

# Valley Union High School District

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

List of deficiencies for the year ended June 30, 2023

<b>Governing board/management procedures</b> —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 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 could not provide evidence that it provided annual training to all governing board members and employees on what constitutes a substantial interest and that the COI statutes apply to all District governing board members and employees as a part of their employment.
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	While there are no conflicts of interest noted, the District did not appear to obtain a statement of no conflict from all members of the governing board or other applicable employees.
3.	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 could not provide documentation of governing board approval of salary schedules and other pay rates.
<b>Budgeting</b> —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 A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District could not provide documentation for the submission of the budget to the county school superintendent (CSS) or evidence that the CSS exempted them from having to submit the budget. For both the proposed and adopted budget, the District did not send an email with clickable links to required information on the District's webpage to the School Finance Budget Team.

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2.	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget and within the general budget limit (GBL) and the unrestricted capital budget limit (UCBL). A.R.S. §15-905(E)	The District's adopted UCO budget was greater than the proposed budget by \$76,395.
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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 1 of 20 general expenditures tested, the District coded purchases totaling \$14,588 to object 6610—General Supplies; however, it appears the expenditures should have been coded to object 6431—Nontechnology-Related Repairs and Maintenance. In addition, for 1 of 20 expenditures tested, totaling \$11,574, the District paid repair and maintenance general supplies from Fund 610—UCO, however, the expenditure should have been paid from Fund 001—M&O.
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 all 7 journal entries selected, the District did not retain supporting reports nor evidence that they were approved, signed, and dated by someone other than the preparer.
3.	The District transferred monies only between funds listed in the USFR §III Chart of Accounts—Authorized Transfers.	For 1 interfund transfer tested, the District made an unallowable transfer, totaling \$1,623, from Fund 001—M&O to Fund 570—Indirect Costs.
4.	The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue postings or journal entries) for propriety and researched and resolved any differences.	The District could not provide documentation to support that District conducted a monthly review of financial transactions the CSS initiated.
5.	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.	The District could not provide documentation to support that on a monthly basis cash balances were accurately reconciled to the CSS or county treasurer and any differences were researched, resolved, documented, and dated, or that reconciliations to the CSS or county treasurer were completed.

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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 used an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.	For 1 month of activity, the District did not reimburse the M&O Fund revolving bank account during the fiscal year. The District could not provide supporting documentation for the only expenditure from the account, totaling \$10.	
2. 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 District's Food Service Fund clearing bank account was not cleared at any time during the fiscal year and had a balance of \$2,998 at fiscal year-end.	
3. The District used an Auxiliary Operations Fund bank account in accordance with A.R.S. §15-1126.	For all 4 checks written from the Auxiliary Operations Fund bank account, totaling \$830, checks were signed by only 1 individual. Further, the District could not provide evidence that the Governing Board designated signers for the Auxiliary Operations Fund bank account.	
4. 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 all 5 Auxiliary Operations Fund deposits selected totaling \$3,218, the District could not provide evidence that deposits were supported by documented tickets, sequentially numbered cash receipts for individual transactions, cash register or a count on hand before and after a sale.	
5. The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	For all 3 checks written from the Student Activities Fund bank account totaling \$1,469, checks were signed by 1 individual.	
6. The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For 4 of 5 student activities deposits selected totaling \$16,145, the District could not provide evidence that deposits were supported by documented tickets, sequentially numbered cash receipts for individual transactions, cash register or a count on hand before and after a sale.	
7. The use of debit cards was prohibited as a payment method associated with any District bank account.	The District paid \$10 using a debit card from M&O Fund revolving bank account during the fiscal year.	

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8.	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 all 18 deposits selected which were made directly to the County Treasurer totaling \$594,368, the District could not provide supporting documentation to demonstrate that the District issued receipts, or prepared cash receipt summary reports, mail logs, etc., which reconciled sales to amounts collected with summary reports or ticket logs.
9.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	The District did not retain supporting documentation or make timely deposits for the following: <ul style="list-style-type: none"><li>• For 9 of 18 deposits selected which were made directly to the County Treasurer totaling \$291,095, the District could not provide treasurer's transmittal or other deposit transmittal documentation.</li><li>• For 4 of 5 auxiliary operations deposits selected, totaling \$3,218, the District did not retain prenumbered deposit slips, treasurer's transmittal, or other deposit transmittal documentation. Additionally, for 1 of 5 deposits tested, totaling \$275, the District did not deposit cash within 7 days. Cash was deposited 12 days after initial collection.</li><li>• For 4 of 5 student activities deposits selected, totaling \$4,065, the District did not retain prenumbered deposit slips, treasurer's transmittal, or other deposit transmittal documentation. Additionally, for 2 of 5 deposits tested, totaling \$5,017, the District did not deposit cash within 7 days. Cash was deposited 8 to 15 days after initial collection.</li><li>• For 4 of 5 food service deposits selected, totaling \$802, the District did not retain prenumbered deposit slips, treasurer's transmittal, or other deposit transmittal documentation. Additionally, for 4 of 5 deposits tested, totaling \$355, the District did not deposit cash within 7 days. Cash was deposited 8 to 25 days after initial collection.</li></ul>
10.	The District retained supporting documentation for disbursements from bank accounts.	The District did not retain supporting documentation including original invoices to support the following bank account disbursements: <ul style="list-style-type: none"><li>• All 4 auxiliary operations disbursements tested, totaling \$830.</li><li>• Two of 3 student activities disbursements tested, totaling \$1,327.</li></ul>

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11.	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 reconcile any of its 5 bank accounts to a record of activity.
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**Supplies inventory**—The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.

