

Piñon Unified School District

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

List of deficiencies for the year ended June 30, 2025

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. <u>A.R.S. §§38-502</u> and <u>38-503</u>	The District did not document management's review on all COI forms.
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>The District does not follow the USFR's guidelines for account coding of expenditures. Of 20 expenditures examined, 5 were not in compliance. Specifically:</p> <ul style="list-style-type: none"> • Expenditures for equipment items over \$5,000 were coded to object 6731—cost less than \$5,000 rather than object 6733—cost \$5,000 or more. • For 2 expenditures for technology items over \$5,000, the items were coded to object 6737—cost less than \$5,000 rather than object 6738—cost \$5,000 or more. • For current year property coverage, the District used object code 6520—Insurance rather than object 6521—Current Year Insurance. • For a campus tech upgrade, the District used object code 6430—Repairs and Maintenance Services rather than object 6432—Technology-Related Repairs and Maintenance.

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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 5 adjusting journal entries reviewed, it was noted that none were reviewed by an authorized person at the District. The journal entries documented the person at the Certified Public Accountant firm creating the journal entry but there was no support to show that it was reviewed and approved by a second individual at the District Office.
3.	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 was unable to reconcile its cash held with the County Treasurer. This unreconciled cash amount in Fiscal Year (FY) 2025 was \$36,355.

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 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 account was not cleared at year-end as required. Also, the District did not clear the account during FY 2025 for all 12 months examined.
2.	The District used the payroll direct deposits clearing bank account in accordance with A.R.S. §15-1221.	The District is using the payroll direct deposits clearing account for other payroll related clearing items such as federal and state withholdings, as well as retirement contribution payments. The District also did not clear out the account throughout the year and had an ending balance of \$364,640.
3.	The District paid bank charges from only the Maintenance & Operation (M&O) Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	Account analysis service charges are being charged monthly to the payroll clearing account and it does not appear that these charges are being reimbursed from an allowable account or fund.
4.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District did not document the Business Manager's review of bank reconciliations for all 12 months examined for the payroll account.

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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.	For 22 of 25 deposits sampled, the District did not retain support for the deposits into the bank. Specifically, the District did not maintain a deposit reconciliation that shows funds received were deposited into the bank account. The deposits were done in lump sum amounts and no detail was retained as to what was included in those lump sum amounts.
6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 3 cash receipts with supporting documentation tested, the deposit was not made within 1 week of collection. Due to a lack of supporting documentation, it could not be determined if all cash receipts were deposited into bank accounts and whether deposits were made timely. The District estimates in FY 2025 about \$63,000 of cash receipts were never deposited in the bank.
7.	The District retained supporting documentation for disbursements from bank accounts.	For 2 of 17 cash disbursements examined, the disbursement did not have 2 signatures on the check as is required by the USFR.
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.	The District did not document the review of bank reconciliation for all 12 months examined for the payroll account. Reconciliations for the auxiliary, revolving, and student activity bank accounts are not dated and therefore timely performance cannot be determined.
9.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	For 7 cafeteria transactions selected, none had the daily reconciliation of the number of meals sold to the total cash collected or any support for deposit.
Supplies inventory—The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.		
	Question	Deficiency
1.	The District maintained supplies inventory for significant amounts of supplies stored for future use and physically safeguarded supplies to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	The District did not complete an inventory count of its warehouse supplies at fiscal year-end. Therefore, this inventory balance was maintained at FY 2024 levels.

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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 recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	For 15 items selected, the District was unable to locate and find the supporting documentation.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District's auditors noted the following related to capital asset and stewardship items: <ul style="list-style-type: none"> • 6 of 15 items examined were not tagged. • 7 of 15 items examined were tagged, however the tag number did not match the Asset Detail Report. • 1 of 15 items examined could not be located since it was disposed of in a prior year but not removed from the capital asset records.
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.	Per physical review of the premises, 2 capital assets were discovered to have been disposed of and not in the district's possession. One of these assets was disposed of years ago and the other was disposed of during the fiscal year. Both disposals were properly approved by the Governing Board, but not properly removed from the capital asset records.
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'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 raised fraud concerns related to the U.S. Bank credit card, Amazon Business account, Drury Inn Business accounts, and the District Cellular One account.

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2.	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 inappropriately rounded up encumbered funds on its Advice of Encumbrance for the M&O fund that it submitted to the CSS. Encumbered funds were rounded up by \$451,881 based on comparison of the Advice of Encumbrance with the District's encumbrance vouchers.
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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 10 procurements examined, the purchase did not have 3 written price quotations on file as required.
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 was unable to support that it provided training and guidance to employees, and others, regarding personal gifts with a value of \$300 or more.
3.	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 adequately document the procedures performed for due diligence on a sample of cooperative purchases, as required. Therefore, it appears that the District did not perform any due diligence during the fiscal year.

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'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 average teacher salary listed on the website has not been updated since 2019.
2.	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 submitted the Single Audit Report to Arizona Department of Education on 5/15/2025 but did not upload the USFR Compliance Questionnaire.

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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 program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 3 of 13 student files examined, the files were missing evidence of Arizona residency.
2.	The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. A.R.S. §15-901	The District's records showed 4.2365 more memberships days than what was shown in ADE records.
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 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 does not have a data sharing agreement with its accounting software vendor.
2.	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.	An electronic audit trail function is available, but there is no formal plan in place to review these consistently.
3.	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.	Notifications are received when failed login attempts are detected. However, there is no process in place to review these on a regular basis.

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Records management—The District should protect and maintain its records, including hard copies and electronic files with student and employee data, and ensure that its records are disposed of securely in accordance with established time frames.	
Question	Deficiency
1. The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. Retention Schedules Arizona State Library (azlibrary.gov)	The District did not dispose of district records during FY 2025 as required by general retention schedules.