Yucca 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, A.R.S. 38-503, and 38-509	The District did not provide training to Governing Board members and employees about the importance of complying with the State's COI laws, how to identify and report any substantial interests and potential conflicts, and how to avoid participating in any District decisions involving potential conflicts.
2.	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 have COI disclosure form on file for 1 of 4 employees reviewed. Additionally, while the District business manager completed a COI disclosure form annually, as required, she did not disclose all required conflicts of interest. Specifically, the business manager's COI forms did not consistently report her relationship to her spouse, who the district employed as a maintenance technician.

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)	The District's business manager may have participated in decisions to hire her family members, issued payments to family members, and/or supervised their work. Specifically, governing board meeting minutes are not clear on whether the business manager refrained from participating in recommending that the governing board hire her daughter as a part-time administrative aid. While the business manager disclosed the conflict on an updated COI form after her daughter was hired, the District did not document steps taken to mitigate the COI as the business manager's daughter's contract stated the position would report to the business manager and/or the head teacher and no mitigating actions were taken when the head teacher was not available to supervise this employee resulting in supervision from the business manager. The business manager was primarily responsible for supervising her daughter and approving her timecards. Additionally, the business manager may have been involved in hiring her spouse and son to complete 6 construction projects between FYs 2023 and 2024 and she approved work requisitions, processed purchase orders, and made payments to her spouse and son with no evidence a different District employee oversaw their work or authorize the payment for the work performed.
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.	While the governing board previously approved employing the business manager's spouse and son as maintenance technicians, the District lacked board-approved employment contracts detailing the work to be performed and compensation amounts for 6 construction projects totaling $8,700 that were completed by the District business managers spouse and son between FYs 2023 and 2024.

	Question	Deficiency
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 did not classify expenditures totaling $64,346 in accordance with the USFR Chart of Accounts. The following items were not classified correctly: • 10 of 30 accounts payable transactions. • 2 of 5 employee payroll records. • 12 of 15 travel reimbursements. • 12 of 30 credit card transactions.
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 separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The business manager is responsible for nearly all of the District's financial activities, including receiving cash, preparing and making deposits, recording financial transactions, issuing checks from bank accounts and reconciling accounts without consistent or regular supervisory oversight. Further, for 3 of the 5 petty cash disbursements tested, the person requesting and approving the reimbursement was the District business manager who is also the petty cash custodian.
2.	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 3 of 10 deposits reviewed totaling $1,494, the District did not issue receipts nor maintain supporting documentation that would enable it to reconcile cash collected to sales and ensure that all cash collected was appropriately accounted for and deposited into the District's bank accounts.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District did not deposit cash timely. Specifically, 3 of 10 deposits, totaling $673, were deposited between 37 and 70 days after receipt and because of the District's lack of receipts or other documentation, auditors were unable to determine the timeliness of another $255 deposit.

4.	The District retained supporting documentation for disbursements from bank accounts.	The District maintained a petty cash account that was not initially approved by the governing board. Additionally, the District did not have proper controls over the petty cash account and did not maintain sufficient records for the petty cash accounting to enable the auditors to assess whether cash collected was accounted for and whether amounts disbursed were allowable, authorized, and appropriate. Specifically: • The District failed to maintain a ledger of petty cash account revenue receipts and disbursements. • The District appears to have replenished the petty account using undeposited cash receipts. • The District lacked receipts or other records supporting monies disbursed from the account and did not have a process in place to reconcile the petty cash account. • For 3 of 5 sales receipts paid from petty cash reviewed, the person requesting and approving the reimbursement was the District business manager, who also acted as the petty cash custodian. • There was 1 instance identified where a family member of the business manager received a petty cash reimbursement of $36 for school event supplies but there was no receipt to support the reimbursement amount or that the items purchased served a valid District purpose. • For 4 of the 5 cash disbursements reviewed, it is unclear whether the employees who received the monies returned unused petty cash totaling $127 to the District.
5.	An employee not involved with cash-handling or issuing checks reconciled all District bank accounts monthly, and an employee independent of the cash-handling process reviewed, signed, and dated the monthly bank reconciliations.	The District has not established procedures for regularly reconciling each of its accounts to ensure they are complete and accurate.

