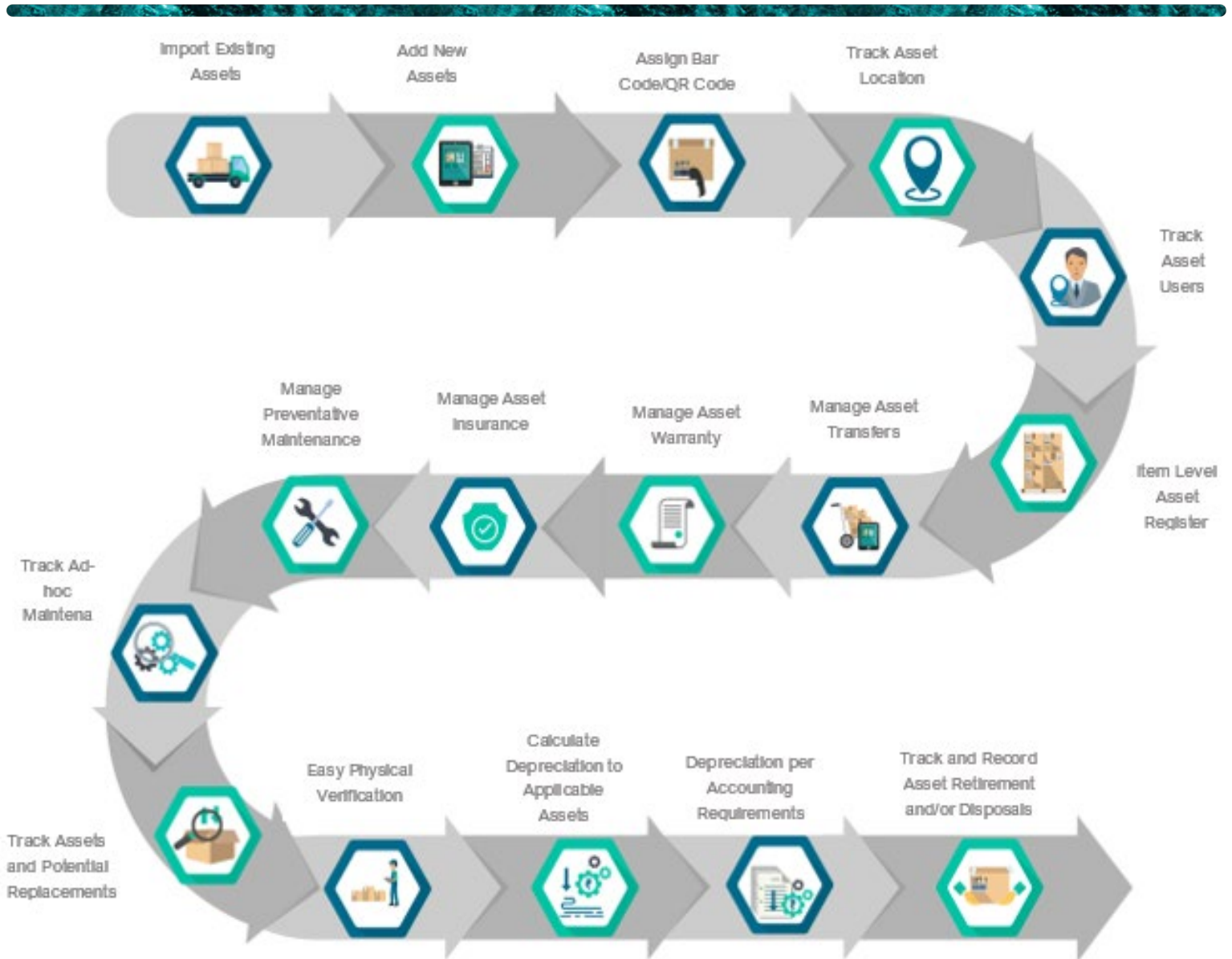




# ASSET MANAGEMENT

## *Internal Audit Report*



**REPORT #: 002\_SY: 2023-2024**

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**List of Acronyms**

<b>Abbreviation</b>	<b>Definition</b>
AAC	Arizona Administrative Code
ADOE	Arizona Department of Education
AM	Asset Management
A.R.S.	Arizona Revised Statutes
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CTE	Career and Technical Education
DOE	Department of Education
DOG	District Operating Guide
FSD	Financial Services Department
IIA	Institute of Internal Auditors
IT	Information Tech
MRC's	Management Responses & Commitments
OIA	Office of Internal Audit
TUSD	Tucson Unified School District
USFR	Uniform System of Financial Records

## EXECUTIVE SUMMARY

The Office of Internal Audit (OIA) has completed the performance assurance audit of the Asset Management (AM) division, overseen by the Financial Services Department, as scheduled in the annual audit plan for the school year 2023-2024.

The AM division is responsible for managing district assets, including the classifications of new and used assets, recording, maintaining, and updating their existence in the designated capital equipment or stewardship lists of district assets.

The audit scope covered activities from April 1, 2022, through October 1, 2023.

The purpose and objectives of the performance assurance audit were to review the division's overall effectiveness/efficiency of operations and its compliance with applicable governance.

Audit objectives were accomplished by conducting the following:

- a- Interviewing AM staff.
- b- Reviewing the division's procedures, practices, and internal controls against applicable policies, procedures, regulations, and standards.
- c- Analyzing and cross-referencing asset records obtained from the division and other departments regarding:
  - i. Purchased assets.
  - ii. Identifying and verifying the physical location of randomly selected assets.
  - iii. Records regarding assets donated to the district.
  - iv. Lists of disposed (i.e., sold, auctioned, and/or scrapped) assets.

Excluded from this audit were the following capital assets: Buildings, Building Improvements, Land, Land Improvements, Vehicles, including related depreciation schedules.

Conditions/observations have been listed below in the order of their perceived risk -highest to lowest-, as determined by Internal Audit:

1. Not Adhering to Existing Policies, Regulations, and Procedures.
2. Poor stewardship of the district's assets.
3. Not performing physical inventories of district assets on a consistent basis.
4. Limited tracking or reporting of assets/values.
5. The district is absorbing costs for damaged or lost assets.
6. AM staff is performing duties that should be segregated.
7. Retaining financial asset records longer than required.

Overall, the audit findings conclude that current processes, procedures, and controls over the district assets are not sufficient for Internal Audit to provide the Governing Board with reasonable assurance. The AM division is not operating in an effective and efficient manner, nor in accordance with applicable district policies, procedures, and the Uniform System of Financial Records (USFR).

## BACKGROUND

The mission of the Tucson Unified School District (District) is "...in partnership with parents and the greater community, is to assure each pre-K through 12th grade student receives an engaging, rigorous and comprehensive education. The District is committed to inclusion and non-discrimination in all District activities. At all times, District staff should work to ensure that staff, parents, students, and members of the public are included and welcome to participate in District activities."<sup>1</sup>

The Financial Services Department (FSD) is responsible for overseeing the Tucson Unified School District fiscal operations. The FSD is led by the Chief Financial Officer (CFO) and consists of the following business divisions: Accounting, Accounts Payable, Student Finance, Budget, Payroll, Purchasing, and the Grants and Federal Programs.

The Districts Operating Guide (DOG), states, "The goal of the Department is to help District employees in their efforts to provide quality service to students, staff and the community. In conducting its operations, the District conforms to the Uniform System of Financial Records for Arizona School Districts (USFR), as required by the Arizona Revised Statutes (A.R.S.) §15-271. The policies and procedures set forth in this manual are in compliance with USFR requirements."<sup>2</sup>

In accordance with the District's Organizational Guide (DOG), "Accounting - manages the District-wide budget development, monitoring and reporting."<sup>3</sup> "Accounting" is also entrusted with supervising the District's Asset Management (AM) division.

The AM division, as stated by the DOG, "manages the process of deploying, operating, maintaining, upgrading, and disposing of District assets cost-effectively."<sup>4</sup>

Furthermore, it lists the following activities under AM: "• District Auction • Equipment Delivery • Equipment Donations • Inventory • Physical Inventory Guidelines • Property Disposal Procedure • Receiving and Tagging General Fixed Assets (GFA) • Stewardship Listing"<sup>5</sup>

The current asset inventory system that the AM division is transitioning into is called Hayes. Based on the "Comprehensive Annual Financial Report", issued at the end of fiscal year June 30, 2016, the report states: "HAYES - Still in implementation is the Hayes system, an asset management/bar coding system that will offer more capabilities for tracking the District's assets. Planned capabilities include tracking assets from the receiving dock to delivery to sites and sign-out and sign-in for assets assigned to staff and students. Sites will have the ability to track assets within their sites, which will make taking inventory easier. The system will enable the District to inventory assets that fall below the USFR reporting levels but need to be tracked to monitor for aging. The tracking will assist in the budgeting of future needs is anticipated to enhance the District's stewardship responsibilities."<sup>6</sup>

District Policy Code: DID Asset Management, states "The Governing Board recognizes the District's responsibility to manage both fixed and capital assets as integral to the basic mission of providing quality education. Arizona Department of Education requires school districts to adhere to the Uniform System of Financial Records (USFR) regarding physical inventory and to maintain a detailed listing of land, buildings, furniture, and equipment."<sup>7</sup>

## STATEMENT OF AUDITING STANDARDS

This audit followed the Institute of Internal Auditors (IIA), District policies, and procedures. The following guidance and standards were used as criteria: TUSD Policies and Regulations, Uniform

System of Financial Records (USFR), Arizona Revised Statutes (A.R.S.), Arizona Administrative Code (AAC), Department of Education (DOE), and applicable Code of Federal Regulations (CFR).

