Littlefield 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 governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District's Governing Board did not appoint a student activities treasurer during fiscal year (FY) 2025.
2.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	For 2 of 5 student activity cash receipts tested, the club fund-raising event was for a bingo night and raffle, which are not allowable student club fund-raising events.
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 following transactions were not recorded in accordance with the USFR Chart of Accounts: • For 1 of 20 cash receipts tested, the revenue was recorded to tax credit Fund 526—Extracurricular Activates Fees Tax Credit, object code 1790—Extracurricular Activities Fees Tax Credit and should have been recorded to rental revenue Fund 515—Civic Center and object code 1910—Rentals. • Repair services were recorded to object code 6731—Furniture and equipment whereas they should have been recorded to 6430—Repairs and Maintenance Services. • Technology related supplies were recorded to object code 6731—Furniture and equipment whereas they should have been recorded to 6650—Supplies—Technology-Related. • A short-term lease was recorded to object code 6832—Other Principal payments whereas it should have been recorded to 6443—Rental of computers and Related Equipment. • Equipment less than $5,000 for iPads were recorded to object code 6739—Technology-related hardware and software costing $5,000 or more whereas they should have been recorded to object code 6737—Technology—related hardware and software costing less than $5,000.

		• Student activity revenue was improperly recorded to expenditures accounts in function 2100—Support Services and object code 6610—General Supplies instead of being properly recorded to the revenue object code 1750—Revenue from Enterprise and Student Activities. • The principal and interest payments on a financed purchase were improperly recorded to function 2700—Student transportation and object code 6734—Vehicles instead of being recorded to principal and interest within function 5000—Debt service and object codes 6832—Other Principal payment and 6842—Other Interest payment.
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 did not retain documentation that adjusting journal entries were reviewed by someone other than the preparer. In addition, journal entries were not supported by documentation as to why the entry was being made.

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.	For 1 of 2 bank transactions tested from the Food Service clearing bank account, the auditor determined the payment was made to individuals for lunch refunds. This account should be limited to disbursements to the county treasurer.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 10 of 20 cash receipts tested, the deposits were not made in a timely manner. The untimely deposits were made between 8 and 36 days after receipt.

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.	The District did not properly add the purchase of 3 buses or flooring improvements (totaling $580,013) to the capital assets listing for the current fiscal year.

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.	A stewardship listing was not maintained.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	Documentation was not maintained to support assets were tagged during the current year.
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 did not identify or provide support that a full physical inventory was conducted within the past 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 (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 3 of 30 general disbursements tested, the purchase was made before the PO was approved. In addition, for 1 of 30 general disbursements tested, the invoice exceeded the approved PO amount.
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.	For 1 of 5 student activity disbursements tested, student activity club minutes were not maintained to support the student club authorization of the purchase.

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 2 of 3 mileage reimbursements tested, the mileage was not reimbursed at the appropriate mileage rate which led to an underpayment of $16.79 in total. In addition, for 1 of 3 lodging reimbursements tested, the amount reimbursed exceeded the ADOA rate by $23/night for 3 nights and no documentation was provided to support that a conference rate was utilized.

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.	For 1 of 8 employees tested who used a credit card, a signed user agreement was not maintained on file for this employee.
2.	The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.	For 2 of 15 credit card transactions tested, documentation that management reviewed the purchase was not maintained.
3.	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 15 credit card transactions tested, the corresponding credit card receipt was not maintained.
4.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 1 of 7 credit card statements reviewed, finance charges of $133.85 were incurred.

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 4 of 5 purchases tested between $10,000 and $100,000, the auditors determined written quotes were not maintained or other documentation to support the purchase was made through another alternative purchasing method (e.g., cooperative purchase, sole source, etc.).
2.	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. Arizona Administrative Code (A.A.C.) R7-2-1029 or R7-2-1045	For the only request for proposals tested, the District did not maintain documentation of when the proposals were received. The auditors could not determine if the proposals were stored unopened until the time and date set for review.
3.	The District evaluated bids/proposals and awarded contracts according to A.A.C. R7-2-1031, R7-2-1032, R7-2-1046(A)(1), or R7-2-1050 and retained documentation to support the award(s).	The District did not maintain documentation regarding the evaluation of proposals.
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	The District did not maintain documentation of procurement disclosure statements for employees involved in the procurement process.
5.	The District prepared the applicable written determinations as required by the specific procurement rule(s). A.A.C. R7-2-1004	The District did not maintain documentation of written determinations to determine which proposal was most advantageous to the District.
6.	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 did not provide training to employees during the year regarding the acceptance of any personal gift or benefits with a value of $300 or more.
7.	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)	For 4 vendors selected for cooperative purchase test work, the auditors determined that evidence of due diligence was not maintained.

<table>
<tr><th colspan="3">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.</th></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>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.</td><td>The vacation leave policies did not explicitly identify what rate the authorized vacation credit would be paid out at upon separation from employment.</td></tr>
<tr><th colspan="3">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.</th></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.</td><td>Audit adjustments were necessary to properly record the following:
• E-rate revenue of $2,112.
• ADE grant revenue of $87,952.
• Food service federal reimbursement revenue of $34,491 to the correct fiscal year.
• Student activities revenues improperly recorded as expenditures for $12,752 that needed to be moved to a revenue account code.</td></tr>
<tr><th colspan="3">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.</th></tr>
<tr><th></th><th>Question</th><th>Deficiency</th></tr>
<tr><td>1.</td><td>The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).</td><td>For 1 of 5 student files tested, a legal document to support the student's name was not maintained on file.</td></tr>
<tr><td>2.</td><td>The entry date in the computerized attendance system agreed to the entry form.</td><td>For 3 of 5 student files tested, the entry date in the computerized attendance system did not agree to the entry form.
In addition, for 2 of 5 students tested, the enrollment date was not maintained on the enrollment form.</td></tr>
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3.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17 First Day Absence	For 1 of 5 student files tested, the auditor could not determine the first day of attendance to ensure membership began on the first day of actual attendance.
4.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 1 of 5 student files tested, verifiable documentation of Arizona residency was not maintained.
5.	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 2 of 4 students tested for having 10 consecutive unexcused absences, attendance records did not agree with the last day of actual attendance or excused absence listed on the withdrawal form.
6.	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 did not provide documentation that the membership and absence information uploaded to ADE was reconciled between the District's records and what was reported to ADE through the first 100 days of school.
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.	Multiple users had full access to all accounting modules within the financial reporting software that exceeded the access needed to perform their job duties.
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 did not maintain a formal risk assessment process over its information technology infrastructure.
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.	The District did not maintain a disaster recovery or contingency plan.