

**Kingman Unified School District**  
 Not in compliance with the Uniform System of Financial Records (USFR)  
 List of deficiencies for the year ended June 30, 2023

<p><b>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.</b></p>		
	<b>Question</b>	<b>Deficiency</b>
1.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	For 4 of 10 student activity cash receipts tested, documentation was not maintained that supported the fundraising events were approved by the governing board.
<p><b>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.</b></p>		
	<b>Question</b>	<b>Deficiency</b>
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 Adopted Expenditure Budget was signed on July 12, 2022. However, the budget was not filed electronically with the County School Superintendent (CSS) and the Superintendent of Public Instruction until July 26, 2022, after the July 18 deadline.
<p><b>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.</b></p>		
	<b>Question</b>	<b>Deficiency</b>
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	<p>The District did not code the following transactions in accordance with the USFR chart of accounts:</p> <ul style="list-style-type: none"> <li>• The District recorded a negative adjustment of \$21,233.69 to State Equalization revenue as increases in revenues and cash, and it should be recorded as reductions of revenues and cash.</li> <li>• The District made an inappropriate adjusted journal entry to move \$181,000 of proceeds of sales of school buses from Fund 500—School Plant, Object 5300—Proceeds From the Disposal of Real or Personal Property to Fund 610—Unrestricted Capital Outlay (UCO) and Object 6731—Furniture and Equipment as reduction of expenditures.</li> <li>• The District made 2 journal entries intended to move \$16,100 of transportation fees—Object 1440 from Fund 001—Maintenance &amp; Operation (M&amp;O) to Fund 610—UCO. However, instead of moving the revenues, the District reduced Object 6731—Equipment expenditures in Fund 610. while it should have remained as revenues.</li> <li>• Lastly, the District received \$616,795 in interest from its pooled investments with the County and applied all the interest revenue to Fund 001—M&amp;O and</li> </ul>

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		Fund 700—Debt Service Funds, instead of allocating it to all applicable funds.
2.	The District reconciled cash balances by fund monthly with the CSS or county treasurer’s records, as applicable, and properly supported, documented, and dated the reconciliations.	Cash balances were not reconciled by individual treasurer funds during the current fiscal year. Documentation to support that cash reconciliations were reviewed and approved by someone other than the preparer was not maintained.
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.		
	<b>Question</b>	<b>Deficiency</b>
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.	Reports were not prepared that reconciled sales to cash collected for 4 of 10 student activity deposits tested.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 8 of 40 cash receipts tested, deposits were not made in a timely manner. For an additional 2 cash receipts, documentation was not provided that showed when the cash was collected to determine if the deposits were made in a timely manner.
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.		
	<b>Question</b>	<b>Deficiency</b>
1.	The District’s capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 3 of 5 items selected on site and for all 10 items selected from the stewardship and capital asset listing, the assets were not properly tagged.
2.	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.	Documentation was not provided to support the occurrence and date of a physical inventory of all District equipment within the last 3 years.
3.	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.	Documentation was not provided to support the governing board approval of the sale of 10 school buses.

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**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 properly procured expenditures that individually or cumulatively totaled over \$100,000.	For 1 purchase over \$100,000, the District only requested 3 written quotes from 3 vendors and did not perform a Request for Proposal (RFP) or an Invitation for Bid (IFB).

**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 on the AFR did not agree with the District's most recently revised budget for Funds 300-399—Other Federal Projects and on the Food Service AFR.
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)	Expenditures and revenues reported on the AFR did not agree with the District's accounting records for Funds 510—Food Service, 525—Auxiliary Operations, and 955—Intergovernmental Agreements (IGA)).
3.	The District followed the AFR—A.R.S. §15-904, and followed the Review, Submission, and Publication Instructions.	The District submitted its AFR to Arizona Department of Education's (ADE) website on October 18, 2023, after the October 15 deadline. In addition, the District did not prepare or file a School Level AFR.
4.	The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance & Operation Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	Expenditures reported on the District's Food Service AFR for M&O Fund 001 expenditures did not agree with the District's accounting records.
5.	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 District provided a link to the Arizona Auditor General's spending report, but it was not the most current version of the report. The information linked was for fiscal year 2021 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 maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (AOI) program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	For 5 of 15 AOI students tested, the District did not have the students' intended FTE enrollment statement on file.
2.	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).	For 1 of 15 student entries tested, the District did not have a legal document on file to match the student's name in the student management system.
3.	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 15 student entries tested, the District did not maintain verifiable proof of Arizona residency.

**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 finance director had full access to all modules in the accounting system during the fiscal year.
2.	The District reviewed and documented any system or software changes implemented.	The District did not have a formal policy for documenting system and software changes during the fiscal year.

**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 (TRAN55-1) submitted to ADE. A.R.S. §15-922	The District reported mileage of 606,189 to ADE on the TRAN55-1 report, whereas mileage log information maintained at the District reported 655,392 miles. Therefore, the District understated mileage by 49,203 miles. Eligible students reported on the TRAN55-1 were understated by 363 students.