	Question	Deficiency
1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	The District maintains fuel tanks for both gasoline and Diesel. The District did not take measurements during the fiscal year to reconcile fuel levels to District records of the usage of the fuel.

**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 assets excel 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'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 list.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The District does not maintain capital asset and stewardship lists with sufficient detail. Therefore, the District's auditors were unable to verify if the District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.
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 retain evidence that an inventory has been taken within the past 3 years.

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5.	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 the disposal of multiple assets which totaled \$67,013, the District could not provide an approved request-for-authorization form to dispose of District property. In addition, the District could not provide supporting documentation to support all requirements of the disposition method used (sale to other school district, auction and posted prices).
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**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.	The District reported the following cash deficits at fiscal year-end: Fund 691—Building Grant Renewal \$(84,356) Fund 850—Student Activities \$(26,655) Fund 955—Intergovernmental Agreements (IGAs) \$(28,340).
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.	For 5 of 20 general expenditures tested, totaling \$99,995, the District did not retain a vendor invoice to support the disbursement of funds.
3.	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 2 of 3 student activities disbursements tested, totaling \$1,327, the District could not provide evidence that the disbursement was authorized by members of the applicable club.
4.	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	For 2 of 20 general expenditures tested, the District issued the PO after receipt of the invoice. POs were dated between 15 to 20 days after the invoice date.
5.	The District retained fully executed copies of each IGA and payments for services were made or received, as applicable. A.R.S. §11-952	For 1 of 3 IGAs selected, the District could not provide a fully executed IGA.

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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 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.	For 1 travel reimbursement selected, the District reimbursed the employee directly for fuel costs as opposed to the per-mile vehicle reimbursement rate.
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 did not have adequate controls over its credit cards. Specifically: <ul style="list-style-type: none"> <li>• The District's credit cards are maintained in the District's name and the District could not provide a list/log of card users to track card possession.</li> <li>• The District could not provide evidence that it provided annual training to employees who make credit card purchases or process transactions.</li> <li>• The District could not provide signed card user agreements.</li> <li>• The District could not provide documentation that cards were issued with defined dollar limits.</li> </ul>
2.	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	As the District was unable to provide evidence it retained statements for all credit cards during the fiscal year, the District's auditors were unable to verify that the District ensured someone other than a card user reconciled credit card supporting documentation and billing statements.
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 1 store card, the District could not provide credit card statements for the entire fiscal year. In addition, for 1 store card and 1 fuel card, the District did not retain statements for 5 and 6 months of the fiscal year, respectively.

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4.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$368 in credit card finance charges and late fees based on review of available credit card statements.
<p><b>Procurement</b>—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.</p>		
	<b>Question</b>	<b>Deficiency</b>
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 all 6 vendors with whom the District spent individually between \$13,764 and \$35,163, the District could not provide documentation that it obtained at least 3 written quotes.
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 Arizona Administrative Code (A.A.C.) R7-2-1003	The District could not provide documentation that it 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.
3.	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. A.A.C. R7-2-1191 through R7-2-1195	
4.	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 1 cooperative with whom the District spent \$55,769, the District could not provide documentation that the cooperative contract was retained.
5.	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)	
6.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	For 2 vendors paid as a sole source, the District could not provide documentation of written determinations.



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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 9 employee files selected, the District could not provide evidence it retained a loyalty oath as required by A.R.S. §38-231. In addition, for 1 of 4 teacher files selected, the District did not retain a teaching certificate.
2.	The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G)	For 1 of 9 employees selected, the employee's fingerprint clearance card on file was expired, and the District could not provide evidence that it was renewed.
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 District revised its financial data after submission of the initial AFR and there was no revised AFR submitted to the Arizona Department of Education (ADE). As a result, expenditures for Fund 112—ESAE Title I and Fund 162—ESAE Title IV were overstated \$22,675 and \$10,030, respectively, when compared to financial records, while expenditures for Fund 001—M&O were understated \$32,848.
2.	The District followed the AFR—A.R.S. §15-904, and followed the Review, Submission, and Publication Instructions.	The District could not provide documentation for the submission of the AFR to the CSS or evidence that the CSS exempted the District from submitting such information. The District did not retain evidence that it made any submissions to ADE's School Finance Budget Team as required.
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 District's webpage did not contain any of the elements 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.

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4.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports	ADE records indicated that the SDER was submitted; however, the District could not provide source documentation for amounts presented to ADE. In addition, the District could not run reports from ADE's system, therefore, the District's auditors were unable to determine if complete and accurate SDER information was submitted.
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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 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 3 student W4 withdrawals selected, the student's last day of attendance per the District's computerized attendance system did not agree with the withdrawal date reported to ADE.

**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 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 could not provide documentation that they approved recovery and contingency planning documents to restore or resume system services in case of disruption or failure.

**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	After review of supporting transportation documentation, it appears the District added the reported "Other route miles" to "Eligible route miles", resulting in an overstatement of "eligible route miles" by 5,640 miles.