

Kayenta Unified 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 Statute (A.R.S.) §15-905 and followed the form's Budget—Submission and Publication Instructions.	<p>The District's auditors noted the following:</p> <ul style="list-style-type: none"> • The District was unable to provide documentation that the signed cover pages for the Proposed, Adopted, and December Revised budgets were sent to Arizona Department of Education (ADE). • The signed cover page for the May Revised budget was not submitted within 5 days of electronic budget submission. • The District did not post the notice of public hearing for the December revised budget at least 10 days before the meeting to adopt the budget.
2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit (GBL) and the unrestricted capital budget limit (UCBL). A.R.S. §15-905(E)	Total budgeted expenditures on the adopted budget for the M&O Fund exceeded the budgeted amount on the published proposed budget by \$114,599.
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 incorrectly coded certain unrestricted state revenues as State Equalization Assistance payments. Additionally, the District incorrectly recorded fiscal year (FY) 2025 revenues of \$263,750 related to Impact Aid in FY 2026.
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 2 of 25 journal entries reviewed, the District did not retain supporting documentation or evidence of review by someone other than the preparer.

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3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts—Authorized Transfers.	The District's auditors noted the following: <ul style="list-style-type: none"> • Transfers out of \$317,988 did not net with transfers in of \$327,328 • The District made an unallowable transfer into Fund 525—Auxiliary Operations. • The District incorrectly recorded negative transfers out in Fund 346—Elementary and Secondary School Emergency Relief III.
4.	The District documented a monthly reconciliation of its revenues, expenditures, transfers, and cash balances by fund monthly and at year-end, after all encumbrance transactions were recorded, to the county school superintendent (CSS) and county treasurer records, as applicable, and properly researched and resolved differences.	The District's cash balance on the June 2025 reconciliation did not agree to the District's accounting records by \$404,285. Additionally, there was an unreconciled and unidentified variance of \$177,306 on the June 2025 reconciliation of cash with the County Treasurer.

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 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 1 of 5 auxiliary operations and 2 of 5 miscellaneous cash receipts reviewed, the District did not maintain supporting documentation.

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 had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.	The District did not provide documentation to support property that is checked out from a central area. Additionally, the District did not retain mileage logs to track District vehicles and ensure the vehicles are used only for District business.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	For 2 of 5 capital additions reviewed, the District did not properly capitalize the asset, resulting in an overstatement of \$7,309 in Vehicles, Furniture, and Equipment.

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3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<p>The District's auditors noted the following:</p> <ul style="list-style-type: none"> • For all of 5 stewardship assets and 3 of 5 capital assets selected from the listing, the asset could not be located on the District's premises. • For 1 of 5 capital assets reviewed, the asset was located, but not in the location on the capital asset listing. • For 2 of 5 items selected from the premises, the item was not included on the listing. • For 1 of 5 items selected from the premises, the item was located, but the actual location did not agree to the location on the listing.
4.	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 has not performed a physical inventory and reconciliation over stewardship and capital assets since fiscal year 2017.

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.	For 1 of 50 disbursements reviewed, the purchase order was prepared after goods or services were ordered or received. Additionally, the District had negative cash balances in several cash-controlled funds at year end.
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 50 disbursements reviewed, it could not be determined if goods or services were received before the invoice was paid.
3.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District did not provide supporting documentation to demonstrate that the Supplanting worksheet was submitted to the CTED.

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4.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	For all 4 IGAs reviewed, the District did not provide documentation that payments for services were made in accordance with the IGA.
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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'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 2 of 12 credit card transactions reviewed, the itemized receipt was not retained. Additionally, for 2 of 12 credit card transactions reviewed, the employee making the purchase was not clearly identified.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	Credit card statements were not always paid timely, resulting in late fees and finance charges of \$153.23.

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 5 purchases reviewed, the District did not retain 3 written quotes. Additionally, for 3 of 5 purchases reviewed, the District did not retain supporting documentation.
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 (A.A.C.) R7-2-1191(D)	For 4 of 10 cooperative purchases reviewed, the District did not maintain documentation that adequate due diligence was performed.
3.	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 sole source procurement reviewed, the District did not maintain documentation to demonstrate that the sole source was approved by the Governing Board.

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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.		
	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.	For all 5 employees reviewed, the District did not provide supporting documentation to demonstrate the employee met the criteria set forth in the adopted performance pay plan.
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 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.	<p>The District's auditors noted the following:</p> <ul style="list-style-type: none"> • For 3 of 5 employee leave plans reviewed, the District did not retain documentation from the financial accounting software to agree leave units earned and used. • For all 5 employees reviewed, the District did not retain supporting documentation to indicate the employee was absent. • For all 5 employee leave plans reviewed, the ending balance could not be recomputed. • For 3 of 5 employee leave plans reviewed, the beginning balance did not agree to the prior year's ending balance.
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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures reported on the AFR did not agree to the most recently revised expenditure budget for the National Forest Fees, E-Rate, Impact Aid, Other Federal Projects, and Federal Impact Aid (Construction) Funds.

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2.	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)	Actual revenues and expenditures did not agree with the District's accounting records for several funds.
3.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District did not submit the AFR to the CSS by October 15th. Additionally, the District did not submit the signed cover page of the AFR to the ADE.
4.	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 did not include a copy of or a link to the District's page from the most recent Auditor General's District Spending Report.
5.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for ADE to calculate the Teacher Experience Index (TEI). A.R.S. §15-941 and School Finance Reports	For 1 of 5 employee positions reviewed, the full-time equivalent (FTE) on the SDER 30 report did not agree to District documentation.
6.	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 did not submit a copy of its prior year Annual Comprehensive Financial Report to ADE.
<p>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.</p>		
	Question	Deficiency
1.	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 absences, the student was withdrawn after only 8 absences.

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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.	The District did not provide information on who is responsible for authorizing access and assigning access within its systems. Therefore, it could not be determined whether the individual authorizing access to the system was not the individual assigning the access. Additionally, the District did not provide user role listings for its systems. Therefore, it could not be determined whether the District adequately limited access to applications or software based on the needs of the individual's job function or that terminated employees' access was removed.
2.	The District reviewed and documented any system or software changes implemented.	The District did not retain documentation of any system or software changes implemented.
3.	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 retain documentation of the most recent annual security awareness training.
4.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District did not provide user role listings for its systems. Therefore, it could not be determined whether the District adequately limited access to applications or software based on the needs of the individual's job function or that terminated employees' access was removed.

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5.	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	The District did not maintain complete written policies and procedures addressing physical safeguards, backup procedures, software and application updates, and incident and error report monitoring.
6.	The District scheduled and performed data backup-control procedures for all critical systems at least daily, or more frequently, to ensure uninterrupted operations and minimal loss of data.	
7.	The District routinely completed software and application updates and operating system patches when they became available.	
8.	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.	
9.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	The District's vendor contracts and data-sharing agreements did not appropriately address security, processing, and backup procedures, and it was unable to be determined that the data-sharing agreement was in place before data was accessed.
10.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not provide a list of users who have administrative or remote access to its IT systems, therefore it could not be determined if these accounts were required to have multifactor authentication.
11.	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 provide audit logs for all systems.

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Transportation support—The District should accurately report its transportation miles and eligible student riders to ADE to ensure the District receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The District accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	The District did not provide documentation to support the 9 eligible students or approved daily miles reported on the Transportation Route Report submitted to ADE. The under/overstatement of eligible students and approved daily miles could not be determined.