

Kayenta Unified School District

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

List of deficiencies for the year ended June 30, 2023

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	Question
1.	The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as part of their employment. A.R.S. §§38-502 and 38-509	The District did not provide COI guidance to all governing board members and employees.
2.	The District annually obtained conflict-of-interest forms that allowed governing board members and employees to make known and fully disclose a conflict of interest 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 did not obtain COI forms for all governing board members and employees.
3.	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	The District did not complete and present any Student Activities Fund Reports (beginning cash, receipts, disbursements, and ending cash) to the board during the fiscal year.
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	Question
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 proposed budget was not approved and signed at a Governing Board public hearing by the Arizona Department of Education (ADE) Submission and Publication Deadlines. Additionally, the District did not submit the proposed and adopted budget to the Superintendent of Public Instruction (ADE) in accordance with ADE Submission and Publication Deadlines. Finally, the District did not provide a link on its website to ADE's website where the District's proposed budget could be viewed.

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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.	For 2 of 50 disbursements reviewed, the disbursement was not coded in accordance with the USFR Chart of Accounts. Additionally, the District recorded \$159,454 of other local revenue in Fund 596—Career Technical Education as state revenue.
2.	The District reconciled cash balances by fund monthly with the County School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	Unreconciled differences of \$126,897 were noted on the year-end reconciliation with the county treasurer's records.

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 miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	The miscellaneous receipts clearing bank account was not remitted to the County Treasurer at least monthly. The bank account balance reached over \$1 million during the fiscal year.
2.	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1125.	For 5 auxiliary operations receipts reviewed, the District did not prepare: <ul style="list-style-type: none"> • Itemized or handwritten receipts for 2. • A cash receipt summary report for 1, to total the amount of cash received and deposited. • Daily sales summaries for 3, to reconcile sales to actual cash collected.
3.	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 reconciliations.	The District did not always complete bank account reconciliations in a timely manner. The District completed November 2022 through January 2023 bank account reconciliations in March 2023, and February 2023 and March 2023 bank account reconciliations in May 2023. In addition, the bank accounts were not always reconciled by an employee not involved in the cash handling process, and were not reviewed, signed, and dated by an employee independent of the process.

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List of deficiencies for the year ended June 30, 2023

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 have a process in place to properly track construction-in-progress. Additionally, capital additions on the capital outlay reconciliations do not agree with asset records by \$284,958 for construction.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 2 of 10 assets selected from the asset listings, the items could not be located. Additionally, for 2 of 5 assets selected from the premises, the items could not be located on the asset listings. Finally, the District did not provide the location of 1 asset.
3.	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 has not performed a physical inventory and reconciliation over the stewardship and capital assets since fiscal year 2017.
4.	The governing board or authorized designee approved stewardship and capital asset items disposed of during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with A.A.C R7-2-1131.	For 2 of 5 disposals reviewed, the District did not maintain documentation supporting the approval of the disposal.

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 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 5 of 10 student activity disbursements and transfers reviewed, the disbursement or transfer did not have proper student approval.
2.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District did not provide the CTED Supplanting worksheet to the CTED.

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List of deficiencies for the year ended June 30, 2023

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 3 of 10 credit card transactions reviewed, the District did not have a signed card user agreement on file. Additionally, the District could not provide documentation of formal credit card training to credit card users and employees involved in processing transactions.

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 10 purchases reviewed in the written quote range, the District did not retain written documentation of the reason for not choosing the vendor with the lowest quote price.
2.	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 and guidance to employees, their supervisors, and others who participate in the planning, recommending, selecting, or contracting for school district purchases or school purchasing cooperatives, related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more.
3.	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)	The District did not maintain documentation that adequate due diligence was performed for purchases through Mohave, SAVE, or State cooperatives. Additionally, for due diligence performed for purchases from Omnia and 1GPA, the determination was not signed or dated; therefore, auditors were unable to determine when due diligence was performed.
4.	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 specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative, including how the determination was made, the rationale for the vendor selected, and how it was advantageous to the district.

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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-2 through 4.	For all personnel files reviewed, the file did not include a loyalty oath or background check.
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.	For 1 of 5 employee leave balances reviewed, the employee's beginning balance did not agree to the prior year's ending balance.
3.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 2 of 50 payroll records reviewed, the employee's contract rate exceeded the rate entered into the District's accounting system, resulting in a net underpayment of \$290.92. Additionally, for 2 of 50 payroll records reviewed, the employee's contract rate was less than the amount entered into the District's financial accounting system, resulting in a net overpayment of \$200.00. Finally, for 1 of 50 payroll records reviewed, the District was not able to provide documentation for \$64.33 of training costs paid to the employee.

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 as reported on the AFR did not agree to the most recently revised expenditure budget for the Impact Aid and Other Federal Projects Funds.
2.	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)	Actual expenditures as reported on the AFR did not agree with the District's accounting records for several funds.

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3.	The District's website included its average teacher salary information 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	The average teacher salary information on the District's website was not the most recent data.
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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 reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	For 1 of 10 withdrawals reviewed, the actual withdrawal date did not match the date in the system.

Information technology - 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 District did not adequately separate the ability to assign user rights from system operations for several business systems.
2.	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	The District does not have a policy against sharing user IDs and passwords.
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 perform an annual test of the disaster recovery plan.

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	Daily route miles did not agree to supporting documentation by 94 miles per day.