

Wilson Elementary 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 governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	For both Student Activity Fund reports reviewed, the reports presented to the governing board contained errors. Specifically, the report presented in the March 2025 board meeting combined the revenue and expenditure amounts under the expenditures section rather than breaking out the amounts between revenues and expenditures for each individual function code. The report presented in the April 2025 board meeting understated revenues by \$227 from the underlying records due to timing delays.
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.	A notice of public hearing was not published at least 10 days before the meeting date to adopt the budget.
2. The District revised its budget on or before December 15, if Arizona Department of Education (ADE) notified the District that its Maintenance & Operation (M&O) or Unrestricted Capital Outlay Fund budgeted expenditures exceeded the general budget limit (GBL) or unrestricted capital budget limit. A.R.S. §15-905(E).	Based on the December BUDG25 report as well as the BUDG25 letter that was sent in October 2024, a December budget revision was necessary that was not completed.
3. The District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(I).	A May revised budget was not posted to ADE's website.

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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 6 of 10 purchase orders reviewed, the expenditures were incorrectly coded. Specifically, we noted the following:</p> <ul style="list-style-type: none"> • The District coded costs associated with a party run by the student council to Fund 314—ASU PBS (ARP-ADE) and Function 2212—Instruction and Curriculum Development rather than to Fund 850—Student Activities and Function 2100—Support Services—Students. • The District coded the costs for game officials under Function 2490—Other Support Services—School Administration rather than to Function 1000—Instruction. • The District coded dues associated with track and field to Function 2490—Other Support Services—School Administration and object 6311—Purchased Professional and Technical Services rather than to Function 1000 and Object 6810—Dues and Fees. • The District acquired a new intercom system and recorded it to Function 1000 and object 6643—Instructional Aids rather than to Function 2600—Operations and Maintenance of Plant and Object code 6733—Furniture and Equipment, cost of \$5,000 or more. • The District purchased an artwork wrap and coded the transaction to Object 6450—Construction Services rather than to 6300—Purchased Professional and Technical Services. • The District purchased Smartboard displays and coded the transactions to Object 6731—Furniture and Equipment, cost less than \$5,000, rather than to Object 6737 or 6738—Technology-Related Hardware and Software—cost less than \$5,000 or to Object 6739—Technology-Related Hardware and Software—cost \$5,000 or more, if the District considered these purchases a group asset.
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 all 5 journal entries reviewed, supporting documentation was not retained. In addition, the District did not maintain support for the date when the journal entries were reviewed and approved.

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3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts–Authorized Transfers.	In the District's submitted Fiscal Year (FY) 2025 annual financial report (AFR), total transfers-out from federal fund codes of \$96,355.66 did not agree to the amount of total transfers-in to the Indirect Costs Fund of \$(12,882.30). In addition, the District reported unallowable transfers-out from the Indirect Costs Fund totaling \$64,960.62 with no corresponding transfer-in to another fund.
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 maintained the CSS reconciliations for the fiscal year but did not have a review documented on the reconciliation or through another means. In addition, there were reconciling items noted on the CSS reconciliation that needed the District's attention to resolve the issue, that were not resolved in a timely manner.
<p>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.</p>		
	Question	Deficiency
1.	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The miscellaneous receipts clearing bank account was not cleared on a monthly basis. The uncleared balance as of 6/30/2025 was \$24,545.42.
2.	The District used the employee insurance programs withholdings bank account(s) in accordance with A.R.S. §15-1223.	Insurance and tax bank accounts had check stock orders for \$108.01 recorded within the accounts that were not reimbursed.
3.	The District paid bank charges from only the 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.	Bank fees of \$75 were noted within the miscellaneous receipts clearing bank account. Documentation was not provided that these fees were reimbursed by an appropriate fund or account.
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 10 of 25 cash receipts tested, deposits were not made timely. Untimely deposits were made between 8 and 16 days after receipt.
5.	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.	Bank reconciliations were not reviewed and approved for all bank accounts held with local institutions.

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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's capital asset list contained blanket tag numbers, such as "Cisco Meraki" for capital asset projects, and purchase order numbers as tag numbers for some assets.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	A construction invoice of \$502,677 for work performed by 6/30/2025 was not properly capitalized along with related retainage of \$119,850.
3.	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.	Although the District performed a physical inventory in December 2024 and began updating the stewardship list for acquisitions, transfers, and disposals, the stewardship and capital asset lists were not completely updated for asset disposals and additions.
4.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 items selected from the stewardship list, the item had a temporary tag number and was improperly included on the stewardship list despite the unit cost being less than \$1,000. For 1 of 5 items selected from the premises, the item was not included on the stewardship list.
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.	A full physical inventory was not documented as being completed at least every 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.	For 2 of 25 general disbursements tested, the purchase order was dated after the goods or services were received.

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2.	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	Although the District retained student approval meeting minutes for all 5 student activities disbursements reviewed, for 1 of 5 disbursements, the vendor's invoice was \$40 higher than the amount quoted to the District. The District paid the invoice without questioning the vendor about the difference between the quoted price and the invoiced amount or notifying the student club about the additional amount paid above the amount authorized by the club.
3.	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 completed the FY 2025 Advice of Encumbrance and the Business Manager signed the form on July 18, 2025. However, the District did not retain documentation to support the amounts reported or that the Advice of Encumbrance was submitted to the CSS.

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)	For 1 of 8 travel reimbursements tested, meals were reimbursed at the maximum rate as established per the ADOA, however, the receipts show that the employee did not spend greater than the maximum amount. In addition, for another travel reimbursement tested, flight reimbursements were made for \$1,303.92, however the price for the flights was \$1,233.92. These events created a net overpayment of \$219.68 to employees.

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 paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred a \$29 late fee on each of its American Express February and April 2025 statements.

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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 6 purchases tested requiring written price quotations, quotes were not maintained.
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)	The District did not perform due diligence on any of the cooperative contracts it utilized.
3.	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)	The District did not prepare written determinations for any of its cooperative contract purchases.
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.	The District did not calculate paid time off (PTO) hours for employees correctly based on District policy. The District used a different (substitute) rate to pay out PTO balances upon separation from employment which is not defined within the District policy. Additionally, the District did not follow its leave policy when calculating cabinet members' vacation balance. Specifically, the District's leave policy allows cabinet members to accrue up to 20 vacation days at any point in time, however the District's system caps cabinet members' available vacation leave at 25 days, rather than at 20 days. Specifically, 2 of 5 employees reviewed were cabinet members and the District's system showed 21.3339 available vacation days for 1 of the cabinet members and 25.000 available vacation days for the other cabinet member.

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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 followed the AFR—Review, Submission, and Publication Instructions.	The District Submitted the AFR reports to ADE on 2/20/26, past the deadline of 10/15/25.
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 FY 2024 annual comprehensive financial report and USFR compliance questionnaire were not submitted to ADE.
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 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	Membership was overstated by 5,255 days.
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.	Per review of the user role listing within Visions, it was noted that a District employee had full access to all modules.
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.	Documentation was not provided to support security awareness training was performed for the fiscal year.
3.	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.	Documentation was not provided to show the disaster recovery and contingency plan were tested during the fiscal year. The last time the plan appeared to be updated was April 2022.