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<table>
<tr><td colspan="3">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.</td></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>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.</td><td>For 26 of 30 accounts payable transactions, the District processed payments for purchases that had not been approved in advance and/or purchases that lacked supporting documentation, such as an invoice or receipt. Additionally, for 20 of 30 accounts payable transactions reviewed, the District did not maintain adequate support to verify that the District had received the goods and services and verified that invoices were accurate before paying them as the District does not have a receiving process in place.</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>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.</td><td>For 15 travel expenditures reviewed:
• 3 expenditures were not supported by a travel claim
• 8 travel claims were missing required information
• 8 travel claims forms lacked required supervisory approval

Additionally, the District did not develop or maintain documentation to show that travel had been preapproved, such as Governing Board meeting minutes or a District-approved travel authorization form, as the District does not have written procedures for travel reimbursements.

Further, for 7 travel reimbursements, the District inappropriately reimbursed employees for travel within 50 miles of the district while the State of Arizona Accounting Manual requires a traveler to be more that 50 miles from both the traveler's residence and regular duty post to be in travel status and eligible for reimbursement.</td></tr>
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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 did not consistently track who had possession of the 6 store-issued credit cards, as a log or other record was not maintained to indicate when cards were provided to staff who needed to make purchases. Furthermore, the District's 3 credit card users did not consistently complete the required annual credit card user agreement nor did the District retain documentation showing the users completed the required credit card training.
2.	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 27 of 30 credit card purchases reviewed, the District processed payments for purchases that had not been approved in advance and/or purchases that lacked supporting documentation such as an invoice or receipt.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District did not pay credit card balances in full each billing cycle and in a timely manner and incurred penalties and interest charges of $843.

	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 2 of 12 procurement files tested, the District did not retain 3 written quotes.
2.	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. Arizona Administrative Code R7-2-1191(D)	For 1 out of 12 procurement files tested, the District did not retain documentation demonstrating it had conducted the necessary due diligence.
3.	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 1 out of 12 procurement files tested, the District did not maintain a written determination for selecting the vendor.

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 has not separated payroll duties nor developed compensating controls, such as additional management reviews nor implemented any written payroll process procedures. Specifically, the business manager is responsible for reviewing and approving timecards, including their own, and adjusting timecards, entering payroll information into the District's accounting system, processing payroll, and distributing payments. For 4 of 5 pay periods reviewed, the business manager manually adjusted her own timecard by increasing the hours worked by a total of 20 hours and the adjustments lacked evidence of supervisory review and approval and documentation to support the change.
2.	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.	For 7 hourly employees timecards reviewed for 2 pay periods in fiscal year 2025, none of the timesheets were signed by the employee nor approved by a supervisor.
3.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	Although the District reported that its Board reviewed and approved payroll expenditures prior to processing, this review was not sufficient to ensure timecard adjustments had supervisory approval and included supporting documentation.

	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's auditors could not validate whether fiscal information the District reported within its Annual Financial Report was complete, accurate, and reliable. Specifically, the District maintained an auxiliary bank account with a manual ledger or receipts and disbursements. Since the account was separate from other District accounts held by the County Treasurer, the auxiliary bank account transactions were not recorded in the District's accounting system. Additionally, the District removed a payment of $1,189 from its accounting system to correct an account coding error. However, this transaction was never reentered into the accounting system after the correction was made, further contributing to the inaccuracy of the District's accounting records.

	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.	Based on a review of 6 accounting system users, one user account had more access than necessary to perform their assigned job duties. Specifically, the business manager had the ability to view and modify employee information and pay rates, including their own, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions.
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 annual cyber security awareness training to help staff prevent and detect technology-related threats.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	Review of all 15 District and contractor user accounts with access to the District's Leaning Management System (LMS) identified 1 administrative-level user account within the LMS that had not been used for 2.5 years.

4.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not have authentication controls for 1 of its critical systems.
5.	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.	The District did not have procedures, such as reviews of audit logs and user activity reports, to monitor internal user activities in its accounting system.
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 did not develop an IT contingency plan and has not established formal policies or procedures to address business continuity in the event of IT failures.