Valley Union High 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 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. A.R.S. §§38-502 and 38-503	The District does not have a procedure to ensure COI forms are completed upon hire or annually. In addition, the District does not have a process to review COI disclosure forms nor to identify and remediate disclosed conflicts. For 1 of 4 governing board members' FY 2026 COI forms reviewed, the member did not disclose a substantial interest and improperly voted on an agenda item pertaining to that interest.

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 Arizona Revised Statue (A.R.S.) §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District did not: • Publish their proposed or adopted budget available on their website. • Provide documentation that they emailed a clickable link of their proposed or adopted budget to the School Finance Budget team. • Publish a notice of a public hearing to revise the budget for the required December 15 revision. • Provide documentation of the truth in taxation notification or results from the hearing.
2.	The District revised its budget on or before December 15, if Arizona Department of Education (ADE) notified the District that its Maintenance and Operation (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the General Budget Limit (GBL) or Unrestricted Capital Balance Limit (UCBL). A.R.S.§15-905(E).	For the District's December budget revision, the District did not upload a copy of the proposed budget, the summary of the proposed budget, and a notice of the public hearing and board meeting no later than 10 days before the meeting.

Valley Union High School District
Not in compliance with the *Uniform System of Financial Records* (USFR)
List of deficiencies

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.	A donation for $20,000 was coded to the Fund 001—M&O instead of the Fund 530—Gifts and Donations.
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 25 adjusting journal entries selected: • 17 were not signed by a secondary reviewer. • All 25 were not supported with receipts or other documentation to support the adjustment.
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.	Although there were monthly reconciliations, the District did not provide documentation to support that any differences were researched, resolved, documented, and dated or that reconciliations to the CSS or County Treasurer were completed. Reconciliation details revealed various monthly "unknown" variances, ranging from $13,330 to $(27,623).
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 bank account was not cleared at year end and maintained a reconciled remaining balance of $1,847.
2.	The District used an Auxiliary Operations Fund bank account in accordance with A.R.S. §15-1126.	The District could not provide evidence that the Governing Board designated signers for the Auxiliary Operations Fund bank account.
3.	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.	All 10 local deposits totaling $211,346 were not supported with a local receipt to reconcile the deposit, as such, the auditor was unable to determine if the deposits were made weekly.
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	
5.	The District safeguarded unused checks.	The check stock is locked in a cabinet with only the Business Manager having access. However, the Business Manager is also a check signer.

6.	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 bank accounts have monthly reconciliations and secondary reviews completed by 2 employees who are both also check signers.
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 did not contain complete information for the location, identification number for equipment, method of acquisition, source of funding, purchase document number, and percentage of federal participation in the asset's cost.
2.	The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.	The District had not yet implemented a policy requiring detailed mileage and use logs for its fleet vehicles to ensure the vehicles are used only for District business.
3.	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 include $44,863 of capital asset additions from the prior year on the current year capital asset listing.
4.	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 District did not maintain a stewardship listing.
5.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District did not maintain capital asset and stewardship lists with sufficient detail for its auditors to complete the required procedures.
6.	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 retain evidence that an inventory has been taken within the past 3 years.
7.	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 Arizona Administration Code (A.A.C.) R7-2-1131.	The District recorded 2 assets as sold at auction but could not provide documentation that proper disposal steps were taken in the auction including board documentation.

Valley Union High School District
Not in compliance with the *Uniform System of Financial Records* (USFR)
List of deficiencies

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 25 expenditures selected, 1 had a PO dated 26 days after the invoice. Additionally, the Food Service Fund had a cash deficit of $2,900 at fiscal year end.
2.	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 did not require its cleaning vendor to provide detailed invoices with explanations of the charges for the hours and services provided and did not ensure the charges were reasonable before making payment.
3.	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	The District's updated IGA with Elfrida Elementary School District (ESD) still lacks critical components, such as expectations on how shared employees should track their time to ensure each district complies with the terms of the IGA. Further, the District continues to be at risk of under billing Elfrida ESD for meals served to Elfrida ESD students as it does not verify the meal count provided by an Elfrida ESD employee is accurate.
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 had $143 in credit card finance charges and late fees.
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 the 2 vendors with whom the District spent $10,000 to $100,000, the District did not retain documentation that 3 written quotes were requested.

Valley Union High School District
Not in compliance with the *Uniform System of Financial Records* (USFR)
List of deficiencies

Classroom site fund—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 Classroom Site Funds (CSF) monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF FAQs.	For 4 of 5 CSF performance payments selected, the District did not retain documentation that the performance pay was calculated in accordance with the governing board approved performance 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 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 processed sick leave payout for 5 terminated employees through the accounts payable system rather than through the payroll system. As a result, federal and state payroll taxes and other required payroll withholdings were not deducted from the payments. The total amount of sick leave payouts processed through accounts payable was $25,425. Additionally, for 1 of 5 employee's leave use selected, the District could not provide documentation for approval.
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 following funds had overstated expenditures on both the AFR and school level AFR when compared to District records: • 001—M&O by $34,331 • 010—CSF by $2,524 • 300-399—Career and Technical Education District (CTED) Federal Perkins by $430 • 465-499—CTED State Priority by $59 • 510—Food Service by $2,901 • 596—CTED by $1,216.

2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District submitted the AFR to the CSS on October 17, 2025. Also, the District did not include a link to the AFR on the District's website.
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 average teacher salary information or the most recent Auditor General's District Spending Report.
4.	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 did not submit the prior year's audit reports and USFR Compliance Questionnaire 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 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 4 of 5 student withdrawals selected, the withdrawal date on the withdrawal form did not agree to the withdrawal date reported to ADE.
2.	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 5 general student withdrawals selected, the students appear to have been withdrawn following 10 consecutive unexcused absences; however, these students were not reported as such a withdrawal. In addition, the last day of membership reported to ADE was the last day of the unexcused absence, opposed to the last day of actual attendance or excused absence. Finally, for 1 (population exhausted) student withdrawn for 10 consecutive unexcused absences, the District did not maintain sufficient attendance reports to determine if there were 10 consecutive unexcused absences.

Valley Union High School District
Not in compliance with the *Uniform System of Financial Records* (USFR)
List of deficiencies

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 Information Technology (IT) systems that prevented 1 employee from completing a transaction without additional review and approval procedures.	The Business Manager is listed as having “full access” to all modules within the computerized accounting program.
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 has not implemented appropriate security measures for its wireless and internal networks. In addition, the District has not implemented a policy to provide security awareness training to staff. The District indicated that security training began in early FY 2026, however it did not provide documentation of the training.
3	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	The District has not implemented policies and procedures to address physical access to and securing of its IT areas and equipment.
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 was unable to provide a data-sharing agreement for at least 1 vendor, the CSS’s office, who has access to the District's financial system.
5.	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.
6.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District has not implemented password requirements that align with credible industry standards.
7.	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 a disaster recovery plan in place but could not provide documentation that it was tested during the fiscal year.

Valley Union High School District
Not in compliance with the *Uniform System of Financial Records* (USFR)
List of deficiencies

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 has not developed procedures to ensure its required transportation reporting is accurate.
2.	The District submitted the vehicle inventory report by July 15 to the Superintendent of Public Instruction. ADE Transportation Manual	The vehicle inventory report did not include all fleet vehicles. In addition, the District did not have supporting documentation for the ending mileage.