

# Wilson 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 governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123 | For both Student Activity Fund reports reviewed, the reports presented to the governing board contained errors. Specifically, the report presented in the March 2025 board meeting combined the revenue and expenditure amounts under the expenditures section rather than breaking out the amounts between revenues and expenditures for each individual function code. Additionally, the report presented in the April 2025 board meeting understated revenues by \$227 from the underlying records due to timing delays.   |
| 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>During its fiscal year (FY) 2024 audit, the District's auditors noted the following:</p> <ul style="list-style-type: none"><li>• The District incorrectly coded reimbursements for gift cards purchased for employee incentives to object code 6580—Travel.</li><li>• The District incorrectly coded State grants to a federal projects code—307 rather than a State Projects code.</li><li>• The District incorrectly recorded \$65,741 of insurance credit revenue to Fund 510—Food Service.</li><li>• The District incorrectly coded \$380,000 of bond principal payments as negative bond principal proceeds.</li><li>• The District incorrectly recorded negative expenditures of \$10,522 in Fund 375—Emergency Connectivity (E-Rate).</li><li>• The District did not properly allocate revenue between the Maintenance and Operation and Unrestricted Capital Outlay Funds.</li></ul> |

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|    |   | <p>Additionally, during our status review, we noted the following from the District's FY 2025 accounting records:</p> <ul style="list-style-type: none"><li>• The District coded costs associated with a party run by the student council to Fund 314—ASU PBS (ARP-ADE) and Function 2212—Instruction and Curriculum Development rather than to Fund 850—Student Activities and Function 2100—Support Services—Students.</li><li>• The District coded the costs for game officials under Function 2490—Other Support Services—School Administration rather than to Function 1000.</li><li>• The District coded dues associated with track and field to Function 2490—Other Support Services—School Administration and object 6311—Purchased Professional and Technical Services rather than to Function 1000 and Object 6810—Dues and Fees.</li><li>• The District acquired a new intercom system and recorded it to Function 1000 and object 6643—Instructional Aids rather than to Function 2600—Operations and Maintenance of Plant and Object code 6733—Furniture and Equipment, cost of \$5,000 or more.</li><li>• The District purchased an artwork wrap and coded the transaction to Object 6450—Construction Services rather than to 6300—Purchased Professional and Technical Services.</li><li>• The District purchased Smartboard displays and coded the transactions to Object 6731—Furniture and Equipment, cost less than \$5,000, rather than to Object 6737 or 6738—Technology-Related Hardware and Software—cost less than \$5,000 or to Object 6739—Technology-Related Hardware and Software—cost \$5,000 or more, if the District considered these purchases a group asset.</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 all 5 FY 2025 journal entries reviewed, supporting documentation was not retained. In addition, the District did not maintain support for the date when the journal entries were reviewed and approved.  |

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| 3. | The District transferred monies only between funds listed in the USFR §III Chart of Accounts—Authorized Transfers. | In the District's submitted FY 2025 annual financial report (AFR), total transfers-out from federal fund codes of \$96,355.66 did not agree to the amount of total transfers-in to the Indirect Costs Fund of \$(12,882.30). In addition, the District reported unallowable transfers-out from the Indirect Costs Fund totaling \$64,960.62 with no corresponding transfer-in to another fund. |
|----|--|--|

**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 the employee insurance programs withholdings bank account(s) in accordance with A.R.S. §15-1223. | The District's bank reconciliations were not properly performed for the Insurance Withholding bank account, resulting in a nonexistent difference of \$282,346 between the District's book and bank balances on the June 30, 2024 reconciliation. |

**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   |
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| 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 assets listing still contained blanket tag numbers, such as "Cisco Meraki" for capital asset projects and purchase order numbers as tag numbers for some assets.  |
| 2. | The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.  | For 1 of 5 FY 2024 capital assets reviewed, the District capitalized \$227,760 of expenditures for short-term rentals. Additionally, for 1 of 2 FY 2025 acquisitions reviewed, the District did not add an asset to the capital asset list.  |
| 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.  | Although the District performed a physical inventory in December 2024 and began updating the stewardship list for acquisitions, transfers, and disposals, the stewardship list was not completely updated for asset disposals and additions. |

