

Cedar 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 obtained conflict-of-interest (COI) forms that allowed governing board members and employees to make known and fully disclose a COI 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	For 1 board member who reported a potential conflict, the signed statement did not describe the nature of the interest or conflict as required by statute. In addition, the District lacked a process for reviewing employee and Board member disclosure forms to ensure they were completed appropriately and to identify potential conflicts that may require action to remediate.
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.	The District was unable to provide documentation that it emailed the School Finance Budget Team a clickable link of the District's webpage where both the proposed and adopted budgets were placed.
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 Prop 123, free or reduced priced lunch, and one-time district additional assistance payments to object code 3110—State Equalization Assistance, that should have been coded to object code 3100—Unrestricted—State sources.
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 Maintenance and Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	The District was unable to provide documentation that the M&O Fund revolving bank account imprest balance was approved by the governing board.

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2.	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 District only submitted an electronic payment or check payable to the county treasurer March 2025 and August 2026. Additionally, the bank account had a balance of \$981 at fiscal year-end.
3.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For 3 of 5 student activities deposits tested, totaling \$1,430, the District was unable to provide prepared reports that reconciled sales to cash collected at student activities events using documented tickets, sequentially numbered cash receipts, cash register or a count on hand before and after a sale.
4.	The District used the payroll direct deposits clearing bank account in accordance with A.R.S. §15-1221.	The payroll direct deposits clearing bank account maintained a \$47,652 balance on June 30, 2025. The District could not provide a reconciliation of the balance to zero.
5.	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.	The District's did not require food service staff to issue receipts for adult meal sales. According to the food services director, staff record payments and update meal ticket balances at the end of each day to reflect meal prepayments and purchases, and create a daily cash-collections report. However, for all 5 meal tickets that staff used to record cash payments and meals redeemed, the meal tickets lacked critical information, such as payment dates, the amount of money received, the dates meals were redeemed, and when staff updated the balance.
6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 5 food service deposits tested totaling \$75, cash was deposited 13 and 21 days after initial collection.
7.	The District safeguarded unused checks.	Checks are locked in a separate office; however, the 2 individuals who have access are also check signers.
8.	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.	All bank account reconciliations were not completed timely with delays ranging for 3 periods from 2 to 3 months during the fiscal year. Additionally, the bank reconciliation preparer and the reviewer were both signers on all bank accounts.

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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 could not provide a capital assets listing and related physical inventory with balances that reconciled to balances presented by the District which was the basis for the auditor's qualified opinion on the District's fiscal year 2025 governmental activities.
2.	The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.	The District could not provide mileage logs to support district vehicles usage.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District could not provide locations or evidence for the assets selected.
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The capital assets listing was unable to be reconciled to prior years' detail.
5.	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 could not provide documentation to support that a physical inventory has been conducted within the past 3 years.

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 and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	The Food Service Fund had a cash deficit of \$226,973 at year end. The Gifts and Donations Fund had a cash deficit of \$3,162 at year end. Further, for 4 of 12 credit card purchases reviewed, totaling over \$7,000, the purchases lacked prior approval.

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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 (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)	The District exceeded ADOA's lodging reimbursement rates for its January 2025 governing board retreat. Specifically, ADOA's maximum allowable lodging reimbursement rate at the time was \$107 per night plus tax, but the District paid between \$149 and \$159 per night. In total, the District spent almost \$800 on lodging costs in excess of ADOA's limits.
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 5 credit card transactions, the District did not consistently track possession of its credit cards using a check-out log or other procedure. Therefore, auditors were unable to determine who made the purchases and whether the users were authorized.
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 enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	For 3 of 4 (population exhausted) employees selected who did not have ASRS withheld, the employees did not appear to be exempt.

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2.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 45 extra-duty payments reviewed, 10 payments, which totaled approximately \$7,900, lacked evidence of any board approval. Additionally, for 5 of these payments, the District had not developed any employment agreements specifying duties and pay rates in accordance with the USFR. Further, 2 other employees were paid a total of \$1,750 in extra-duty payments more than the board-approved amounts.
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 was unable to provide documentation that the signed copy of the AFR's cover page was uploaded to the Arizona Department of Education (ADE) School Finance Budget System within 5 days of AFR submission. In addition, the District could not provide documentation that the AFR was submitted to the County School Superintendent (CSS).
2.	The District's website home page included its average teacher salary information, separately from the budget, required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report, required by A.R.S. §41-1279.03(A)(9).	The District was unable to provide evidence that the District's website included its average teacher salary information required by A.R.S. §15-903(E).
3.	The District submitted its prior year's audit reports and USFR Compliance Questionnaire to the CSS and ADE. A.R.S. §15-914(D)	The District was unable to provide documentation it submitted the prior year audit reports to the CSS.

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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.		
	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>The Business Manager and Accounts Payable Specialist is listed as having “full access” to all modules within the computerized accounting program. Additionally, 11 accounting system users had the ability to initiate and complete payroll and/or purchasing transactions without another employee reviewing and approving the transactions.</p> <p>Further, the District granted unnecessary administrator-level access to 5 accounting system user accounts, including 2 user accounts associated with current employees, 2 duplicate user accounts associated with 1 former employee, and 1 user account for a consultant. Similarly, the District granted unnecessary administrator-level access to 2 student information system vendors and 5 network employee accounts.</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 was unable to provide documentation it formally assessed the risks to District systems and data and implemented procedures to prevent and detect technology-related threat.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not promptly remove 5 network accounts associated with terminated employees, including 4 accounts with administrator level access. The accounts were associated with employees whose District employment ended between 1 and 5 years prior to the review.
4.	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 during the fiscal year. Additionally, the District's password requirements and practices were not aligned with credible industry standards.
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.	The District was unable to provide documentation it regularly reviewed IT system-generated incident or error reports to identify network security threats or other unusual activity.

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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's IT contingency plan did not identify some critical IT systems, specify the order in which critical systems should be restored, clearly outline who is responsible for which activities during a system outage or attack, contain contingencies for continued business operations during a system outage, or include detailed restoration steps. Additionally, the District had not tested its plan, which may help it to identify and address deficiencies.
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