

Valley Union High 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, A.R.S. 38-503, and 38-509	The District was unable to provide evidence it performed COI training to governing board members during the fiscal year.
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 evidence it obtained signed COI statements, or statements of no conflict, from board members and employees during the fiscal year.
3.	Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that contract, sale, purchase, service, or decision of the school district. A.R.S. §§38-502 and 38-503(A) and (B)	Review of the District's accounting records in fiscal year (FY) 2023 identified \$41,172 in purchases made from a hardware store owned by a governing board member and these purchases and amounts were not disclosed in governing board meeting minutes.
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.	The District could not provide documentation of governing board approval of salary schedules and other pay rates.

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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 District was unable to provide documentation that it emailed the School Finance Budget Team a clickable link to the District's website where the proposed and adopted budgets were placed.
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>The District made the following coding errors:</p> <ul style="list-style-type: none">• Property insurance totaling \$65,716 was coded to object 6210—Employee Insurance, however, it should have been coded to object 6521—Current Year Insurance.• A bulk computer purchase totaling \$14,962 was coded to object code 6610—General Supplies, however, it should have been coded to 6737—Technology-related hardware and software-Cost \$5,000 or more.• A kitchen oven purchase totaling \$13,008 was coded to object code 6810—Dues and Fees, however, it should have been coded to 6733—Furniture and equipment-Cost \$5,000 or more.• Worker's compensation insurance totaling \$11,084 was coded to object code 6521 —Current Year Insurance, however, it should have been coded to 6260—Workers' Compensation.• Contracted teaching services were coded to object 6112—Classroom Teacher Base Salaries, however, they should have been coded to object 6300—Purchased Professional and Technical Services.• Contracted consulting services were coded to object 6150—Classified Salaries, however, they should have been coded to object 6300—Purchased Professional and Technical Services.

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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 15 journal entries selected, the District could not provide documentation that the journal entries were approved, signed, and dated by someone other than the preparer. In addition, the journal entries were not supported with reports or other documentation to support the purpose or accuracy.
3.	The District reconciled cash balances by fund monthly with the county school superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	Although there were monthly reconciliations, the District could not provide documentation to support on a monthly basis any differences were researched, resolved, documented, and dated or that reconciliations to the CSS/county treasurer were completed as reconciliation details revealed various monthly variances, ranging from \$25 to \$102,000. These monthly reconciliation deficiencies were the basis for the independent auditor's qualified opinion on the District's governmental activities, each major fund and aggregate remaining fund information.

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 Maintenance and Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	The M&O Fund revolving bank account did not appear to be operated or reconciled to an imprest amount during the fiscal year. Further, for all 5 revolving fund expenditures selected, totaling \$1,592, the District did not retain documentation to demonstrate that the expenditures were made for immediate cash outlay as allowable by A.R.S. 15-1101.
2.	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.	The Food Service Fund clearing bank account did not appear to be cleared at least monthly. The account, however, was cleared at year end.
3.	The District used an Auxiliary Operations Fund bank account in accordance with A.R.S. §15-1126.	The District could not provide evidence that the governing board designated signers for the Auxiliary Operations Fund bank account. Further, for all 3 checks written from the Auxiliary Operations Fund bank account, totaling \$1,740, checks were signed by only 1 individual.

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4.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1125.	For 4 of 5 auxiliary operations deposits selected, totaling \$6,204, the District could not provide documentation that deposits were supported by documented tickets, sequentially numbered cash receipts for individual transactions, cash register or a count on hand before and after a sale.
5.	The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	The District could not provide documentation that the governing board approved an additional person besides the student activities treasurer to sign checks. Further, for all 3 checks written from the Student Activities Fund bank account, totaling \$5,807, checks were signed by only 1 individual.
6.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For all 5 student activities deposits selected, totaling \$31,613, the District could not provide documentation that deposits were supported by documented tickets, sequentially numbered cash receipts for individual transactions, cash register receipts, or a count on hand before and after a sale.
7.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District auditors noted the following: <ul style="list-style-type: none">• For 1 of 5 food service deposits tested, totaling \$51, cash was deposited 51 days after initial collection.• For all 7 deposits to the county treasurer, totaling \$154,913, amounts were deposited 15 to 112 days after initial collection.
8.	The District retained supporting documentation for disbursements from bank accounts.	The District auditors noted the following: <ul style="list-style-type: none">• For all 3 auxiliary operations disbursements tested, totaling \$1,740, the District did not retain documentation, including original invoices, to support disbursements from the bank account.• For all 3 student activities disbursements tested, totaling \$5,807, the District did not retain documentation, including original invoices, to support disbursements from the bank account.

