

Seligman 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 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 governing board approved COI training material in its August 13, 2024, meeting but had not implemented the training as of April 2025. The District plans to implement the training at the start of the fiscal year (FY) 2026 school year.
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	Although the District obtained COI forms from governing board members, the forms did not have evidence of review by the District's administration. Additionally, the forms completed by the District's former superintendent and his spouse, a District teacher, did not disclose their relationship. The superintendent was responsible for reviewing the forms for completeness and accuracy.
3.	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 paid 3 employees longevity bonuses of \$500 per year each for a total of \$4,500, despite such bonuses not being authorized by employment contracts or District policy. In addition, the District paid more than \$3,700 to at least 6 employees for additional duties or activities but lacked support, such as contract addendums, specifying the extra duties and pay rates.
4.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General (AG) Opinion I84-018	The District did not document board approval for fundraisers held during FY 2024.
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.	A link on the District's website to budget documents on the Arizona Department of Education's (ADE) website could not be found.

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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 4 of 11 transactions reviewed, the District did not appropriately code the transactions. Specifically, we noted the following:</p> <ul style="list-style-type: none">• An expenditure for narcotics K-9 service was coded to object 6590—Miscellaneous Purchased Services, rather than to 6300—Purchased Professional and Technical Services.• An expenditure for playground equipment repair materials was coded to object 6611—General Supplies, rather than to 6431—Nontechnology-Related Repairs and Maintenance.• An expenditure for a software subscription coded to object 6655—Short-Term Noninstructional Software Subscription, was made from fund 001—Maintenance & Operation (M&O), rather than from fund 610—Unrestricted Capital Outlay, or another allowable fund. In addition, as the District intends to renew the software subscription after the initial 12-month subscription, the expenditure should have been capitalized as a lease and amortized via principal and interest payments over the lease term.• An expenditure for educational materials was coded to object code 6611, rather than to 6643—Instructional Aids. <p>Additionally, when testing student activities, we noted the District made an inaccurate journal entry when trying to correct revenue inappropriately deposited into the volleyball club's account. Rather than reversing the revenue object code 1750—Revenue from Enterprise and Student Activities, the journal entry used expenditure object code 6611—General Supplies.</p> <p>Finally, auditors reviewed the District's classifications for \$513,311 in expenditures and found that the District misclassified at least \$88,050 of these expenditures.</p>

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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 Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and AG Opinion I60-35.	The District did not adequately clear the food service bank account for all 12 months examined.
2.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District stored cash in an unlocked storage room with the door left open throughout the day. Although there was a safe in the room, auditors also observed times the safe door was left open and envelopes containing cash were stacked next to it, making them accessible to people inside the room. Further, District officials did not have records of who had access to the safe and could not recall the last time the safe combination had been changed.
3.	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 FY 2024, for all 5 auxiliary operations and 4 out of 5 student activities cash receipts tested, documentation was not maintained to support cash collections to sales. In our May 2025 status review, for all 4 cash receipts tested, documentation was not maintained to reconcile cash collections to sales.
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	In FY 2024, for 14 of 21 cash receipts tested, deposits were not made in a timely manner. In our May 2025 status review, 1 of 4 deposits tested were not made in a timely manner.
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 inappropriately included various repairs and maintenance expenditures as items on its capital asset and stewardship lists. Further, the District's capital asset list was not complete as not all items had a purchase document number. Finally, 1 item listed on the District's stewardship list should have been included on the District's capital asset list as the value was over \$5,000.

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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 list was not complete as all items did not have an acquisition date or location and several items had a temporary tag number.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	In FY 2024, for 7 of 15 assets examined, the identifying number affixed to the asset was not present or did not agree to the corresponding asset listings. In our May 2025 status review, for 15 assets reviewed, 5 did not have the tag number from the corresponding list attached to the asset and 1 did not have a tag number identified on the corresponding list or the asset. In addition, 2 of 5 assets selected from the District's stewardship list could not be located, and 1 of 5 assets selected from the District's premises was omitted from the District's stewardship or capital asset lists.

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).	The District's business manager approved 2 procurement items, when the District's policy required the superintendent or Governing Board approval and 8 of 25 purchase orders, that required the Superintendent's approval.
2.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	Of the 45 general disbursements tested, 10 were dated prior to the invoice date. Additionally, the District paid nearly \$89,000 more for goods and services than had initially been approved with no evidence that the additional costs were separately reviewed and approved by the Superintendent.

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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.	<p>In our May 2025 status review, for 2 of 6 disbursements, the District did not maintain supporting documentation, such as a receiving report, as evidence that the service was rendered prior to payment issuance. Additionally, for 4 of 6 expenditures reviewed, the District did not mark the invoice "paid" to prevent duplicate payment. As a compensating control, the District staples check stubs to invoices to indicate payment. However, for 1 of the 4 invoices not marked paid, the check stub was not filed with the corresponding invoice. In addition, for 1 of 5 credit card purchases tested, the purchase order was dated after the invoice.</p> <p>Finally, for 2 of 25 accounts payable transactions totaling \$825, the auditors noted that transaction amounts recorded in the District's accounting system were different than the amounts reflected in the supporting documentation.</p>
4.	The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under A.R.S. §§43-1089.01 and 15-342(24).	For 4 of 5 extracurricular activities fees tax credit fund expenditures tested, the expenditures were for student and/or staff gift cards and did not appear to be allowable.
5.	The District prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the County School Superintendent (CSS) by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	The District inappropriately rounded up encumbered M&O Fund expenditures reported on the Advice of Encumbrance it submitted to the CSS, resulting in reported expenditures not agreeing to the supporting data by 10%.
6.	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 1 of 5 IGA's examined, it was not signed by the third party.