### **AUDIT PURPOSE AND OBJECTIVES**

The purpose of the performance assurance audit of the AM division was to review and assess the division's overall processes, effectiveness, efficiency, and its compliance with applicable requirements, policies, regulations, and statutes.

The audit objectives, listed below, were developed to assist the auditor: determine if the division is operating in an efficient and effective manner, evaluate the adequacy of its internal controls, and assess if district assets are being adequately reported and safeguarded.

Audit objectives, to determine if:

- District policies, applicable procedures, and regulations were followed.
- Recording and management of taggable assets were properly completed.
- Staff was adequately trained and/or qualified to perform their activities.
- Processes and procedures exist for: recording depreciation of assets, valuing auctioned/sold/disposed assets, and recording of assets donated to the district.
- Internal controls exist to safeguard assets, such as conducting periodic inventory of assets, reconciliation of asset records, segregations of duties, etc.

Audit objectives were accomplished by performing, but not limited to, the following:

- 1- Reviewing asset records provided by the AM division.
- 2- Analyzing purchased assets in iVisions and cross-referencing asset records provided by the AM division, various sites, and departments.
- 3- Interviewing staff regarding processes, procedures, practices, and internal controls.
- 4- Reviewing existing policies and regulations regarding asset management.
- 5- Researching and cross referencing: standards, guidelines, and requirements applicable to management of assets.

### **AUDIT SCOPE, EXCLUSIONS, AND METHODOLOGY**

The audit scope was from April 1, 2022, through October 1, 2023.

Excluded from this audit were the following assets: Land, buildings, any construction improvements, vehicles, and verification of disposable values of district assets.

Note: Depreciation schedules were requested from the Accountant/Supervisor of the AM division; however, they were not provided.

Internal Audit obtained records of assets from different randomly selected departments and school sites.

From the randomly collected asset records, a non-statistical sample was selected to verify accuracy of listed assets, including but not limited to, tag/code numbers, serial numbers, descriptions, locations, and recorded values. Randomly selected samples were compared against worksheets provided by the Asset Management staff and cross-referenced against data in iVisions.

The findings of this audit were based on the reviewed data, and observed practices, processes, and procedures that were compared to determine compliance with District policies, DOG, USRF, and Arizona standards.

**General internal audit disclaimer:** All audits contain inherent limitations, such as errors caused by time, resources, human oversights, potential fraud, illegal acts, or instances of noncompliance that go undetected. The reasons behind these risks are countless, from insufficient time, lack of resources, inadequate controls, changes in conditions, employees circumventing set processes, management overriding systems, changes in leadership, etc.

General Uniform System of Financial Records (USFR) – “Introduction – “The Uniform System of Financial Records (USFR) has been developed by the Office of the Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. These policies and procedures are in conformity with generally accepted practices and federal and state laws.

However, districts may use alternative policies and procedures if they provide the same level of internal control over accounting, financial reporting, and compliance with state and federal laws. The requirements of the USFR are based on the Arizona Constitution; Arizona Revised Statutes; Arizona Attorney General Opinions; the Codification of Governmental Accounting and Financial Reporting Standards, published by the Governmental Accounting Standards Board; Financial Accounting for Local and State School Systems 1990, issued by the United States Department of Education, Office of Educational Research and Improvement; relevant sections of the Code of Federal Regulations; and other federal requirements.”<sup>8</sup>

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### 1. **CONDITION:** Not Adhering to Existing Policies, Regulations, and Procedures:

- **SUPPORTING EVIDENCE / OBSERVATIONS** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):
  - The AM division is not following the district's asset management policy (DID) and regulation (DID-R), and some of the General Uniform System of Financial Records (USFR) guidelines.
    - Several assets were recorded with variances between the entered purchase prices.
    - Multiple assets were not found in cross referenced asset records.
    - Numerous assets were found be entered in a different FY than their corresponding date.
    - The following sources had inconsistent, and in some cases, conflicting asset information:
      - The “TagListing” worksheet provided by the AM Sr. Accountant Manager, under the “Purchase Price” name, included a combined total of \$31,479,347.22 for the period of 7/01/22 through 5/21/23.

- The "Control.Panel\_4.22\_6.22", "Control.Panel\_6.22.6.23", and "Control.Panel\_7.23\_9.23" worksheets provided by the AM Associate, under the "Unit Price" included a combined total of \$39,002,422.36 for the assets in the same period.
- o Some of the selected assets, from the twelve randomly selected school sites and departments, were not found in the provided AM worksheets.
- o Most school sites and departments have not been providing required documents, such as: Completed purchase orders, bill of Landing, packing slip, invoices, etc.
- **APPLICABLE CRITERIA (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):**
  - o Policy Code: **DID Asset Management** –
    - "The Governing Board recognizes the District's responsibility to manage both fixed and capital assets as integral to the basic mission of providing quality education.
    - Arizona Department of Education requires school districts to adhere to the Uniform System of Financial Records (USFR) regarding physical inventory and to maintain a detailed listing of land, buildings, furniture, and equipment.
    - The acquisition threshold for capitalizing items and entering them on the general fixed assets listing shall be five thousand dollars (\$5,000) or greater. Items having an acquisition cost equal to and greater than one thousand dollars (\$1,000) but less than five thousand dollars (\$5,000) shall be placed on the stewardship listing. General fixed assets and stewardship items shall be inventoried as specified by the USFR."<sup>9</sup>
    - Regulation Code: DID-R Asset Management, states, "Receiving and Tagging Capital Assets.
    - A purchase order for taggable, capital equipment will have a note to sites upon receipt to send all partial copies or completed original purchase order to the Asset Management Office. The receiving site must send the signed Purchase Order Receiver including bill of lading, packing slip, invoices, partial reports and warranty documents to the Asset Management Office upon receipt of capital equipment.
    - The Asset Management Office will input receiving of the equipment into the Asset Management database to create an Asset ID Number and forward partial receiver copies or the completed receiving original copy of the purchase order to Accounts Payable (Finance/Student Finance). The Asset Management Office will send the Asset ID Number to the receiving site via e-mail or hard copy, and add the new equipment to the site inventory listing.
    - The receiving site is responsible for tagging the equipment with the appropriate business unit and Asset ID Tag Number as provided by the Asset Management Office. The receiving site will confirm, by signature,



that the equipment has been tagged and also provide Asset Management with the corresponding project code and serial numbers when applicable.”<sup>10</sup>

- USFR, Accounting Procedures – **Introduction** –
  - An effective accounting system is essential to provide control and accountability over school district assets and accurate and timely financial information to stakeholders. The Legislature and state agencies use district financial information to make education policy decisions and ensure compliance with legal and contractual provisions.
  - The governing board and district management use financial information to develop overall policies and procedures, assess the district’s financial position and the efficiency and effectiveness of district operations, budget for operating and capital expenditures, and project future financing requirements....
  - The public uses district financial information to determine how well the district is meeting its stewardship responsibilities.
  - The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts.”<sup>11</sup>
- USFR: Accounting Procedures – Property Control –**Introduction**-
  - “Districts invest significant resources in the acquisition and maintenance of district property, including capital assets and other property...Districts should establish a complete property control system to protect all district property...
  - Policies...
    - 4. Maintain a detailed list of capital assets that includes all required information by separate asset category for land, land improvements, buildings, building improvements, and equipment with unit costs in excess of the district’s adopted cost threshold for capitalization. Proper supporting documentation should be maintained for all items recorded on the capital assets list. Information required to calculate annual depreciation for applicable assets may be maintained in a separate schedule.
    - 5. Maintain a detailed stewardship list that includes all required information for equipment with unit costs of at least \$1,000 that are not required to be included on the capital assets list.”<sup>12</sup>
- **EFFECT / POTENTIAL RISK (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):**
  - Potential loss of credibility.
  - Potential loss of funding.
  - Potential inaccuracies on financial statements.

