

## Valentine Elementary School District

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

#### List of deficiencies

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, 38-503, and 38-509	The District was unable to provide documentation that it provided governing board members and employees guidance on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees as a part of their employment.
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 was unable to provide documentation that it obtained COI statements (or statements of no conflict) from all board members or required employees for fiscal year (FY) 2024.

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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.	<p>The District was unable to provide evidence it complied with FY 2024 School District Annual Expenditure Budget and submission and publication instructions:</p> <ul style="list-style-type: none"><li>• The proposed budget was submitted July 11, 2023, and was due no later than July 5, 2023.</li><li>• The Notice of public hearing to adopt the budget was published to Arizona Department Education (ADE) July 12, 2023, after the meeting date of July 11, 2023.</li><li>• The District could not provide documentation to support that the proposed budget was submitted to the County School Superintendent (CSS).</li><li>• The District could not provide documentation to support that an email was sent to the School Finance (SF) Budget team with a clickable link to the District's webpage where the proposed and adopted budgets were placed.</li><li>• The adopted budget was uploaded to ADE August 7, 2023, and was due no later than July 18, 2025.</li><li>• The District could not provide documentation to support when the agenda was posted for the meetings to approve the proposed budget, to adopt the proposed budget, and for the final budget revision.</li></ul>
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance & Operation (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. §15-905I.	<p>The District was notified that it was required to revise their budget by December 18, 2023; however, the District was unable to provide documentation that this process was completed.</p>

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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.	<p>For 2 of 15 expenditures totaling \$46,083, the District coded prepaid insurance to object 6520—Insurance, however, it should have been coded to 6522—Prepaid Insurance.</p> <p>Additionally, the District misclassified expenditures totaling nearly \$85,000, or more than 8% of its approximately \$1,029,000 fiscal year 2025 year-to-date spending as of March 2025.</p>
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 all 6 journal entries selected, documentation did not reflect that journal entries were approved, signed, and dated by someone other than the preparer and there was no supporting documentation maintained.
3.	The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue postings or journal entries) for propriety, and properly researched and resolved any differences.	For the entire fiscal year, the District could not provide documentation to support a monthly review of financial transactions the CSS initiated (i.e., revenue or journal entries).
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 supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	For all 9 receipts selected that were deposited directly to the county, which totaled \$9,949, the District could not provide documentation to support deposits.
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	The District did not prepare a capital assets listing for capital assets \$5,000 and above. The District's lack of a capital asset listing reported in its financial

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	improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	statements was part of the basis for the independent auditor's qualified opinion on the governmental activities and General Fund, in the District's financial statements.
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 did not prepare a stewardship listing for items costing at least \$1,000 but less than \$5,000.
3.	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.	The District could not provide documentation that a physical inventory of all equipment was completed and reconciled in the last 3 years. .

**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).	For 8 of 10 purchases reviewed, that were made between July 2024 and January 2025, the purchases lacked required prior approval. Additionally, the District lacked evidence that it had implemented a secondary review process to demonstrate proper separation of responsibilities.
2.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 8 of 15 expenditures, totaling \$188,453, the District issued purchase orders 4 to 64 days after the invoice date.
3.	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.	For 1 of 15 expenditures tested, totaling \$11,933, the District did not retain a vendor invoice.  Additionally, for all 10 purchases reviewed that were made between July 2024 and January 2025, the District lacked documentation supporting that it had verified receipt of the goods or services or verified the accuracy of the invoices associated with the purchases prior to paying them.

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4.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	For 3 of 4 IGAs identified, the District was unable to provide fully executed agreements.
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 was unable to provide documentation that it maintained a complete list/log of card users to track card possession and personnel for training, obtained signed user agreements, or provided credit card training to all card users during fiscal year 2024.
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	For July 2023 through November 2023 and January 2024 through March 2024, the District did not provide credit card statements for 1 District credit card. In addition, for another credit card, the District did not provide credit card statements for August 2023 through June 2024.
3.	The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.	For all 5 credit card expenditures selected, totaling \$10,633, the District was unable to provide documentation that card purchases were supported by valid receipts or transaction logs.
4.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$220 in credit card finance charges and late fees.
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.	For all 8 vendors (population exhausted) with whom the District expended a total within the \$10,000 to \$99,999 written quote range, the District could not provide documentation that it obtained 3 written quotes, or that expenditures were procured using a different method such as purchasing cooperatives or the request for proposal process.

