

Seligman 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 provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, A.R.S. 38-503, and 38-509	While the District has provided periodic conflict-of-interest training to employees and Board members they did not ensure all relevant staff attended the training. Specifically, 2 employees in roles pertinent to the District’s purchasing process did not attend the training. While the District reported providing follow up training, they were unable to provide documentation of such training.
2.	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	For 3 of 5 employees who received additional payments reviewed, the additional duty or longevity payment lacked documented prior approval.
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>For 46 expenditures tested, 5 had the incorrect expenditure object code.</p> <ul style="list-style-type: none"> • 1 expenditure should have been coded as 6430—Repairs and Maintenance Services instead of 6330—Other Professional Services. • 1 expenditure should have been coded as 6733—Equipment with a cost of \$5,000 or more instead of 6450—Construction Services. • 2 expenditures should have been coded as 6737—Technology-related hardware and software with a cost less than \$5,000 but were instead coded to 6731—Furniture and equipment with a cost less than \$5,000 and 6643—Instructional Aids. • 1 expenditure should have been coded as 6739—Technology-related hardware and software with a cost of \$5,000 or more according to the invoice. <p>Additionally, 1 of 46 expense accounts sampled included the description of “undesignated” and had not been assigned a name as prescribed by the USFR.</p>

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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 Maintenance and Operation (M&O) Fund revolving bank account in accordance with A.R.S. §15-1101.	The M&O Fund revolving bank account was not operating on an imprest basis and not maintained at the board-approved \$5,000 amount.
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 cleared the Food Service Fund clearing bank account to the agreed upon board amount of \$500 each month; however, as a clearing account the account balance should be cleared to \$0 at the end of each month. The account was being operated as if it were a revolving account, rather than a clearing account.
3.	The District used an Auxiliary Operations Fund bank account in accordance with A.R.S. §15-1126.	Auxiliary Operations Fund bank account monies were used to purchase 3 gifts card (\$200 each + activation fee for a total of \$619.80).
4.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	For 7 of 12 cash deposits reviewed, the deposit did not clearly document who deposited the cash. Therefore, it could not be determined whether the District had appropriately separate cash-handling responsibilities. Additionally, for 6 of 12 cash deposits reviewed, there was a delay of between 5 and 15 days before the cash was not remitted to the business office, and the District was not aware of how those who received the cash secured it prior to delivering it to the business office. Finally, the District does not have a process to change the safe combination when an employee with access to it leaves the District or no longer requires access.
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 2 of 12 deposits reviewed, the deposits were missing receipt documentation.
6.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	Of the 21 cash deposits tested, 1 was not deposited in a timely manner. This deposit occurred 13 days after receipt.

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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 capital asset list did not have all the required information required by the USFR, as not all items had a purchase document number. In addition, the District inappropriately included various repairs and maintenance expenditures as items on its capital asset list. Further, 1 item listed on the District's stewardship list should have been included on the District's capital asset list as the value was over \$5,000.
2.	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The stewardship list has items which did not include an acquisition date or location listed and some of the locations that were listed were incorrect. In addition, several items had temporary tag numbers.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For all 15 assets examined, the identifying number affixed to the asset was not present or did not agree to the corresponding asset lists.
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 separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).	The District's policy for purchasing and expenditures states that the Superintendent or the Governing Board should approve purchase orders. However, 7 of the 26 purchase orders tested were approved and signed by the Business Manager. Additionally, for 10 transactions reviewed, 4 purchases lacked evidence of approval prior to purchase and 8 purchases lacked evidence to demonstrate the purchases were not requested and approved by the Superintendent.
2.	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.	
3.	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 9 of 10 transactions reviewed, the purchases lacked evidence that the District received and approved goods or services before paying the associated invoices.

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4.	The District agreed invoice amounts to contract pricing and terms and conditions for expenditures made through written quotes or competitively awarded contracts, including cooperative contracts.	For 6 of 26 purchases examined, the purchase order and the invoice amount did not agree. The purchase orders appear to have been estimated and did not agree due to rounding errors.
5.	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 inappropriately rounded up encumbered M&O Fund expenditure reported on the Advice of Encumbrance it submitted to the CSS. Encumbered M&O Fund expenditures were \$230,000, while actual M&O expenditures in the encumbrance period were \$225,224, a difference of \$4,776.
6.	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 3 of 8 IGAs examined, they were not fully executed as required.