- **RECOMMENDATION(S):**
    - Implement and adhere to applicable Asset Management criteria: Policy Code DID, Regulation Code DID-R, and Policies in the Uniform System of Financial Records (USFR).
2. **CONDITION:** Poor stewardship of the district's assets.
- **SUPPORTING EVIDENCE / OBSERVATIONS:**
    - Outdated policies and procedures for management of district assets.
    - No procedures or internal controls for setting the minimum selling (reserve) price of the asset(s) being auctioned/sold.
    - No internal controls to determine which assets qualify for disposal.
    - Inconsistently recording/tracking the receipt of donated assets.
    - No communication when accepting assets that result in a surplus.
  - **CRITERIA:**
    - USFR: Accounting Procedures -Accounting Records-**Introduction** –
      - “Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district’s financial position and results of operations.
      - An accounting system’s primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets.
      - To achieve these objectives, the accounting system should ensure that all transactions are recorded in the appropriate accounts for the actual amounts and in the fiscal years in which they occur.
      - Additionally, the accounting system should monitor the district’s legal compliance in its use of financial resources.
      - Accounting records provide the documentary support for account balances and must be properly maintained to provide financial accountability for the district.
      - Accounting records include source documents, journals, registers, ledgers, and other supplementary records”<sup>13</sup>
    - USFR: Accounting Procedures -Accounting Records- **Procedures** -
      - “The following are recommended procedures for establishing and maintaining a complete property control system.
      - Classifying Capital Assets Capital assets are generally classified into distinct categories for financial statement presentation.

- In addition to allowing more detailed reporting of capital assets in financial reports, this classification is necessary to calculate depreciation on the applicable assets as described on page VI-E-7.
      - Also, as different identification and physical security controls apply to different classes of property based on the inherent risk for each classification, separately classifying assets allows the district to apply the appropriate controls to each type of asset.
      - Capital assets are classified as follows: Equipment—Includes all tangible personal property not affixed to land or buildings. Examples include machinery, tools, vehicles, and furniture. See Building Improvements and Land Improvements below for classification of affixed, non-movable equipment.”<sup>14</sup>
    - USFR - Accounting Procedures -Property Control- **Introduction:**
      - “...Districts should establish a complete property control system to protect all district property. Internal control over district property should be adequate to:
        - Safeguard property against theft and misuse;
        - Promote appropriate and efficient use of district property;
        - Properly value, classify, and report capital assets;
        - Accumulate data for effective planning for property acquisitions, replacements, and maintenance;
        - Provide documentation for insurance purposes in the event of fire or other casualty loss;
        - Provide accurate information for district stakeholders; and
        - Ensure compliance with federal guidelines as defined by each grantor agency for federally owned equipment and equipment purchased in whole or in part with federal monies.”<sup>15</sup>
  - **EFFECT / POTENTIAL RISK :**
    - Potentially selling assets for less than their actual value.
    - Potentially disposing of assets that still have value.
    - Unnecessarily allocating warehouse space to unneeded surplus assets.
    - Additional financial burden.
  - **RECOMMENDATIONS:**
    - Update existing processes and procedures as needed.
    - Create processes and procedures as needed.
    - Adhere to USFR as applicable.
3. **CONDITION:** Not perform physical inventories of district assets on a consistent basis.
  - **SUPPORTING EVIDENCE / OBSERVATIONS:** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):

- Assets are being recorded, tracked, and identified using inconsistent tag labels.
  - Assets are being relocated and reassigned without proper notification to the AM division.
  - Asset Management does not have a consistent and effective method of tracking assets/tags.
  - Some recorded assets did not have correctly identified locations.
  - Most school sites are not maintaining inventory records of their assigned assets.
  - Lost asset tags are not documented.
  - Some departments (Grants, IT, CTE, Transportation, School Safety, etc.) maintain records of district assets, but do not share their information with AM division.
  - Assets are not classified as required by USFR.
  - Performing reconciliation on purchase records does not negate the requirement of performing physical inventories.
  - Overall, the AM division is being a poor steward of the district's assets.
- **CRITERIA: (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):**
  - Regulation DID-R: Asset Management – **Inventory Procedures** -
    - "TUSD requires that all district and federally funded items valued at \$1000.00 or more with a useful life of a year or more will be physically accounted for annually. Asset Management will be responsible for the distribution of the annual inventory listings in the \$1,000.00 and over schedule.

The Site or Department Administrator will use this annual inventory list to:

    - 1. Check off items on the listing for physical verification. Items not accounted for or verified must be explained on the appropriate TUSD form (refer to DID-E).
    - 2. Correct the inventory listing as necessary for information, including but not limited to serial number, brand name, and project code location (refer to DID-E). Proper project code identification, such as science, computer labs, drama, etc., will assist in separating the inventory listing by department at each site. This will help the Site or Department Administrator conduct future physical inventories.
    - 3. Include new asset acquisitions valued at \$1,000.00 and over that are NOT listed on inventory listings to inventories as "ADD ON's". This will also apply to transfers or surplus acquisitions in this price range.
    - 4. Account for all items at their respective sites regardless of value and whether they were lost, damaged, or stolen.
    - 5. Verify that all items with an existing Property Control Number also have an Asset ID Number as a cross-reference. However, it is not necessary to have the Asset ID Number placed on items that were purchased prior to July 1, 1999.

- 6. Sign, date and return the inventory listing and the appropriate documentation to the Asset Management Office as directed on the annual inventory cover memorandum.

Asset Management recommends that sites keep copies of all transactions to assist the site in maintaining all current and future inventories.

○ **Stewardship Listing**

- The purpose of the Stewardship Listing is to enhance accountability to safeguard District property and to maintain a listing of specific items with a value of \$200.00 to \$999.99. Equipment listed in this dollar range may require maintenance or may be identified as commonly pilfered. Asset Management recommends a physical inventory of all stewardship items be conducted every three (3) years.
- Asset Management will maintain Stewardship Listings for the following categories under \$1,000.00 in value, but the property will remain the responsibility of the Site or Department Administrator. The Stewardship Listing will be provided to Site or Department Administrators upon request.

Athletic Equipment	Electronic	Kitchen
Audio Visual	Furniture	Musical Instruments
Business Machines	Industrial	Science

- All items listed above with a useful life of a year or more with a unit value of \$200.00 and above will be assigned Asset ID Numbers, tagged with the business unit and Asset ID Number by the receiving site, and placed in the Stewardship Listing for tracking and inventory listing purposes, with the exception of furniture.
- Furniture with a unit value of \$300.00 or more will be assigned individual Asset ID Numbers, tagged with the business unit and Asset ID Number by the receiving site, and tracked.
- Furniture with a unit value of \$299.99 and under will not be assigned Asset ID Numbers. The receiving site will be responsible for marking these items with a permanent marker. All equipment must be tagged as "TUSD PROPERTY."<sup>16</sup>

○ USFR: Accounting Procedures -Property Control -**Policies -**

- 6. Perform a physical inventory of equipment at least every 3 years and reconcile it to the stewardship and capital assets lists. However, equipment with unit costs of \$5,000 or more purchased in whole or in part with federal monies must be inventoried at least every 2 years. 2 Code of Federal Regulations (CFR) §200.313(d).

## OBJECTIVES

- 7. Comply with applicable statutes and rules for disposing of district property, such as Arizona Revised Statutes (A.R.S.) §§15-341(G) and 15-342, Arizona Administrative Code (AAC) R7-2-1131, and 2 CFR §200.313.
  - 8. Manage federally owned equipment with unit costs of \$5,000 or more that is required to remain vested in the federal government in accordance with the federal agency's rules and procedures, and submit an annual inventory list to the appropriate federal agency. 2 CFR §200.312(a)<sup>17</sup>
  - USFR: Accounting Procedures -Property Control **-PROCEDURES –**
    - "Physical Controls: Property Identification
      - 1. All property with unit costs greater than \$50 should be identified as district property.
      - 2. Each equipment item required to be included on the capital assets or stewardship list should also be tagged, marked with an identifying number, or specifically identified by some other means such as serial number or barcode.
        - a. To assist in conducting physical inventories of equipment, identification numbers should be placed in a conspicuous and uniform position on items when they are received.
        - b. If preprinted tags or barcode stickers are used, the district should distribute them to each location that receives equipment and keep a record of those assignments. Tags should be sequentially numbered and issued.
        - c. Small or valuable items, such as musical instruments, are not required to be tagged if this would impair the item's value or usefulness. Engraving or permanently marking such items is recommended to facilitate their possible return if they are lost or stolen."<sup>18</sup>
  - **EFFECT / POTENTIAL RISK:** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):
    - Risk of losing funding from applicable sources that require assets to be tracked and accounted for on a regular basis.
    - Loss of assets.
    - Increased risk of theft and/or fraud.
    - Additional expenses.
    - Additional labor hours to locate and/or track assets.
  - **RECOMMENDATIONS:**
    - Follow applicable policies and procedures.
- 4. CONDITION:** Limited tracking or reporting of assets/values.
- **SUPPORTING EVIDENCE / OBSERVATIONS** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):

- Lack of current/applicable Standard Operating Procedures.
- Not appropriately tracking asset values.
- No internal disposal procedures for District assets, including but not limited to:
  - Recording and/or determining disposable value.
  - Recording: missing, lost, or destroyed assets.
  - Refurbishing / Repurposing / Scraping assets.
- Not adhering to USFR disposal procedures, including but not limited to:
  - Recording and/or determining disposable value.
- Depreciation Schedules were not provided to Internal Audit as requested.
- Processes and procedures did not include information specific to the current asset management software (Hayes).
- **APPLICABLE CRITERIA** (INCLUDES, BUT IT NOT NECESSARILY LIMIT TO):
  - USFR, Accounting Procedures -Property Control – **Procedures** –
    - “Asset Valuation:
      - Properly valuing assets assist with recording them on the capital assets and stewardship lists and helps ensure that capital assets are recorded accurately in financial reports.
      - Assets other than those received by donation should be valued at actual cost, or estimated historical cost when records of actual cost are not available.
      - 3 Assets received by donation should be recorded at acquisition value.
      - Valuation for an asset should also include any charges necessary to put the asset in its intended location and condition for use...”<sup>19</sup>
  - USFR, Accounting Procedures -Property Control – **Procedures** – “Depreciation: Districts that prepare financial statements must calculate depreciation on certain capital assets (e.g., buildings, building improvements, nonpermanent land improvements, and equipment) to report in the government-wide financial statements. Land, land improvements that produce a permanent benefit (e.g., fill and grading costs), and construction in progress are not depreciated.
    - For all depreciable capital assets, districts should track the useful life, residual value, annual and accumulated depreciation amounts, and the accounting function for depreciation.”<sup>20</sup>
  - USFR, Accounting Procedures -Property Control – **Procedures** –
    - “Acquisitions, Transfers, and Disposals:
      - Acquisitions - A separate list of capital asset and stewardship acquisitions may be maintained during the year and used to update the appropriate list at fiscal year-end...