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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 A.A.C. R7-2-1003	The District could not provide documentation that it 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.
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's minutes did not document board approval of the adoption of a performance-based compensation system. Further, for all 5 employee files tested, the District was unable to provide evidence that payouts agreed to a governing board approved performance pay plan.
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 8 employee files selected: <ul style="list-style-type: none"><li>• For 3 employees, the District was unable to provide documentation it obtained valid teaching certificates.</li><li>• For all 8 employees, the District did not obtain loyalty oaths.</li><li>• One employee's file did not have required payroll deduction items.</li><li>• Payroll contracts were not signed by the employee or a member of the governing board.</li></ul>
2.	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 7 of 9 employee files selected, 3 employees had expired fingerprint clearance cards, and 4 employees did not have a fingerprint clearance card or other background check on file.

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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.	<p>District auditors noted the following regarding compensated absences:</p> <ul style="list-style-type: none"><li>• The District could not provide documentation that it tracked compensated absences during the fiscal year.</li><li>• The District did not prepare a compensated absences listing.</li><li>• For all 4 payouts of compensated absence balances, which totaled \$42,537 and included a \$36,324 payment to the Superintendent, the District could not provide documentation to support the calculation of the payout amount or independent approval of those amounts.</li></ul> <p>These compensated absence deficiencies were part of the basis for the independent auditor's qualified opinion on the governmental activities and General Fund, in the District's financial statements.</p>
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.	The budgeted amounts reported on the AFR were underreported by \$172,000 in Funds 300-399—Other Federal Projects and overreported \$400,000 in Fund 378—Impact Aid when compared to the final revised budget.
1.	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)	<p>The District's expenditures were not correctly reported on the AFR for the following funds:</p> <ul style="list-style-type: none"><li>• Fund 001—M&amp;O (over \$2,990)</li><li>• Fund 102—ESEA Title I (under \$2,990)</li><li>• Fund 160—ESEA Title IV (under \$10,000)</li><li>• Fund 220—IDEA Part B (under \$10,074)</li><li>• Fund 378—Impact Aid (over \$7,574)</li><li>• Fund 610—UCO (under \$33,001)</li></ul>
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	<p>The District was unable to provide documentation that it complied with the AFR submission requirements:</p> <ul style="list-style-type: none"><li>• The AFR was submitted to the Arizona Department of Education (ADE) on December 11, 2024, and was due no later than October 15, 2024.</li></ul>



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		<ul style="list-style-type: none"><li>• The District was unable to provide documentation that the AFR was submitted to the CSS.</li><li>• The District could not provide evidence that the District sent an email to ADE's SF Budget Team with a scan of the completed cover page within 5 days of AFR submission.</li><li>• The District did not email ADE's SF Budget team a clickable link to the District's webpage where the AFR was placed.</li><li>• The School-Level AFR was submitted January 16, 2025, and was due no later than October 15, 2024.</li><li>• The District approved the AFR for the year ended June 30, 2024, on December 10, 2024, and should have approved it no later than October 15, 2024.</li></ul>
3.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for ADE to calculate the Teacher Experience Index (TEI). A.R.S. §15-941 and School Finance Reports	The District was unable to provide evidence it submitted the SDER before the October 15, 2023 due date.

**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.	As of March 2025, 4 accounting system users had more access than necessary to perform their job duties. Additionally, the District had 14 administrator-level accounts associated with its Student Information System (SIS) vendor but did not document how appropriate access levels were determined, and which if any, administrator-level accounts were necessary.
2.	The District assessed security risks for its systems and data, implemented appropriate controls to address risks, and provided employees/contractors annual security awareness training.	The District was unable to provide documentation it provided employees security awareness training at least annually.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not consistently remove user access immediately upon employees' termination from District employment. Specifically, for 2 of 5 former employees with SIS access reviewed, access was not disabled until 28 and 126 days after termination.



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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 had not prepared formal contingency planning documents that included the date and method the District would use in disaster recovery.
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 100th day mileage reported to ADE was understated by 6,202 miles which resulted in an underpayment of \$24,495. Further, there was not sufficient documentation provided by the District to determine if the 81 eligible students were accurately reported.