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 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 23 of 30 travel expenditures reviewed, the District made expenditures without required advance approval of the travel. Additionally, 7 of 16 of these expenditures were for the superintendent's travel, and the superintendent had self-approved both the travel and the associated travel reimbursements after the travel occurred. Further, 1 travel claim used to support a mileage reimbursement was missing odometer readings or other documentation to support the mileage total. Finally, the District had 5 lodging reimbursements and 4 meal reimbursements that exceeded the allowable State of Arizona Accounting Manual rates.

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 6 purchases within the written quote range tested, documentation was not provided to support that at least 3 written quotes were obtained, or that the purchase was otherwise exempt from requiring written quotes.

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2.	The District maintained a list of prospective bidders. Arizona Accounting Code (A.A.C.) R7-2-1023	For the only bid issued, a request for proposal (RFP) packet was sent to 9 total audit firms based on list of prospective bidders. The District did not maintain support for which firms were contacted and which firms responded to the RFP (bid tabulation form not used).
3.	The District recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. A.A.C. R7-2-1029 or R7-2-1045	The District did not maintain the stamped sealed envelope to support the date/time the bid was received by the District.
4.	The District obtained signed procurement disclosure statements for all procurement consultants, members of a procurement advisory group, or evaluation committee involved in each specific procurement process. A.A.C. R7-2-1008	For the only bid issued, the bid evaluation committee members did not document conflict of interest in the procurement file.
5.	The District's procurement files included the required information, as applicable. A.A.C. R7-2-1001(97)	For all 4 procurement files reviewed, the files did not include all the required documentation. Specifically, 2 files lacked a list of which vendors were notified, and 3 files lacked documentation of the bids received.

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's payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.	The District has not assigned the responsibility of reconciling payroll disbursements to ensure payments are accurate.
2.	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 1 of 3 pay periods examined, retirement contributions were not remitted to ASRS in a timely manner.

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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.	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)	The total Classroom Site Fund (CSF) expenditures of \$49,725 reported on the CSF Narrative results did not agree with the total CSF expenditures reported on AFR Page 3, Line 13 of \$238,632, for a total difference between the two reports of \$188,907.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	Funds 525—Auxiliary Operations and 850—Student Activities show activity in the AFR but are not included on the general ledger. Audit adjustments were required to include these funds in the general ledger.
3.	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 website did not include average teacher salary information on the home page. The salary information that could be located on the website was from fiscal year 2024.
Student attendance reporting—The District should report accurate student membership and attendance information to the Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.		
Question	Deficiency	
1.	For students enrolled in a program provided by a Career and Technical Education District (CTED) in a facility the District owned or operated (satellite programs), the District reported the actual enrollment for only the District classes the student was enrolled in at the District's school (excluding CTED program classes) under the District's CTDS number.	The District appears to be over counting average daily membership (ADM) for its 24 students enrolled in CTED classes. The District is counting ADM of 1.0 for its students enrolled in district classes and an additional ADM of 0.25 for the same students enrolled in CTED classes, for a total ADM of 1.25 per CTED student (total possible overstatement of 12.0 ADM).
2.	For students enrolled in both District and in CTED central program courses, the sum of the ADM was no more than 1.75 and the amount claimed by either entity was no more than 1.0. A.R.S. §15-393(Q)	

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3.	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 9 withdrawals examined, the Official Notice of Pupil Withdrawal form showed the last day of attendance as 10/31/24, even though both the District's attendance system and ADE showed a withdrawal date of 10/30/24.
4.	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 9 withdrawals tested, it was a W4 withdrawal where the student's last day of attendance was 11/13/24, ten consecutive days of absences were 12/4/24, and the District pulled the student's record on 12/19/24.

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.	System access is not restricted based on the users' needed functions and employees have access to more than is required for their roles. As of November 2024, the District's business manager and secretary had the ability to view and modify employee information and pay rates, as well as initiate and complete payroll and purchasing transactions without another employee reviewing and approving the transactions. Further, the District inappropriately assigned 1 account administrator level access.
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 required security training that is offered through an online system; however, at the time of the audit only 38 of the 44 employees had completed this training.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The user access reports showed there were 15 accounts on the District systems that were no longer needed and 1 former employee that still had access.
4.	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 has only 1 data sharing contract in place; however, it should have agreements with at least 2 more vendors.
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.	Although the District provided support for monitoring and reviewing IT system-generated incident and error reports, the business manager was reviewing reports of her own 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 has not yet reviewed and adopted its updated February 2025 IT contingency plan, and the plan continues to lack critical components required by the USFR and recommended by credible industry standards. Further, District officials reported testing the District's contingency plan, however, did not document the test results.
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 estimated route miles on the TRAN55-1 report were overstated by 15,765 miles. This appears to be to the calculation being based off 180 days of school rather than the actual 146 school day calendar.