## OBJECTIVES

- Transfers - Districts should establish procedures to transfer equipment between locations. The Authorization to Transfer Equipment form, on page VI-E-12, or a similar form should be prepared by the principal or employee responsible for the equipment being transferred...
- Disposals -Districts should comply with applicable statutes and rules, such as A.R.S. §§15-341(G) and 15-342, AAC R7-2-1131, and 2 CFR §200.313, when disposing of district property...
- Additionally, to document the explanation for and authorization of disposals, districts should:
  1. File an incident, police, or similar report to document the circumstances and allow for adequate investigation of the loss or theft of district property...
  2. Complete a Request for Authorization to Dispose of District Property form (page VI-E-13)...
  3. After obtaining appropriate authorization for disposal, maintain a separate list of items...
  4. Update the district's capital assets or stewardship lists at the time of disposal or include such items on a list of disposals that will be used to update the lists at fiscal year-end...
- If district property is disposed of by sale, any proceeds from the sale of assets should be recorded in the School Plant Fund (500) unless required to be remitted to a federal or state agency, such as the federal Schools and Library Division for some E-rate equipment, or the Arizona School Facilities Board as required by A.R.S. §§15-341 or 15-342."<sup>21</sup>
- o Regulation Code: DID-R Asset Management –Disposal Procedure:
  - "Surplus District materials (furniture, apparatus, equipment, library books, and supplies), regardless of value, shall be offered through competitive sealed bids, public auction or trade-in except for sales or leases to the state, county, city, or tribal government agency; and, except for the donation of surplus or outdated learning materials to nonprofit community organizations when the cost of selling the materials equals, or exceeds, the estimated market value of the materials. This does not apply to District real property, real estate, land, school buildings and grounds, or school sites.
  - Administrators may not arbitrarily dispose of any furniture, equipment or other TUSD property. All disposals must go through the Asset Management Office. Site & Department Administrators must adhere to the following procedures:
  - Lost or destroyed property will not be removed from the site inventory without the signature of the Site Administrator authorizing the action on the appropriate form.



## OBJECTIVES

- Surplus items will be reported to the Asset Management Office on the Property Loss/Disposal/Transfer Report (refer to DID-E). Arrangements to pick up itemized surplus can be made by contacting Property Control and/or the Asset Management Office in writing by fax, email, or through District inter-office mail. This will provide Asset Management with all the necessary information and authority to remove the item from the site's inventory. Sites may not transfer items directly to another site.
  - Surplus items that may not be operational or may be damaged can be submitted with a Capital Equipment Disposal Request (refer to DID-E) for assessment and evaluation. The appropriate Facilities Management Shop will notify Asset Management if the item is to be disposed of or placed in surplus for reissue.
  - Property that has been evaluated as obsolete, unsafe or not cost-effective for repair shall be disposed of or made available for public auction by Property Control. This property can also be donated to non-profit groups or sold to the public at prices set by Property Control with proceeds going to the School Plant fund.
  - Stolen and/or vandalized property will be processed and removed from the site inventory as submitted to Asset Management on a Theft & Damage Report (refer to DID-E). Each incident requires a police case number and may be obtained by dialing 791-4444 for all non-emergency situations.
  - Each site is responsible for maintaining their own copies of documents for accountability purposes and inventory records (refer to disposal and inventory forms in (refer to DID-E)).<sup>22</sup>
- Regulation DID-R Asset Management – Donation Procedure:-
    - The following guidelines must be adhered to for accepting any donated assets (e.g. land, buildings, improvements, equipment, furniture, vehicles, materials, etc.) to the District:
    - Any site or department that is receiving donated assets on behalf of TUSD must fill out an Equipment Donation Form and forward it to the appropriate department director (refer to DID-E). Donated vehicles titles must be delivered directly to the Risk Management Department.
    - Each director is required to complete the Equipment Donation Form with his/her signature of approval or disapproval the form will then follow the flowchart path listed below beginning at the "Director of Risk Management" level. Asset Management will use the form's estimated value as the value of the donated asset only where TUSD agrees to maintain the asset.
    - Donors retain the responsibility to justify the fair market value of the donated equipment for taxing authorities. The District does not approve an assigned value. Any receipts issued or letters of acknowledgement will not specify a value of the property received by TUSD.

## OBJECTIVES

- The Asset Management Office will be responsible for assigning Asset ID Numbers only for equipment that will be maintained by the district. Asset Management will return a completed copy of the Equipment Donation Form to the receiving site or department. The site or department will be responsible for tagging the equipment and providing a response to the donor.
  - Equipment not maintained by the district will not be issued an Asset ID Number or added to the Asset Stewardship Listing. This equipment will be tagged as "DONATION" by the receiving school/department."<sup>23</sup>
  - **EFFECT / POTENTIAL RISK (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):**
    - Additional financial burden to the district.
    - Outdated standard operating procedures could lead to:
      - Inefficient tracking and managing of new and existing assets.
      - Noncompliance due to changes in regulations and standards.
      - Diminish the effective adaptation and operation of new software and processes.
      - Additional labor hours.
  - **RECOMMENDATION(S):**
    - Update existing processes and procedures as needed.
    - Create processes and procedures as needed.
    - Adhere to USFR as applicable.
    - Provide training on the HAYES software to ensure: adequate implementation, and accurate, efficient, and effective management of district asset and inventory records.
5. **CONDITION:** The district is absorbing cost for damaged or lost assets.
- **SUPPORTING EVIDENCE / OBSERVATIONS**
    - Assignees of TUSD electronic equipment are rarely being charged for damages or losses.
    - This was witnessed in person, and acknowledged by the AM Accountant.
    - Upon return of electronic equipment, worksheets are not consistently or accurately filled out, such as asset tag numbers, locations, assignee information, etc.
  - **APPLICABLE CRITERIA (INCLUDES, BUT IT NOT NECESSARILY LIMIT TO):**
    - USFR -Accounting Procedures – Property Control – **Procedures** –
      - "Reconciling Capital Acquisitions to Total Capital Expenditures:
        - Districts should reconcile current year capital acquisitions to total capital expenditures each fiscal year after all encumbrances have been included in the accounting records.

## OBJECTIVES

- Districts with a large volume of capital asset acquisitions may want to prepare a reconciliation more frequently.
- The purpose of this reconciliation is to help ensure that all current year acquisitions of land, land improvements, buildings, building improvements, and equipment items with unit costs of \$5,000 or more (or a lower dollar amount if adopted by the governing board) are included on the capital assets list.
- An employee independent of the recordkeeping and custodial functions for capital assets should prepare the reconciliation, and district management should review and approve the reconciliation....
- A separate reconciliation should be prepared for each fund that reported capital expenditures. Compatible property control and accounting systems may be able to automatically compare capital acquisition and expenditure information in a report for review and resolution of any differences. Reconciliations can be presented in other formats but should include all of the information shown on the sample form on page VI-E-14. To complete the sample reconciliation, enter the information as follows:
  - Line 12- Enter the net increase (debit) or decrease (credit) to capital expenditures made through adjusting journal entries in the related columns. Adjustments may include journal entries made to move the cost of salaries, employee benefits, and supplies related to in-house construction projects from the Maintenance and Operation Fund to a capital projects fund.
  - Line 14 Enter the total cost of additions made to the capital assets list during the fiscal year by asset type. The total cost for additions should be taken from the capital assets list based on acquisition date or a separate list of acquisitions for the fiscal year used to update the capital assets list....
  - Line 17- Differences between total capital expenditures and total capitalized acquisitions recorded for the fiscal year should be specifically explained and resolved. Any resulting adjustments to the capital assets list should be made in a timely manner to allow for accurate reporting of capital assets in the district's financial statements and annual financial report.
- Differences between total capital expenditures and total capitalized acquisitions recorded for the fiscal year should be specifically explained and resolved...<sup>24</sup>

- o USFR -Accounting Procedures – Property Control – **Procedures** –
  - Reconciling the Previous Year's June 30 Capital Assets List to the Current Year's June 30 Capital Asset List:

- Districts should reconcile the previous year's June 30 capital assets list total to the current year's June 30 capital assets list total to help ensure the accuracy and continuity of the list...
- The form on page VI-E-15 may be used to document this reconciliation.

