Valentine Elementary School District

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

List of deficiencies

<table>
<tr><th colspan="3">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.</th></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>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</td><td>The District was unable to provide documentation that it annually provided governing board members and employees guidance on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees as a part of their employment.</td></tr>
<tr><td>2.</td><td>The District annually obtained 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</td><td rowspan="2">The District was unable to provide documentation that it annually obtained COI forms from governing board members and applicable employees to make known any conflict-of-interests. Per inquiry with the Superintendent and review of the vendor total listing, there were 2 related parties with expenditures of $801 and $201 that were not properly disclosed.</td></tr>
<tr><td>3.</td><td>The District maintained, for public inspection, a special file with all documents necessary to memorialize all governing board members and employees COI disclosures. A.R.S. §38-509</td></tr>
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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's auditors noted the following: • The District submitted the proposed and adopted budgets to the Arizona Department of Education (ADE) on July 17, 2024, and August 19, 2024, respectively. The proposed and adopted budgets should have been submitted by July 5, 2024, and July 18, 2024, respectively. • The District did not post, publish, or mail a copy of the proposed budget or Summary and a notice of the public hearing and board meeting to adopt the budget no later than 10 days prior to the meeting to adopt the budget. • The District could not provide documentation that it emailed a clickable link to the District's webpage where both the proposed and adopted budgets were placed to the School Finance Budget Team. • The District was unable to provide documentation that it submitted the proposed budget to the County School Superintendent (CSS).
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance and Operation (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the GBL or UCBL. A.R.S.§15-905(E).	Per the BUDG25 memo from ADE, the District was required to revise its budget, however, the budget was not revised on or before December 15, 2024.
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).	The District's governing board meeting minutes reflected the approval of a budget revision on May 12, 2025, however, the District did not upload the revised budget to ADE. Further, the District could not provide the revised budget for review.

	Question	Deficiency
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.		
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	The District's auditors noted the following: • The District coded third-party student instructional programs totaling $25,000 to function 2213—Instructional Staff Training and object 6360—Employee Training and Professional Development Services, however, the expenditure should have been coded to function 1000—Instruction and object 6320—Professional—Educational Services. • One refund of prior year expenditures totaling $15,688 was coded to object 1990—Miscellaneous instead of 1980—Refund of Prior Year's Expenditures.
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.	The District's auditors noted the following: • The District has not established a journal entry review process within the computerized accounting software (CAS). The CAS is currently configured so that any user with access could complete a journal entry without approval. • For all 15 journal entries selected, documentation did not reflect that journal entries were approved, signed, and dated by someone other than the preparer and there was no supporting documentation maintained.

	Question	Deficiency
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.		
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 2 of 5 deposits to the county treasurer, totaling $3,876, the deposit did not contain supporting documentation, including issued receipts or deposit information.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 3 of 5 deposits to the county treasurer, totaling $17,863, monies were deposited 35 to 51 days after initial collection.

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<tr><th colspan="3">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.</th></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>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.</td><td rowspan="2">The District has not prepared a capital assets list for assets costing $5,000 and above. The District’s failure to prepare a capital assets list was part of the basis for the independent auditor’s qualified opinion on the District’s governmental activities in its financial statements.</td></tr>
<tr><td>2.</td><td>The District reconciled the current year's June 30 capital assets list to the previous year’s June 30 list.</td></tr>
<tr><td>3.</td><td>The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.</td><td>The District could not provide documentation to support bus mileage and usage.</td></tr>
<tr><td>4.</td><td>The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.</td><td>The District could not provide documentation that it tracked expenditures to identify capital asset additions.</td></tr>
<tr><td>5.</td><td>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.</td><td>The District has not prepared a stewardship list for assets costing at least $1,000 but less than $5,000.</td></tr>
<tr><td>6.</td><td>The District’s capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.</td><td>There were numerous individual District assets that did not have tags. In addition, the District has not prepared a capital assets or stewardship list to agree to any existing tags.</td></tr>
<tr><td>7.</td><td>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.</td><td>The District could not provide documentation that a physical inventory of all equipment was completed and reconciled in the last 3 years.</td></tr>
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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).	For 8 of 10 purchases reviewed, that were made between July 2024 and January 2025, the purchases lacked required prior approval. Additionally, the District lacked evidence that it had implemented a secondary review process to demonstrate proper separation of responsibilities.
2.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 2 of 15 general expenditures tested, totaling $519,540, the purchase orders were not signed by an authorized approver.
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 2 of 15 general expenditures tested, totaling $16,608, the District paid the vendor using an estimate or quote instead of a formal invoice. In addition, for 3 expenditures for physical goods, totaling $69,170, the District did not retain the receiving report.
4.	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 was unable to provide documentation that it submitted the Advice of Encumbrance to the CSS.
5.	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 identified agreements, the District was unable to provide fully executed intergovernmental agreements for FY 2025.

