

## Window Rock Unified 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 obtained conflict-of-interest (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 maintain documentation that it provided COI training to all employees on an annual basis.
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.	The District inappropriately coded the following purchases: <ul style="list-style-type: none"><li>• Conference registration fees to object 6580—Travel rather than object code 6300—Purchased Professional and Technical Services.</li><li>• 2024 Chevrolet Express 3/4 Ton Cargo Vans to function 2700—Student Transportation rather than function code 2600—Operation and Maintenance of Plant.</li><li>• Walk in Refrigerator—Administrative Building to function 1000—Instruction rather than function code 3100—Food Service Operations.</li><li>• Annual membership dues to object code 6610—General Supplies rather than to object code 6810—Dues and Fees.</li><li>• Student travel to object code 6580—Travel, rather than to object code 6890—Miscellaneous Expenditures.</li></ul>
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 5 journal entries reviewed, the District did not retain supporting documentation for the journal entries. Additionally, another 1 of the 5 journal entries was not reviewed by a secondary employee.

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3.	The District reconciled cash balances by fund monthly with the Country School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	The District's county cash reconciliations were not completed in a timely manner, with the June 2024 reconciliation being completed in January 2025. Additionally, significant reconciling items were noted between the District, CSS, and County Treasurer.
4.	The District reconciled total revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS and the reconciliation was reviewed and properly supported.	

**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 an Maintenance and Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	For 1 of 5 M&O Fund revolving account disbursements tested, the District inappropriately wrote a \$500 check to an employee for payroll.

**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 2025 capital asset list did not include the acquisition date for all assets. Therefore, we were unable to determine whether historical data prior to the District's ransomware attack in fiscal year 2023 had been imported into the District's financial software.
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 FY 2025 stewardship list did not include the acquisition date for all assets. Therefore, we were unable to determine whether historical data prior to the District's ransomware attack in fiscal year 2023 had been imported into the District's financial software.

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3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<p>We noted the following:</p> <ul style="list-style-type: none"><li>• For 4 of 10 capital assets and stewardship items, the asset was not tagged, and the assets were identified with temporary tag numbers on the respective lists.</li><li>• For 1 of 5 capital assets, the tag number included on the asset did not agree to the tag number on the capital asset list.</li><li>• For 2 of 5 stewardship items, the permanent tag number on the asset did not agree to the stewardship list, as the assets were identified with temporary tag numbers on the stewardship lists.</li><li>• For 2 of 5 capital assets and stewardship items selected from the premises, the item was not included on the corresponding capital asset and stewardship list.</li><li>• For 1 of 5 capital assets and stewardship items selected from the premises, the tag number was not included on the corresponding capital and stewardship list.</li><li>• Per review of the District's FY 2025 capital assets list, 112 assets, including the 6 assets mentioned previously, had temporary tag numbers that should have been assigned a permanent tag number.</li></ul>
4.	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 maintain documentation of its last full physical inventory of equipment.

**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 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 the 5 travel expenditures, the District paid a per diem amount rather than reimbursing for the actual meal costs incurred, and the employees did not complete travel reimbursement forms, as required by District policy.

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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'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.	The District spent \$3,459.60 on Yeti tumblers for students of the month and did not determine and document that the purchases would not be a gift of public monies prior to making the purchases.
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 3 of 10 purchases requiring written quotes tested, the District did not obtain 3 written quotes.
2.	The District obtained signed procurement disclosure statements for all procurement consultants, members of a procurement advisory group, or evaluation committee involved in each specific procurement process. Arizona Administration Code (A.A.C.) R7-2-1008	For all 3 formal procurements tested, the District did not maintain signed procurement disclosure forms from the evaluation committee members.
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)	For all 7 cooperative agreements tested, the District did not perform due diligence.
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)	For 4 of 7 cooperative purchases tested, the District did not prepare written determinations specifying the reasons for using the cooperative contract, including how the determination was made, the rationale for the vendor selected, and how it is advantageous to the district.

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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 3 of 25 employees tested, the District did not maintain an I-9 in the employees' file.
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 did not agree to the District's most recently revised budget for the Federal Projects, Food Service, and Other Funds.
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)	For 10 funds, the revenues reported on the AFR did not agree with the District's financial records resulting in \$3,168,990 of net overreported revenues. For 14 funds, the expenditures reported on the AFR did not agree with the District's financial records resulting in \$3,022,708 of net overreported expenditures.
3.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	A material audit adjustment was necessary to accrue a construction invoice in Funds 346 and 639 for \$1,636,802 for services rendered through June 30, 2024.
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.	For 6 employees, the District did not limit employee access to only those business functions or software necessary to perform their job function.

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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 did not provide a formal data classification policy. Additionally, of the 272 users enrolled in the security awareness training, 34 have not completed the security awareness training.
3.	The District scheduled and performed data backup-control procedures for all critical systems at least daily, or more frequently, to ensure uninterrupted operations and minimal loss of data.	The District did not provide evidence of the School ERP Pro backups.