Line A Enter the total of each asset category from the previous year's June 30 capital assets list.

Line B Enter the current year's final adjusted capital asset acquisitions amount after performing the reconciliation of capital asset acquisitions to total capital expenditures.

Line C Enter the current year's disposals amount from asset disposal documentation for the current year.

Line E Enter the total of each asset category from the current year's June 30 capital assets list.

Line F Differences noted should be specifically explained and resolved.

Any resulting adjustments to the capital assets list should be made in a timely manner to allow for accurate reporting of capital assets in the district's financial statements and annual financial report."<sup>25</sup>

- **EFFECT / POTENTIAL RISK:**

- Additional financial burden to the district.
- Potential asset shortages.

- **Recommendations:**

- Follow applicable policies and procedures.
- Adhere to the terms of the user agreements.

**6. CONDITION:** AM staff is performing duties that should be segregated.

- **SUPPORTING EVIDENCE / OBSERVATIONS (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):**

- The same employee is performing the following consecutive tasks for purchased and owned assets:
  - "Verifying" purchases of assets.
  - "Classifying" assets.
  - Recording assets.
  - Generating and Issuing Asset tags.
  - Recording Issued asset tags.
  - Determining value of assets to be sold/auctioned.
  - Determining value to disposed assets.

- Coordinating disposal of assets.
  - Recording disposal of assets.
  - Managing and maintaining district asset lists.
- **CRITERIA** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):
  - USFR: Accounting Procedures – **Introduction** – “An effective accounting system can also help safeguard district assets from fraud, theft, or misuse.
    - Accounting system policies and procedures formally documented and adopted by the governing board should provide separation of responsibilities, adequate internal checks and balances, and sufficient records to support financial transactions.
    - Responsibilities should be assigned to specific departments, if applicable, and adequately separated within departments so that one individual does not have complete authority over an entire financial transaction or process.
    - Districts should also periodically rotate responsibilities among employees when practical and require employees who process financial transactions to take vacation time and have another employee perform their responsibilities.
      - If adequate separation of responsibilities is not possible because of a district’s limited staff size, district management should implement review procedures at appropriate points in the process to compensate for employees performing incompatible functions.
    - The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts....”<sup>26</sup>
  - USFR: Information Technology – **Internal Controls** –
    - “Application Controls: Application controls are manual or programmed activities intended to ensure the completeness and accuracy of records and the validity of entries made into business computer systems. They are embedded in business process applications and include checks over completeness, accuracy, validity, authorization, and separation of duties.
      - 1. Completeness checks help ensure all records were processed from initiation to completion (i.e., provide reasonable assurance that all transactions that occurred are input into the system), accepted for processing, processed in accordance with system requirements, and properly included in output...
      - 2. Accuracy checks provide reasonable assurance that transactions are properly recorded with correct information, data elements are processed correctly by applications, reliable results are achieved,

transactions detected with errors are controlled to ensure that they are corrected and reentered in a timely manner, and output is reviewed and control information is reconciled to determine whether errors occurred during processing.

- 3. Validity checks help ensure that a program operates on clean, correct, and useful data by checking for correctness, meaningfulness, and security of data that is input into the system. The simplest data validation verifies that the characters provided come from a valid set...
  - 4. Authorization checks help ensure that only approved users have access...
  - 5. Separation of duties helps ensure that checks are in place to prevent fraud and errors by separating the tasks and associated privileges for a specific business process among multiple users. These controls include policies, procedures, and an organizational structure established so that one individual cannot control key aspects of computer-related operations and thereby conduct unauthorized actions or gain unauthorized access to assets or records."<sup>27</sup>
- **EFFECT / POTENTIAL RISK** (INCLUDES, BUT IS NOT NECESSARILY LIMITED TO):
    - Potentially selling assets for less than their actual value.
    - Potentially disposing of assets that still have value.
    - Potential for unrecorded purchased assets.
    - Errors, omissions, and mistakes.
    - Inaccurate records.
  - **RECOMMENDATIONS:**
    - Follow DID-R
    - Adhere to USFR.

**7. CONDITION:** Retaining financial assets records for longer than required.

- **SUPPORTING EVIDENCE / OBSERVATIONS:**  
Conversations with the division's staff led to discovering that records for purchased assets are kept longer than the recommended retention period stipulated by the Arizona State Library, Archives and Public Records.
- **CRITERIA:** The Arizona Revised Statutes (A.R.S.) – 41-151.14. State and local public records management: violation: classification; definition: "...C. A head of a state or local agency who violates this section is guilty of a class 2 misdemeanor."<sup>28</sup>



**ARIZONA STATE  
LIBRARY, ARCHIVES AND PUBLIC RECORDS**  
A DIVISION OF THE ARIZONA SECRETARY OF STATE



**General Records Retention Schedule Issued to:  
All Public Bodies  
Purchasing and Procurement Records**

**Schedule Number:  
GS 1032 Rev. 1**

Authority: Pursuant to ARS 41-151.12(3), only the Arizona State Library, Archives and Public Records has the authority to set retention periods, including the sole authority to modify, extend or decrease records retention periods. The retention periods listed herein are the required time records must be retained. Records should be promptly and orderly disposed of at the end of their retention period. Keeping records longer than the retention period poses financial, legal, audit and investigative risks to the Agency. These risks need to be considered by State and Local Agencies when there is a compelling need to retain records for a longer period of time than the approved retention period. Records required for ongoing or foreseeable official proceedings such as audits, investigations or lawsuits, must be retained until released from such official proceedings, notwithstanding the instructions of this schedule.

**General Records Retention Schedule Issued to:  
All Public Bodies  
Purchasing and Procurement Records**

**Schedule Number: GS 1032 Rev. 1**

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Record Series Number	Record Series Title	Retention Period	Retention Remark	Legal Citation(s)	Approval Date
21072	<b>Contract and Agreement Records - Capital/Fixed Assets, Construction, Lease Purchase of Equipment, and Real Estate</b> This record series includes the current contract, amendments, and any subsequent determinations or notices and the awarded vendor solicitation records, including notices of publication. Contracts may contain any of the elements listed in 48 CFR 4.803 - contents of contract files. Including but not limited to, agreements, contracts, Intergovernmental Agreements (IGA), leases, Memorandum Of Agreement (MOA), Memorandum Of Understanding (MOU) and mutual/automatic aid/cooperative purchasing supporting documentation. If an item within the contract file is listed elsewhere on an approved retention schedule with a longer retention period, retain the item according to the longer period. For Purchase Orders, please refer to Financial Records Retention Schedule GS 1017.	3 Years	After disposal of asset but not less than 6 years after asset acquired.	ARS 12-548, ARS 41-2550, 48 CFR 4.803	7/24/2017



**ARIZONA STATE  
LIBRARY, ARCHIVES AND PUBLIC RECORDS**  
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**General Records Retention Schedule Issued to:  
All Public Bodies  
Financial Records**

**Schedule Number:  
GS-1017 Rev. 1**

Authority: Pursuant to ARS 41-151.12(3), only the Arizona State Library, Archives and Public Records has the authority to set retention periods, including the sole authority to modify, extend or decrease records retention periods. The retention periods listed herein are the required time records must be retained. Records should be promptly and orderly disposed of at the end of their retention period. Keeping records longer than the retention period poses financial, legal, audit and investigative risks to the Agency. These risks need to be considered by State and Local Agencies when there is a compelling need to retain records for a longer period of time than the approved retention period. Records required for ongoing or foreseeable official proceedings such as audits, investigations or lawsuits, must be retained until released from such official proceedings, notwithstanding the instructions of this schedule.

**General Records Retention Schedule Issued to:  
All Public Bodies  
Financial Records**

**Schedule Number: GS-1017 Rev. 1**

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Record Series Number	Record Series Title	Retention Period	Retention Remark	Legal Citation(s)	Approval Date
10064	Capital Asset Records, Capital equipment and property inventories	3 Years	After fiscal year superseded or obsolete.		7/23/2015
10065	Capital Asset Records, Capitalization Policies	1 Year	After fiscal year superseded or obsolete.		7/23/2015
10066	Capital Asset Records, Depreciation Schedules	1 Year	After fiscal year superseded or obsolete.		7/23/2015

**General Records Retention Schedule Issued to:  
All Public Bodies  
Financial Records**

**Schedule Number: GS-1017 Rev. 1**

Record Series Number	Record Series Title	Retention Period	Retention Remark	Legal Citation(s)	Approval Date
10067	<b>Capital Asset Records, All Other Records</b> Including, but not limited to, invoices, receipts, property control records (including lost/stolen reports; obsolete/damaged items listings, amortization records, transfer records, disposition records including auction/sales, trade-ins, and catastrophic loss); contracts, leases and other related records for capital expenses, including land, building and equipment.	3 Years	After fiscal year of disposal of property but not less than 6 years after property acquired.		7/23/2015

**EFFECT / POTENTIAL RISK:**

- Violation of managing public records is potentially class 2 misdemeanor.
- Potential fines and penalties.
- Exposed liability
- Potential request for records retained past their required date.
- **RECOMMENDATIONS:**
  - Dispose of financial asset records as required.
  - Establish and maintain a retention schedule as stipulated by the State of Arizona’s General Record Retention Schedule.



