Yucca 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 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. Arizona Revised Statues (A.R.S.) §§38-502, A.R.S. 38-503, and 38-509	The District did not conduct formal COI training in fiscal year (FY) 2026.
2.	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	Four of 9 employees did not complete the COI disclosure forms correctly. Specifically, 2 employees indicated on their disclosure forms that they both had and did not have a substantial interest to disclose. Additionally, 2 employees disclosed potential substantial interests but did not describe their substantial interests on their respective forms, as required. Finally, district administrators indicated that they did not review COI forms in FY 2026.
3.	Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that contract, sale, purchase, service, or decision of the school district. A.R.S. §§38-502 and 38-503(A) and (B)	The now-former business manager, who had previously improperly participated in overseeing work by close relatives and processing payments made to their relative, may have continued to do so in FY 2026. Although the now-former business manager disclosed the name of her relative and described her substantial interest on her conflict-of-interest disclosure form, the District did not take steps to remediate the disclosed conflict, which it should have done upon reviewing the disclosure form. Additionally, an administrator disclosed the name of her relative but did not describe the nature of her substantial interest and may have participated in decisions benefiting that relative by approving the purchase order for payments to her sister-in-law for janitorial services provided to the District.

4.	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.	The District provided stipends and/or extra-duty payments to 4 employees without ensuring the pay was properly documented or reviewed in accordance with USFR requirements.
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 District experienced business office staff turnover in April 2026. Therefore, District transaction coding was not assessed during the initial performance audit follow up. Based on the July 2025 performance audit report, it was noted that the District did not classify expenditures totaling $64,346 in accordance with the USFR Chart of Accounts. The following items were not classified correctly: • 10 of 30 accounts payable transactions. • 2 of 5 employee payroll records. • 12 of 15 travel reimbursements. • 12 of 30 credit card transactions.

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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 separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	The District's procedures do not separate cash-handling and recordkeeping duties among employees or require a compensating control in all instances. Specifically, 1 of 8 FY 2026 cash receipts reviewed was collected and deposited by the same employee without a secondary review by another employee. Further, due to staff turnover, the District again only has 1 business office employee, it has not addressed how it will ensure that cash-handling and recordkeeping duties are properly separated and/or what compensating controls it will implement to mitigate the risks associated with 1 employee having incompatible cash-handling responsibilities.
2.	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 1 of the 6 deposits reviewed, the District lacked evidence that it reconciled the deposit to the cash-collection documentation.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District's administrator reported that the District's process is to deposit cash biweekly rather than weekly, because the District has few cash transactions and given the District's rural location. However, the District's governing board has not adopted a formal alternative deposit schedule describing the reason it is necessary and establishing a threshold that constitutes a significant amount the must be deposited daily in accordance with USFR requirements.

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'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 had purchase orders that lacked key information, such as approved purchase totals and approval dates. Additionally, some purchase orders reviewed listed multiple vendor names and/or appeared to have been improperly modified after they were initially approved. The District also lacked evidence that items purchased were received and invoices were reviewed for accuracy prior to issuing payment to vendors.
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)	Between July 2025 and April 2026, the District did not process any travel reimbursement claims. Therefore, the District's travel reimbursement procedures were not assessed during the initial performance audit follow up. The July 2025 performance audit report noted the following deficiencies for 15 travel expenditures reviewed: • 3 expenditures were not supported by a travel claim • 8 travel claims were missing required information • 8 travel claims forms lacked required supervisory approval Additionally, the District did not develop or maintain documentation to show that travel had been preapproved, such as Governing Board meeting minutes or a District-approved travel authorization form, as the District does not have written procedures for travel reimbursements. Further, for 7 travel reimbursements, the District inappropriately reimbursed employees for travel within 50 miles of the district while the State of Arizona Accounting Manual requires a traveler to be more than 50 miles from both the traveler's residence and regular duty post to be in travel status and eligible for reimbursement.

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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 reported that employees received credit card training in July 2025, but the District did not maintain training materials to support the training provided included relevant District policies and procedures.
2.	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.	The District's FY 2026 credit card logs showed when purchases were made and by whom but did not include any purchase order information to help ensure purchases were approved and for valid District purposes.
3.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred credit card late fees and interest charges totaling more than $300 during FY 2026.
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.	At the time of the followup review, the District had not initiated any purchases governed by its new procurement policies and procedures, and therefore, we were unable to assess whether the District consistently followed its new procedures. The July 2025 performance audit noted the following: • For 2 of 12 procurement files tested, the District did not retain written quotes. • For 1 of 12 procurement files tested, the District did not retain documentation it had conducted the necessary due diligence. • For 1 of 12 procurement files tested, the District did not retain a written determination for selecting the vendor.
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. A.A.C. R7-2-1191(D)	
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)	

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.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	The auditors noted 1 hourly food service employee who had 6 hours of work time added to multiple weekly timecards. However, the District lacked any documentation supporting the activities performed, the amount of time worked, and whether what appeared to be a standard and routinely applied timecard adjustment was reasonable.
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 review of the March 2026 auxiliary operations cash receipts found the District failed to track all 3 receipts for inclusion in its AFR.
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.	Three accounting system users had excessive access to payroll functions. Further, the District has not established policies nor procedures that assign responsibility for overseeing and monitoring IT operations and system access and annually reviewing user accounts to ensure system access levels are appropriate.

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.	One of 9 District employees did not complete the required cybersecurity awareness training by December 31, 2025. Additionally, auditors were unable to determine whether the training the District provided was aligned with the USFR and credible industry standards because administrators did not provide the training materials upon request for review.
3.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The District reported that it had immediately notified IT system administrators of an employee's termination, auditors found that the District waited 3 days to notify the County and 6 days to notify the Education Technology Consortium.
4.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District did not implement comprehensive authentication controls for its critical IT systems. Additionally, auditors found 2 instances of 2 different employees completing work within the accounting system under a single user account.
5.	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	The District did not establish policies nor procedures to detect and respond to unauthorized or suspicious activity in compliance with the USFR.
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 did not develop an IT contingency plan.