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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 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 15 travel expenditures tested in FY 2024, the following were noted <ul style="list-style-type: none">• All 15 expenditures lacked supervisory review and/or payment approval.• 7 expenditures lacked evidence of advance approval, such as a purchase order.• 5 expenditures reviewed lacked a travel claim and the 10 expenditures with travel claims were missing some required information, such as odometer readings, departure location, or destination.• The District paid for lodging for 2 governing board members that exceeded the State of Arizona Accounting Manual (SAAM) maximum rates without retaining documentation to demonstrate compliance with SAAM requirements.
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.	In FY 2024, documentation was not provided to support that at least 3 written quotes were obtained, or that the purchase was otherwise exempt from requiring written quotes for 3 of 6 purchases within the written quote range tested. In our May 2025 status review, the District did not obtain at least 3 written quotes for all 3 purchases tested within the written quote range.
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 Administrative Code (A.A.C.) R7-2-1008	For the only bid or request for proposal issued, the bid evaluation committee members did not document COI disclosures in the procurement file.
3.	The District prepared the applicable written determinations as required by the specific procurement rule(s). A.A.C. R7-2-1004	For 2 of 10 procurements reviewed, the District did not retain written governing board determinations.

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4.	The District's procurement files included the required information, as applicable. A.A.C. R7-2-1001(97)	For 7 of 10 procurement items reviewed, the District retained some, but not all required documentation. For instance, for 1 of the procurement files reviewed, the District did not retain the pricing sheet and documentation demonstrating the District's proposal evaluation.
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 payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.	The District made one employee responsible for reviewing and approving timecards, adjusting timecards, entering payroll information into the District's accounting system, processing payroll, and distributing payments.
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.	The District improperly paid for 12 days of accumulated sick leave the business manager had accrued in excess of the District's sick leave limit.
3.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	The District adjusted timecards and/or pay without sufficient support. For 5 of 15 timecards reviewed for 3 employees, the District manually adjusted the timecard without documentation showing that the employee requested the changes or that the employee's supervisor reviewed and approved them. In addition, the District reduced another employee's pay by \$101 without documenting the reasons for the pay reduction.
4.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	The District lacked support for payments totaling nearly \$20,000 to 2 administrative employees. Specifically, employment contracts for the superintendent and business manager allowed them each to receive a fringe benefit from the District related to health insurance expenses in FY 2024, however the District did not retain sufficient documentation to support the amounts paid.

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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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	The District's auditors noted the following during review of its FY 2024 AFR: <ul style="list-style-type: none">• For Fund 050—County, City, and Town Grants, the budgeted amount of \$15,976 reported on the AFR was omitted on the District's revised budget.• For Fund 220—IDEA Part B, budgeted expenditures on the AFR did not agree with the revised expenditure budget by \$20,226.• For Funds 465-499—Other State Projects, the prior year budget amount of \$86,100 was included on AFR rather than the current year budgeted amount of \$47,790.
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)	Per review of expenditures, there were some journal entries posted in November 2024 which do not appear to be reflected on the general ledger or the AFR. Also, it does not appear like the District revised its AFR for these November 2024 adjustments.
3.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District reported incorrect fund balance, revenue, and expenditure amounts in its AFR for Funds 525—Auxiliary Operations and 850—Student Activities. The District did not initially include transactions from these funds in its general ledger and the District's auditors proposed audit adjustments to the District for these transactions. However, the adjustments made in the District's general ledger did not agree to the amounts and accounting records reported in the AFR, as the District did not subsequently revise its AFR to correct the misreporting.

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4.	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.	For 2 of 4 expenditure types reported in the Food Service AFR, the amounts reported did not agree to the District's accounting records. Specifically, Fund 001—M&O, object 6150—Classified Salaries, did not agree to the amount reported in the District's accounting records, for a difference of \$608, and for Fund 001—M&O, object 6200—Employee Benefits, did not agree to the amount reported in the District's accounting records, for a difference of \$48.
5.	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 did not submit a revised SDER to ADE when journal entries were made after the initial submission.

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.	<p>After reviewing the user access reports, the system access was not restricted based on the users' needed job functions and employees had more access than is required for their roles.</p> <p>Additionally, as of November 2024, the District's business manager and secretary had the ability to view and modify employee information and pay rates, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions.</p>
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 require all employees to take annual security awareness training. As of February 2025, 38 of 41 District employees had completed the training.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	Of the 75 active user accounts reviewed, auditors identified 15 accounts that were no longer needed and should have been deactivated, including 1 assigned to a former employee.
4.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	Although the District provided an audit trail report, the District lacked a formal procedure for documenting a review of the changes.

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5.	The District monitored and reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity and addressed noted issues.	Although the District provided support for monitoring and reviewing IT system-generated incident and error reports, the business manager was reviewing reports of her own activity.
6.	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 a contingency plan in place, however it had not been tested. Additionally, the District's contingency plan lacked an impact analysis of business operations including a risk assessment of critical systems, a list of disaster scenarios, business recovery strategy, and plan maintenance schedules and training requirements.
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's TRAN 55-1 report improperly included "white fleet" vehicle mileage.