**CONCLUSION**

The purpose of the audit was to determine the overall effectiveness and efficiency of the Asset Management division; determine if operational processes and practices complied with established policies and procedures, efficiency and effectiveness of internal controls, and compliance with district policies, guidelines and standards.

Verification and testing performed during the audit was designed to detect areas in need of improvement. This was done by reviewing provided documents, reviewing and cross referencing randomly selected assets with information provided from the division, departments, and school sites. This was done to assess the division’s operating processes, their effectiveness of procedures, exiting internal controls, and their accuracy of asset records.

Overall, the audit findings conclude that current processes, procedures, and controls over the district assets are not sufficient for Internal Audit to provide the Governing Board with reasonable assurance. The AM division is not operating in an effective and efficient manner, nor in accordance with applicable district policies, procedures, and the Uniform System of Financial Records (USFR).

A progress review, as requested by the supervisor of the AM division, will be performed in approximately six months. A follow-up audit of the provided Management Responses and Commitments (MRCs) will be performed in approximately twelve months from the date of this final internal audit report.

Deviations and exceptions to the auditing criteria were listed in the observation section of this report.

Management Responses and Commitments (MRCs) were not provided by the specified timeline of November 17, 2023, by 10:00 AM. No requests or communication was received by Asset Management regarding the MRCs.

**Acknowledgment**

The office of internal audit wishes to express its appreciation to the AM division and the staff from Technology Services for their assistance during the audit process.

Report No. 002-SY 2023-2024; provided to Governing Board on November 17, 2023.

<u>Martha Smith</u>	<u>11/02/2023</u>
Martha Smith	Date
Internal Auditor	

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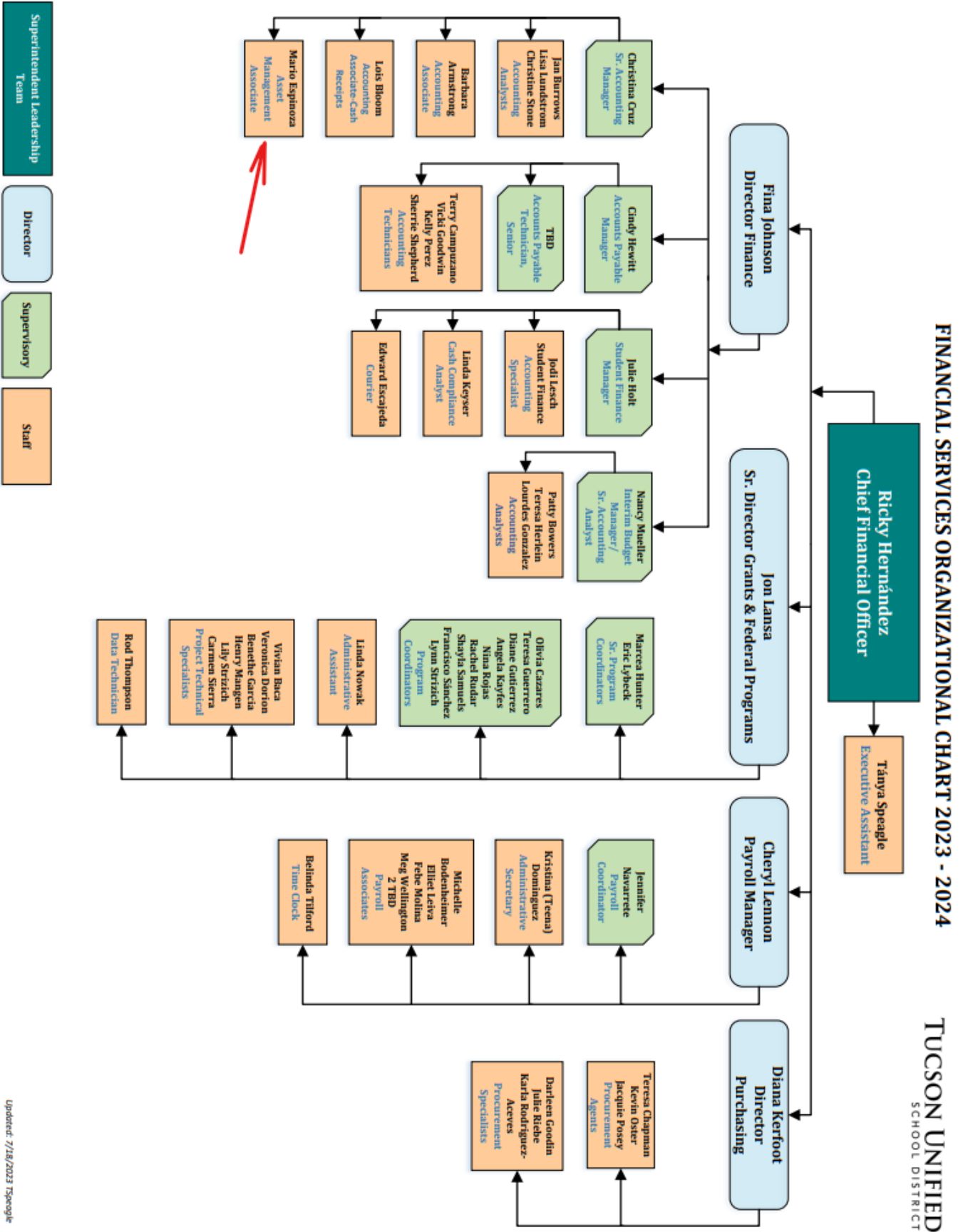
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- Ms. Perin
- Mr. Cavanaugh
- Mr. Oberg
- Mr. Blackshire

FIGURE-1



## REFERENCES

1. **Policy Code A: Foundation and Basic Commitments:** “The Districts’ mission, in partnership with parents and the greater community, is to assure each pre-K through 12th grade student receives an engaging, rigorous and comprehensive education. The District is committed to inclusion and non-discrimination in all District activities.” TUSD Policy Code A: District Mission, Vision and Values. Revised: January 24, 2023. <http://govboard.tusd1.org/Policies-and-Regulations/Policy-Code-A>
2. **District Operating Guide (DOG)** – “The goal of the Department is to help District employees in their efforts to provide quality service to students, staff and the community. In conducting its operations, the District conforms to the Uniform System of Financial Records for Arizona School Districts (USFR), as required by the Arizona Revised Statutes (A.R.S.) §15-271. The policies and procedures set forth in this manual are in compliance with USFR requirements.” DOG, (pg. 5). 7/12/2026. <http://intranet/Documents/DOG.pdf>
3. **DOG** – “Accounting - manages the District-wide budget development, monitoring and reporting.” DOG, (pg. 5). 7/12/2026. <http://intranet/Documents/DOG.pdf>
4. **DOG** – “Asset Management - manages the process of deploying, operating, maintaining, upgrading, and disposing of District assets cost-effectively.” DOG, (pg. 5). 7/12/2026. <http://intranet/Documents/DOG.pdf>
5. **DOG** – Asset Management - “• District Auction • Equipment Delivery • Equipment Donations • Inventory • Physical Inventory Guidelines • Property Disposal Procedure • Receiving and Tagging General Fixed Assets (GFA) • Stewardship Listing” DOG, (pg. 72). 7/12/2026. <http://intranet/Documents/DOG.pdf>
6. **Comprehensive Annual Financial Report**, Fiscal year ended June 30, 2016, “HAYES - Still in implementation is the Hayes system, an asset management/bar coding system that will offer more capabilities for tracking the District’s assets. Planned capabilities include tracking assets from the receiving dock to delivery to sites and sign-out and sign-in for assets assigned to staff and students. Sites will have the ability to track assets within their sites, which will make taking inventory easier. The system will enable the District to inventory assets that fall below the USFR reporting levels but need to be tracked to monitor for aging. The tracking will assist in the budgeting of future needs is anticipated to enhance the District’s stewardship responsibilities.” Comprehensive Annual Financial Report, (pg. 7). June 30, 2016. [1-17-17-BA17-FY16CAFR.pdf \(tusd1.org\)](http://tusd1.org/1-17-17-BA17-FY16CAFR.pdf)
7. **Policy Code: DID Asset Management** – “The Governing Board recognizes the District’s responsibility to manage both fixed and capital assets as integral to the basic mission of providing quality education. Arizona Department of Education requires school districts to adhere to the Uniform System of Financial Records (USFR) regarding physical inventory and to maintain a detailed listing of land, buildings, furniture, and equipment.” District Policy -DID: Asset Management and Finance. Revised May 6, 2013. <http://govboard.tusd1.org/Policies-and-Regulations/Policy-Code-DID>
8. **Uniform System of Financial Records (USFR)** – “Introduction – The Uniform System of Financial Records (USFR) has been developed by the Office of the Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other

compliance requirements. These policies and procedures are in conformity with generally accepted practices and federal and state laws.

