

# Union 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. The budget included all funds as required by Arizona Revised Statutes (A.R.S.) §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District did not file the signed cover page for the December budget revision with the Arizona Department of Education (ADE).
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.	Per review of the Maricopa County Treasurer Fund Ledger, related bond offering documents, and the District's general ledger, determined a \$130,000 deposit to the Debt Service Fund related to the bond issuance was erroneously posted to the Bond Building 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 maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	The District maintains 1 savings account that is not an authorized bank account. The account consistently has a balance of \$25 and was only opened so the District could obtain a credit card with that same bank.
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 following errors were noted: <ul style="list-style-type: none"> <li>• 15 capital assets had an unreasonable useful life, and</li> <li>• capital assets with current year depreciation of \$44,970 did not have an assigned function.</li> </ul>

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2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<p>The following errors were noted:</p> <ul style="list-style-type: none"> <li>• For 1 of 5 assets reviewed from the stewardship list and 2 of 5 assets reviewed from the capital asset list, the items were found on the premises but not tagged.</li> <li>• For 1 of 5 assets reviewed from the stewardship list, the item could not be found on the premises.</li> <li>• For all 5 assets reviewed from the premises, the item was tagged but could not be found on either the stewardship or capital asset list.</li> </ul>
3.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	<p>The District did not reconcile the current year capital asset list to the previous year's list. Auditors noted the following discrepancies:</p> <ul style="list-style-type: none"> <li>• There was 1 project that was reported as buildings and improvements in the prior year list but was still listed as construction in progress in the District's system.</li> <li>• Two projects were incorrectly left off the capital asset list in the prior year.</li> <li>• Three assets were incorrectly reported in a non-depreciable category rather than a depreciable category.</li> <li>• Depreciation for some assets did not agree to depreciation in the previous year because the prior year was incorrect.</li> </ul>

**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 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 did not submit the advice of encumbrance to the CSS by July 18.

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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.	For 3 of 5 credit card transactions reviewed, the District did not have a signed card user agreement on file. Additionally, the District did not conduct an annual training on the District's policies and procedures for employees who make credit card purchases or process transactions.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For all credit card statements reviewed, there was a total of \$43 in finance charges and late fees.
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 3 purchases in the written quote range reviewed, the District did not obtain 3 written quotes prior to spending with the vendors.
2.	The District properly procured expenditures that individually or cumulatively totaled over \$100,000.	For purchases with 1 vendor over the formal bidding threshold and 1 vendor over the written quote threshold, the District used a Request for Proposal (RFP) completed by another Arizona district, however the original solicitation did not have a provision allowing other districts to participate.
3.	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. Arizona Administrative Code (A.A.C.) R7-2-1191 through R7-2-1195	For 1 of 15 purchasing cooperative purchases reviewed, the District did not maintain a current cooperative purchasing agreement.
4.	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 7 of 15 purchasing cooperative purchases reviewed, the District did not perform due diligence procedures.

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5.	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 7 of 15 purchasing cooperative purchases reviewed, the District did not maintain a written determination.
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6.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	For 1 purchase between \$10,000 and \$100,000, the District did not receive governing board approval that included the written sole-source determinations required by A.A.C. R7-2-1053.
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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.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Capital outlay expenditures and payables of \$489,199 for goods received in fiscal year 2026 were incorrectly recorded in fiscal year 2025 which required an audit adjustment to the Bond Building Fund to properly state current year activity.

**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 prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	For 1 of 10 withdrawals reviewed, the withdrawal date per the computerized system (12/20/24) did not match the Official Notice of Pupil Withdrawal form (10/15/24).
2.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S. §15-901(A)(1)	For 1 of 10 students withdrawn for having 10 consecutive unexcused absences reviewed, the student was not withdrawn on the last day of attendance or excused absences.

**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.	Many individuals inappropriately have full access to the financial reporting system and the accounts payable clerk has full access to enter purchase requisitions, approve purchase orders, receive goods, and process invoices.

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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 has not conducted any IT security awareness trainings.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	Three terminated employees still have access to the financial reporting system.
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.	The District does not generate audit trail logs, and does not therefore review them on a regular basis to determine transactions' propriety.
5.	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 retain documentation as evidence that the IT disaster recovery plan was tested.

**General long-term debt—The District should follow State laws related to approving, issuing, and using proceeds from bond sales to ensure voters are appropriately informed and that the District complies with the allowable bond uses.**

	Question	Deficiency
1.	The District held a public meeting each year between September 1 and October 31, until the bond proceeds are spent to discuss an update of the progress of capital improvements financed through bonding and the public was allowed an opportunity to comment. A.R.S. §15-491(K)	The public meeting to update the Board on the progress of capital improvements financed through bonding was not held between September 1 and October 31. The meeting was held on November 14, 2024.