

Pearce Elementary School District

Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2025

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.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit and the unrestricted capital budget limit. Arizona Revised Statute (A.R.S.) §15-905(E)	The budgeted amounts for Fund 001—M&O on the originally adopted budget were \$19,578 greater than the budgeted amounts for Fund 001—M&O on the published proposed budget.
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 coded an irrigation project, totaling \$27,294, to object code 6710—Land and Existing Land Improvements rather than to object code 6450—Construction Services.
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 1 of 5 journal entries selected, the lead sheet used did not reflect that someone besides the preparer approved, signed, and dated the journal entry.
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 maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	Accounting details were not recorded within the accounting records for miscellaneous receipts clearing, Food Service Fund clearing, Student Activities Fund, and employee insurance programs withholdings bank accounts with June 30, 2025, balances totaling \$125,917.

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List of deficiencies for the year ended June 30, 2025

2.	The District used an 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 maintained on an imprest basis for the months of January through April 2025. In addition, The District was unable to provide documentation that the M&O Fund revolving bank account's imprest balance of \$5,000 was approved by the Governing Board.
3.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The miscellaneous receipts clearing bank account was not cleared to the County Treasurer from August 2024 through June 2025. The miscellaneous receipts clearing bank account maintained a \$97,782 balance at June 30, 2025.
4.	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 was not cleared to the County Treasurer from August 2024 through June 2025. The Food Service Fund clearing bank account maintained a \$12,592 balance at June 30, 2025.
5.	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.	The District could not provide documentation to support 5 Auxiliary Operation Fund receipts selected. Total collection during the fiscal year was \$8,342.
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 Fund receipts selected, totaling \$1,995, the deposit was not supported by prepared reports that reconciled sales to cash collected at student activities events using documented tickets, sequentially numbered cash receipts, a cash register, 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.	For 1 of 5 deposits selected from the Miscellaneous receipts clearing bank account, totaling \$30,400, the deposit was made 51 calendar days after the record of collection.

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List of deficiencies for the year ended June 30, 2025

8.	The District safeguarded unused checks.	The Business Manager retained custody of checks; however, she was also a signer on the accounts.
<p>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.</p>		
	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 list did not contain complete information for the following: location, identification number, purchase document number, condition of equipment, or percentage of federal participation.
2.	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 was unable to provide documentation that a physical inventory of all equipment was completed and reconciled in the last 3 years.
3.	The governing board or authorized designee approved stewardship and capital asset disposals during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with A.A.C. R7-2-1131.	For all 5 capital asset disposals selected, the District was unable to provide evidence they were supported by an approved request-for-authorization form to dispose of District property nor that the disposals were approved by the Governing Board.
<p>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.</p>		
	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.	The following funds had cash deficits at the end of the fiscal year: <ul style="list-style-type: none"> • Fund 020—Instructional Improvement: \$(1,149) • Fund 510—Food Service: \$(24,357) • Fund 525—Auxiliary Operations: \$(1,156) • Fund 955—Intergovernmental Agreements (IGA): \$(60,152)
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.	For 1 of 20 general expenditures selected, a minivan purchased through an auction totaling \$22,952, the District was unable to provide an invoice to support amounts paid.

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Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2025

3.	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 2 of 5 expenditures from extracurricular activities tax credit monies selected, totaling \$1,039, the District did not retain receipts or supporting information that monies were expended only for eligible activities.
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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 ADOA 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. A.R.S. §15-342(5)	For the only travel reimbursement selected, the District exceeded the maximum reimbursable rate, resulting in an overpayment of \$68.

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 \$155 of credit card finance charges during the fiscal year.

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 2 expenditures within the written quote range, a minivan purchased through an auction for \$22,952, the District was unable to provide documentation it obtained at least 2 other written quotes.
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 provide an annual training 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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Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2025

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 all 5 vendors procured through cooperative contracts, the District was unable to provide documentation, including how the determination was made, the rationale for the vendor selected, and how it is advantageous to the District.
4.	For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by A.R.S. §15-323.	The District's purchase of trash collection services totaling \$2,600 from a board member meets the definition of ARS 15-213(C), however, the District's minutes did not document the total price when it was approved by the other board members.
<p>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.</p>		
	Question	Deficiency
1.	The District adopted a performance-based compensation system for at least a portion of its Classroom Site Fund (CSF) monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF FAQs.	The District's governing board minutes did not note approval of a performance-based compensation system for CSF monies for fiscal year 2025.
<p>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.</p>		
	Question	Deficiency
1.	The District required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.	For 1 of 6 hourly prorated employees selected who initially elected a prorated compensation, the election was changed to be paid based on actual hours worked after work had begun.
<p>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.</p>		
	Question	Deficiency
1.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District was unable to provide documentation that it submitted a signed copy of the AFR cover page to Arizona Department of Education's School Finance Budget System. In addition, the District submitted the AFR to the County School Superintendent on October 27, 2025, and it was due by October 15, 2025.

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Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2025

Student attendance reporting—The District should report accurate student membership and attendance information to ADE to ensure it receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its Arizona Online Instruction (AOI) program. A.R.S. §15-802(B)(1) and the Arizona Department of Education Updated Residency Guidelines	For 1 of 5 student entries tested, the District was unable to provide evidence it obtained proof of residency.
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 Superintendent and Business Manager appear to have “full access” to journal entries within the computerized accounting program.
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 it provided employees with cybersecurity awareness training during the fiscal year.
3.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not have multifactor authentication for all employees with remote or administrative access to critical IT systems.
4.	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 was unable to provide documentation it performed a test of its disaster recovery and response policy at least annually.