However, districts may use alternative policies and procedures if they provide the same level of internal control over accounting, financial reporting, and compliance with state and federal laws. The requirements of the USFR are based on the Arizona Constitution; Arizona Revised Statutes; Arizona Attorney General Opinions; the Codification of Governmental Accounting and Financial Reporting Standards, published by the Governmental Accounting Standards Board; Financial Accounting for Local and State School Systems 1990, issued by the United States Department of Education, Office of Educational Research and Improvement; relevant sections of the Code of Federal Regulations; and other federal requirements." USFR, *Accounting Procedures*, 12/96. I-1. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

9. **Policy Code: DID Asset Management** "The Governing Board recognizes the District's responsibility to manage both fixed and capital assets as integral to the basic mission of providing quality education. Arizona Department of Education requires school districts to adhere to the Uniform System of Financial Records (USFR) regarding physical inventory and to maintain a detailed listing of land, buildings, furniture, and equipment.
- The acquisition threshold for capitalizing items and entering them on the general fixed assets listing shall be five thousand dollars (\$5,000) or greater. Items having an acquisition cost equal to and greater than one thousand dollars (\$1,000) but less than five thousand dollars (\$5,000) shall be placed on the stewardship listing. General fixed assets and stewardship items shall be inventoried as specified by the USFR." Policy Code DID (tusd1.org), May 6, 2013. <https://govboard.tusd1.org/Policies-and-Regulations/Policy-Code-DID>
10. **Regulation Code: DID-R Asset Management – Receiving and Tagging Capital Assets** –"A purchase order for taggable, capital equipment will have a note to sites upon receipt to send all partial copies or completed original purchase order to the Asset Management Office. The receiving site must send the signed Purchase Order Receiver including bill of lading, packing slip, invoices, partial reports, and warranty documents to the Asset Management Office upon receipt of capital equipment.
- The Asset Management Office will input receiving of the equipment into the Asset Management database to create an Asset ID Number and forward partial receiver copies or the completed receiving original copy of the purchase order to Accounts Payable (Finance/Student Finance). The Asset Management Office will send the Asset ID Number to the receiving site via e-mail or hard copy, and add the new equipment to the site inventory listing.
- The receiving site is responsible for tagging the equipment with the appropriate business unit and Asset ID Tag Number as provided by the Asset Management Office. The receiving site will confirm, by signature, that the equipment has been tagged and also provide Asset Management with the corresponding project code and serial numbers when applicable."
- Regulation DID-R: Asset Management. Reviewed: December 14, 2004. <http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R>
11. **Accounting Procedures** – Introduction, "An effective accounting system is essential to provide control and accountability over school district assets and accurate and timely financial information to stakeholders. The Legislature and state agencies use district financial information

to make education policy decisions and ensure compliance with legal and contractual provisions. The governing board and district management use financial information to develop overall policies and procedures, assess the district's financial position and the efficiency and effectiveness of district operations, budget for operating and capital expenditures, and project future financing requirements. Investors and creditors use information about available and probable financial resources, actual and contingent liabilities, and the district's overall financial position to evaluate the district's ability to meet debt service obligations. The public uses district financial information to determine how well the district is meeting its stewardship responsibilities.

An effective accounting system can also help safeguard district assets from fraud, theft, or misuse. Accounting system policies and procedures formally documented and adopted by the governing board should provide separation of responsibilities, adequate internal checks and balances, and sufficient records to support financial transactions.

Responsibilities should be assigned to specific departments, if applicable, and adequately separated within departments so that one individual does not have complete authority over an entire financial transaction or process. Districts should also periodically rotate responsibilities among employees when practical and require employees who process financial transactions to take vacation time and have another employee perform their responsibilities. If adequate separation of responsibilities is not possible because of a district's limited staff size, district management should implement review procedures at appropriate points in the process to compensate for employees performing incompatible functions.

The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts. Specific controls should be tailored to each district's needs, and alternative procedures may be used if they provide at least the same level of internal control. See §IX, Information Technology, for information regarding general and application controls for automated systems." USFR, Accounting Procedures, 5/12. VI-A. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 12. USFR:** Accounting Procedures – “Introduction- Districts invest significant resources in the acquisition and maintenance of district property, including capital assets and other property. Capital assets consist of land, land improvements, buildings, building improvements, and equipment with a unit cost of \$5,000 or more. Other property primarily includes equipment items with a unit cost of less than \$5,000 that are not of a consumable nature. Districts should establish a complete property control system to protect all district property.

#### POLICIES

To comply with statutory requirements to manage and control district property and provide effective internal control, the district should:

1. Provide adequate insurance coverage for all district property.
2. Establish physical controls to help prevent theft, loss, or misuse of district property.
3. Establish a cost threshold of \$5,000 or less for capitalizing assets for reporting in financial statements and document governing board approval of the cost threshold.

4. Maintain a detailed list of capital assets that includes all required information by separate asset category for land, land improvements, buildings, building improvements, and equipment with unit costs in excess of the district's adopted cost threshold for capitalization. Proper supporting documentation should be maintained for all items recorded on the capital assets list. Information required to calculate annual depreciation for applicable assets may be maintained in a separate schedule.

5. Maintain a detailed stewardship list that includes all required information for equipment with unit costs of at least \$1,000 that are not required to be included on the capital assets list.

6. Perform a physical inventory of equipment at least every 3 years and reconcile it to the stewardship and capital assets lists. However, equipment with unit costs of \$5,000 or more purchased in whole or in part with federal monies must be inventoried at least every 2 years. 2 Code of Federal Regulations (CFR) §200.313(d)

7. Comply with applicable statutes and rules for disposing of district property, such as Arizona Revised Statutes (A.R.S.) §§15-341(G) and 15-342, Arizona Administrative Code (AAC) R7-2-1131, and 2 CFR §200.313.

8. Manage federally owned equipment with unit costs of \$5,000 or more that is required to remain vested in the federal government in accordance with the federal agency's rules and procedures, and submit an annual inventory list to the appropriate federal agency. 2 CFR §200.312(a)." USFR: Accounting Procedures. Property Control -Procedures. (5/12). VI-E-1-2.  
<https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 13. USFR: Accounting Procedures -Accounting Records, "Introduction- Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district's financial position and results of operations. An accounting system's primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets. To achieve these objectives, the accounting system should ensure that all transactions are recorded in the appropriate accounts for the actual amounts and in the fiscal years in which they occur. Additionally, the accounting system should monitor the district's legal compliance in its use of financial resources.**

Accounting records provide the documentary support for account balances and must be properly maintained to provide financial accountability for the district. Accounting records include source documents, journals, registers, ledgers, and other supplementary records." USFR: Accounting Procedures. Accounting Records – Introduction. (12/96). VI-B.  
<https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 14. USFR: Accounting Procedures -Accounting Records- Procedures -**  
"The following are recommended procedures for establishing and maintaining a complete property control system.  
Classifying Capital Assets Capital assets are generally classified into distinct categories for financial statement presentation.

In addition to allowing more detailed reporting of capital assets in financial reports, this classification is necessary to calculate depreciation on the applicable assets as described on page VI-E-7.

Also, as different identification and physical security controls apply to different classes of property based on the inherent risk for each classification, separately classifying assets allows the district to apply the appropriate controls to each type of asset.

Capital assets are classified as follows: Equipment—Includes all tangible personal property not affixed to land or buildings. Examples include machinery, tools, vehicles, and furniture. See Building Improvements and Land Improvements below for classification of affixed, non-movable equipment." USFR: Accounting Procedures. Property Control -Procedures. (5/12). VI-E-2. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 15. USFR - Accounting Procedures -Property Control- Introduction –**"...Districts should establish a complete property control system to protect all district property. Internal control over district property should be adequate to:

Safeguard property against theft and misuse;

Promote appropriate and efficient use of district property;

Properly value, classify, and report capital assets;

Accumulate data for effective planning for property acquisitions, replacements, and maintenance;

Provide documentation for insurance purposes in the event of fire or other casualty loss;

Provide accurate information for district stakeholders; and

Ensure compliance with federal guidelines as defined by each grantor agency for federally owned equipment and equipment purchased in whole or in part with federal monies." USFR:

Accounting Procedures. Property Control -Procedures. (5/12). VI-E-1. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 16. Regulation DID-R: Asset Management -Inventory Procedures**

"TUSD requires that all district and federally funded items valued at \$1000.00 or more with a useful life of a year or more will be physically accounted for annually. Asset Management will be responsible for the distribution of the annual inventory listings in the \$1,000.00 and over schedule.

The Site or Department Administrator will use this annual inventory list to:

1. Check off items on the listing for physical verification. Items not accounted for or verified must be explained on the appropriate TUSD form (refer to DID-E).
2. Correct the inventory listing as necessary for information, including but not limited to serial number, brand name, and project code location (refer to DID-E). Proper project code identification, such as science, computer labs, drama, etc., will assist in separating the inventory listing by department at each site. This will help the Site or Department Administrator conduct future physical inventories.
3. Include new asset acquisitions valued at \$1,000.00 and over that are NOT listed on inventory listings to inventories as "ADD ON's". This will also apply to transfers or surplus acquisitions in this price range.