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| 4. | The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.                                    | <p>For FY 2024, for 2 of 10 items selected from the capital asset and stewardship listings, the items were not found on the District's premises.</p> <p>Additionally, during our status review, for 1 of 5 items selected from the stewardship list, the item had a temporary tag number and was improperly included on the stewardship list despite the unit cost being less than \$1,000. For 1 of 5 items selected from the premises, the item was not included on the stewardship list.</p> |
| 5. | The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.   | In FY 2020, an audit adjustment was recorded to remove a roof from the capital asset listing. The District did not make the required adjustment, resulting in the listing being overstated by \$130,378 in buildings and improvements and \$21,186 in accumulated depreciation. This error was caused by the District not reconciling the prior-year annual comprehensive financial report balances to the current-year beginning balances.   |
| 6. | 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. | Although the District performed a physical inventory in December 2024 and began updating the capital assets list for acquisitions, transfers, and disposals, the capital assets list was not completely updated for asset disposals and additions.  |

**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. | <p>At FY 2024 year end, the following District cash-controlled funds had negative cash balances:</p> <ul style="list-style-type: none"><li>• Community Schools—ESL Fund - \$(7,755).</li><li>• Community Schools—GED Fund - \$(2,750).</li><li>• Grants and Gifts to Teachers Fund - \$(500).</li></ul> <p>Additionally, for 1 of 5 FY 2025 disbursements reviewed, the purchase order was created after the invoice date.</p> |

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| 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 reimbursed an employee for gift cards purchased for employee incentives totaling \$450.   |
| 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.  | Although the District retained student-approval meeting minutes for all 5 student activities disbursements reviewed in FY 2025, for 1 of 5 disbursements, the vendor's invoice was \$40 higher than the amount quoted to the District. The District paid the invoice without questioning the vendor about the difference between the quoted price and the invoiced amount or notifying the student club about the additional amount paid above the amount authorized by the club. Additionally, as of June 30, 2024, multiple student activities clubs had negative balances in their account. |
| 4. | 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 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 completed the FY 2025 Advice of Encumbrance and the business manager signed the form on July 18, 2025. However, the District did not retain documentation to support the amounts reported or that the Advice of Encumbrance was submitted to the county school superintendent.  |

**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 paid credit card and p-card statements before the due date to avoid finance charges and late fees. | The District incurred a \$29 late fee on each of its American Express February and April 2025 statements. |

**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 1 of 3 purchases reviewed, the District received a quote from only 1 vendor and received quotes from only 2 vendors for another purchase. The District did not always document its attempts to obtain quotes from additional vendors other than those solicited. |

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| 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. A.A.C. R7-2-1191(D)   | The District did not perform due diligence on any of the FY 2025 cooperative contracts it utilized.        |
| 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) | The District did not prepare written determinations for any of its FY 2025 cooperative contract purchases. |

**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   |
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| 1. | The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.   | For 2 of 5 employee personnel files reviewed, the personnel file did not include a background investigation form.  |
| 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 did not follow its leave policy when calculating cabinet members' vacation balance. The District's leave policy allows cabinet members to accrue up to 20 vacation days at any point in time; however, the District's system caps cabinet members' available vacation leave at 25 days rather than at 20 days. Specifically, 2 of 5 employees reviewed were cabinet members, and the District's system showed 21.3339 available vacation days for 1 cabinet member and 25.000 available vacation days for the other cabinet member. |

**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 followed the AFR—Review, Submission, and Publication Instructions. | The District submitted its FY 2025 AFR and School-Level AFR on October 15, 2025; however, ADE rejected the District's submitted files due to errors in the forms. As of November 24, 2025, the District had not corrected the errors and submitted acceptable files to ADE. |

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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. |   |   |
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|  | Question  | Deficiency  |
| 1.   | 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 has not tested its disaster recovery plan since December 2020. |