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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 perform checks of fuel levels during the fiscal year.
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 District's capital asset listing did not contain complete information for the location, identification number for equipment, method of acquisition, source of funding, purchase document number, or percentage of federal participation in the asset's cost.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District did not add \$91,556 of additions to their capital assets listing during the fiscal year.
3.	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 maintain a stewardship listing.
4.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District auditors could not verify if the District's capital assets and stewardship items were identified as the District's property, that the assets were properly tagged, and included on the appropriate corresponding lists because the District did not maintain property listings with sufficient details.
5.	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 did not retain evidence that an inventory has been taken within the past 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 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 23 expenditures tested, totaling \$144,404, POs were dated 4 to 43 days after the invoice date.
2.	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.	The District did not maintain POs, invoices, purchase receipts, and/or payments for 16 of 30 credit card transactions, 5 of 30 expense transactions, and all 3 of its travel expenses reviewed. Additionally, the District did not require its facility cleaning services contractor to provide records to document the number of hours worked to support the amount paid.
3.	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	For 3 of 4 student activities disbursements tested, totaling \$5,807, the District could not provide documentation that the disbursement was authorized by members of the applicable club.
4.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District's CTED Supplanting worksheet's comparison of per-pupil expenditures were \$877 less than in the base year, indicating the appearance of supplanting career and technical expenditures with CTED monies.

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5.	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	The District entered into an IGA with Elfrida Elementary School District (ESD) to provide food services to Elfrida ESD students but the District did not ensure it received accurate reimbursement for the services in FY 2023. The District also entered into an IGA with Elfrida ESD for administrative services, transportation, and facilities use that required Elfrida ESD to pay the District \$60,000 in FY 2023. However, the District did not request payment from Elfrida ESD and District staff were not tracking the amount of time spent working at each district.
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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 provided an annual credit card training and obtained signed user agreements during FY 2024. Additionally, the District was unable to provide evidence it maintained a list/log of card users to track card possession throughout the fiscal year.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$236 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 8 of 9 vendors with whom the District spent \$10,000 to \$100,000, the District did not retain documentation that 3 written quotes were requested.
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 did not retain documentation 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.

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3.	The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. A.A.C. R7-2-1191(D)	The District did not retain documentation that the District reviewed the cooperative's supporting documentation to determine that the cooperative complied with the School District Procurement Rules.
4.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. A.A.C. R7-2-1004 and A.R.S. §15-213(B)	The District did not retain documentation of written determinations for materials purchased through 2 school purchasing cooperatives.

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.	For 4 of 5 employees selected, the District could not provide documentation that the performance payments were based on the adopted performance-based compensation system.

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 6 FY 2023 employee files reviewed, the District lacked documentation to support that the employee has an active fingerprint clearance card. Further, the District lacked a process to regularly monitor and verify the validity of employees' fingerprint clearance cards.
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.	For all 5 employees tested, the District was unable to provide documentation for calculations of accrued time paid out to employees, which totaled \$5,993. In addition, there was no evidence that amounts were paid out.
3.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 1 of 14 FY 2023 employee payroll records reviewed, the employee did not receive pay of \$165.87 until 70 days after the end of the payroll cycle in which the pay was earned.

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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 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)	The District reported \$1,786,991 of expenditures on the AFR, however, District records reflected expenditures of \$1,784,166, or a difference of \$2,825.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The following exceptions were noted: <ul style="list-style-type: none">• The District could not provide documentation for the submission of the AFR to the CSS.• The District emailed the signed copy of the AFR cover page to ADE's School Finance Budget team on January 22, 2025, and was due within 5 days of submission which was October 11, 2024.• The District was unable to provide documentation that it emailed a clickable link to the District's webpage where the AFR was placed.
3.	The District's website included its average teacher salary information required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report A.R.S. §41-1279.03(A)(9)	The District's webpage did not contain any of the teacher salary information elements required by A.R.S. §15-903(E).
4.	The District submitted the School District Employee Report (SDER) to Arizona Department of Education (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 did not submit the SDER to the Arizona Department of Education ADE for FY 2024.

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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 did not regularly review user's access to its accounting information system (AIS) and student information system (SIS) and ensure that access is limited to only what was necessary to perform job duties. Specifically, the District had 32 active user accounts with full access to all modules within the AIS. Additionally, 5 of 10 SIS users tested had unnecessary administrator-level access, which gave these users full access to the system settings.
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 that it provided employees an annual security awareness training.
3.	The District immediately and appropriately modified terminated or transferred employees', contracts', or vendors' access to all District systems.	The District was unable to identify the users for 17 of 32 District AIS accounts. Additionally, 4 of 10 SIS user accounts belonged to employees whom the District no longer employed.
4.	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	The District did not have physical or environmental safeguards in place to ensure its network was secure. Further, the District officials could not provide information on who had access to its computer server and IT areas because there was no documentation for the number of keys that existed nor to whom the District had distributed them.
5.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	County employees have access to the District's accounting system to provide support services, such as making payroll tax payments and printing checks. However, the District has not implemented compensating controls, such as regularly reviewing County employee user activity logs and documenting these reviews to detect unauthorized activities in its accounting system. Additionally, the District has not established a process to approve any new County users and ensure any unnecessary accounts are disabled.

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6.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not require multifactor authentication to sign into 1 critical system. Further, the District's critical systems' password requirements were not aligned with credible industry standards.
7.	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 contingency plan did not contain some key components. Specifically, the plan lacked an impact analysis; did not identify supplies and equipment necessary to perform the plan's procedures; and did not identify who should be contacted in the event of a disaster, how to contact them, and what procedures to follow to successfully restore operations. Further, the District did not test its contingency plan at least annually to ensure it is effective and that each staff member knows their duties.

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 inaccurate vehicle inventory and bus route miles driven for FYs 2023 and 2024, which caused the District to be underfunded by \$3,065 and \$16,501 in those years, respectively.