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	Question	Deficiency
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 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 5 travel expenditures selected, totaling $1,739, the District was unable to provide documentation, including receipts or mileage calculations to support reimbursement amounts.
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.	The District was unable to provide evidence that it: • Maintained a complete list/log of card users to track card possession and personnel for training. • Obtained signed user agreements. • Provided credit card training to all card users during FY 2025.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred $114 in credit card finance charges and late fees for 4 months of the fiscal year.
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 9 vendors with whom the District expended a total of $10,000 to $99,999, the District could not provide documentation that it obtained 3 written quotes, or that goods or services were procured using a different allowable method, such as purchasing cooperatives or the request for bid/proposal process.

2.	The District properly procured expenditures that individually or cumulatively totaled over $100,000.	For 1 vendor with whom the District expended over $100,000, the District could not provide documentation that services were procured through an appropriate method, including purchasing cooperatives or the request for bid/proposal process.
3.	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 could not provide documentation that it 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.
Classroom site fund (CSF)—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 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 selected, the District was unable to provide evidence that payouts agreed to a governing board approved 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's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-4 through 6.	For 1 of 6 employees selected, the contract was prepared in anticipation of a board-approved salary increase. However, the increase was not approved, and the contract was not revised, resulting in the documented contract salary amount being overstated by $1,000.

2.	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 auditors noted the following: • The District could not provide documentation that it tracked compensated absences during the fiscal year. No compensated absences listing has been prepared by the District. • For all 4 payouts of compensated absence balances, which totaled $9,713, the District could not provide documentation to support the calculation, the payout amount, and independent approval of those amounts. The District's failure to prepare a compensated absences listing was part of the basis for the independent auditor's qualified opinion on the District's governmental activities in its financial statements.

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 were different as follows: • Fund 001—M&O was $253,300 greater than the most recent adopted expenditure budget. • Fund 610—UCO was $2,442 less than the most recent adopted expenditure budget.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District was unable to provide documentation it submitted the AFR to the CSS.
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's website did not contain a copy or link to the most recent Arizona Auditor General District Spending Report.
4.	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	The District was unable to provide the submitted SDER for FY 2025. As such, the District's auditors were unable to determine if teacher salary information was correctly reported.

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 Business Manager and the Head Teacher appear to have "full access" to all modules within the computerized accounting program which would allow them to complete a transaction.
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. In addition, the District was unable to provide documentation it provided employees security awareness training at least annually.
3.	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 was unable to provide data-sharing agreements for the CSS office, who has access to the District's financial system.
4.	The District ensured changes to data in business (i.e., employee information, pay rates) and IT (i.e., user roles, access rights) systems were approved by an authorized individual prior to processing changes.	The District could not provide documentation that changes to data were reviewed and approved by the District's designated employee.
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.
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 had not prepared formal planning documents that included the date and method the District would use in disaster recovery.

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 report mileage or eligible student information to ADE.
2.	The District submitted the vehicle inventory report by July 15 to the Superintendent of Public Instruction. ADE Transportation Manual	The District did not submit a vehicle inventory report to ADE.