4. Account for all items at their respective sites regardless of value and whether they were lost, damaged, or stolen.
5. Verify that all items with an existing Property Control Number also have an Asset ID Number as a cross-reference. However, it is not necessary to have the Asset ID Number placed on items that were purchased prior to July 1,1999.
6. Sign, date and return the inventory listing and the appropriate documentation to the Asset Management Office as directed on the annual inventory cover memorandum.

Asset Management recommends that sites keep copies of all transactions to assist the site in maintaining all current and future inventories.

**Stewardship Listing**

The purpose of the Stewardship Listing is to enhance accountability to safeguard District property and to maintain a listing of specific items with a value of \$200.00 to \$999.99. Equipment listed in this dollar range may require maintenance or may be identified as commonly pilfered. Asset Management recommends a physical inventory of all stewardship items be conducted every three (3) years.

Asset Management will maintain Stewardship Listings for the following categories under \$1,000.00 in value, but the property will remain the responsibility of the Site or Department Administrator. The Stewardship Listing will be provided to Site or Department Administrators upon request.

Athletic Equipment	Electronic	Kitchen
Audio Visual	Furniture	Musical Instruments
Business Machines	Industrial	Science

All items listed above with a useful life of a year or more with a unit value of \$200.00 and above will be assigned Asset ID Numbers, tagged with the business unit and Asset ID Number by the receiving site, and placed in the Stewardship Listing for tracking and inventory listing purposes, with the exception of furniture.

Furniture with a unit value of \$300.00 or more will be assigned individual Asset ID Numbers, tagged with the business unit and Asset ID Number by the receiving site, and tracked.

Furniture with a unit value of \$299.99 and under will not be assigned Asset ID Numbers. The receiving site will be responsible for marking these items with a permanent marker. All equipment must be tagged as "TUSD PROPERTY." Regulation DID-R: Asset Management. Reviewed: December 14, 2004. <http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R>

**17. USFR: Accounting Procedures -Property Control -Policies -**

"To comply with statutory requirements to manage and control district property and provide effective internal control, the district should:

1. Provide adequate insurance coverage for all district property.
2. Establish physical controls to help prevent theft, loss, or misuse of district property.



3. Establish a cost threshold of \$5,000 or less for capitalizing assets for reporting in financial statements and document governing board approval of the cost threshold.
4. Maintain a detailed list of capital assets that includes all required information by separate asset category for land, land improvements, buildings, building improvements, and equipment with unit costs in excess of the district's adopted cost threshold for capitalization. Proper supporting documentation should be maintained for all items recorded on the capital assets list. Information required to calculate annual depreciation for applicable assets may be maintained in a separate schedule.
5. Maintain a detailed stewardship list that includes all required information for equipment with unit costs of at least \$1,000 that are not required to be included on the capital assets list.
6. Perform a physical inventory of equipment at least every 3 years and reconcile it to the stewardship and capital assets lists. However, equipment with unit costs of \$5,000 or more purchased in whole or in part with federal monies must be inventoried at least every 2 years. 2 Code of Federal Regulations (CFR) §200.313(d).
7. Comply with applicable statutes and rules for disposing of district property, such as Arizona Revised Statutes (A.R.S.) §§15-341(G) and 15-342, Arizona Administrative Code (AAC) R7-2-1131, and 2 CFR §200.313.
8. Manage federally owned equipment with unit costs of \$5,000 or more that is required to remain vested in the federal government in accordance with the federal agency's rules and procedures, and submit an annual inventory list to the appropriate federal agency. 2 CFR §200.312(a)." . " USFR. Accounting Procedures, Property Control. (5/12). VI-E:1-2. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

**18. USFR: Accounting Procedures -Property Control -PROCEDURES –**

"Physical Controls: Property Identification.

1. All property with unit costs greater than \$50 should be identified as district property.
2. Each equipment item required to be included on the capital assets or stewardship list should also be tagged, marked with an identifying number, or specifically identified by some other means such as serial number or barcode.
  - a. To assist in conducting physical inventories of equipment, identification numbers should be placed in a conspicuous and uniform position on items when they are received.
  - b. If preprinted tags or barcode stickers are used, the district should distribute them to each location that receives equipment and keep a record of those assignments. Tags should be sequentially numbered and issued.
  - c. Small or valuable items, such as musical instruments, are not required to be tagged if this would impair the item's value or usefulness. Engraving or permanently marking such items is recommended to facilitate their possible return if they are lost or stolen." USFR. Accounting Procedures, Property Control. (5/12). VI-E-4. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

**19. USFP: Accounting Procedures -Property Control- Procedures -"Asset Valuation-** Properly valuing assets assist with recording them on the capital assets and stewardship lists and helps ensure that capital assets are recorded accurately in financial reports. Assets other than those

received by donation should be valued at actual cost, or estimated historical cost when records of actual cost are not available.<sup>3</sup> Assets received by donation should be recorded at acquisition value. Valuation for an asset should also include any charges necessary to put the asset in its intended location and condition for use. The following table identifies examples of additional charges that should be included in an asset’s value based on the asset’s classification.

Equipment	Land and Improvements	Buildings and Improvements
<ul style="list-style-type: none"> <li>• Taxes</li> <li>• Freight, delivery</li> <li>• Installation</li> <li>• Assembly</li> <li>• Testing</li> </ul>	Fees for services: <ul style="list-style-type: none"> <li>• Legal</li> <li>• Escrow and title</li> <li>• Architectural</li> <li>• Survey and appraisal</li> <li>• Recording</li> </ul> Assumption of: <ul style="list-style-type: none"> <li>• Liens</li> <li>• Delinquent taxes</li> </ul>	Fees for services: <ul style="list-style-type: none"> <li>• Legal</li> <li>• Architectural and engineering</li> <li>• Permits and licenses</li> <li>• Escrow and title</li> </ul>

Additional consideration is needed for valuing assets acquired through grouped asset acquisitions (i.e., when more than one asset is acquired in the same transaction), construction contracts, lease-purchases, or trade-ins.” USFR. Accounting Procedures, Property Control. (5/12). VI-E-5. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

20. **USFR: Accounting Procedures -Property Control – Procedures – “Depreciation:** Districts that prepare financial statements must calculate depreciation on certain capital assets (e.g., buildings, building improvements, nonpermanent land improvements, and equipment) to report in the government-wide financial statements. Land, land improvements that produce a permanent benefit (e.g., fill and grading costs), and construction in progress are not depreciated.

For all depreciable capital assets, districts should track the useful life, residual value, annual and accumulated depreciation amounts, and the accounting function for depreciation. For all depreciable capital assets, districts should track the useful life, residual value, annual and accumulated depreciation amounts, and the accounting function for depreciation. In determining the function for depreciation, districts should use the function code from the Chart of Accounts, §III, for the area in which the asset is used, which may not be the same as the expenditure function code used when the asset was acquired. For example, classroom buildings are depreciated to function code 1000— Instruction rather than 4000—Facilities Acquisition and Construction Services. The district should review the function for depreciation when an asset’s use is changed. The district may maintain information required for depreciation in the same format as the capital assets list or include it in a separate depreciation schedule that is cross-referenced to the capital assets list.” USFR. Accounting Procedures, Property Control. (5/12). VI-E-6. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

21. **USFR: Accounting Procedures -Property Control –Procedures – “Acquisitions, Transfers, and Disposals:**

Acquisitions—A separate list of capital asset and stewardship acquisitions may be maintained during the year and used to update the appropriate list at fiscal year-end. Alternatively, the capital assets and stewardship lists may be updated directly for acquisitions as they occur. If a separate list of acquisitions is not prepared, the capital assets list should be sorted by acquisition

date to assist in reconciling the previous year's capital assets list to the current year's capital assets list and capital asset acquisitions to total capital expenditures.

**Transfers**—Districts should establish procedures to transfer equipment between locations. The Authorization to Transfer Equipment form, on page VI-E-12, or a similar form should be prepared by the principal or employee responsible for the equipment being transferred. The transfer should be approved by the governing board or authorized designee before the transfer is made. The capital assets or stewardship list should be updated when a properly approved transfer form is received or transfers should be accumulated and the lists should be updated at fiscal year-end before any physical inventory is conducted.

**Disposals**—Districts should comply with applicable statutes and rules, such as A.R.S. §§15-341(G) and 15-342, AAC R7-2-1131, and 2 CFR §200.313, when disposing of district property. Special care should be taken when disposing of equipment that stores information such as computers, copiers, and printers to ensure that personally identifiable information and district licensed software are removed before disposal. Additionally, to document the explanation for and authorization of disposals, districts should:

1. File an incident, police, or similar report to document the circumstances and allow for adequate investigation of the loss or theft of district property. A copy of such report should be retained with the asset records to support the asset's removal from the capital assets or stewardship list, as applicable.
2. Complete a Request for Authorization to Dispose of District Property form (page VI-E-13) or a similar form for applicable district property, including capital asset and stewardship items to be disposed of by sale, trade-in, or donation or because of obsolescence or damage. The form should be prepared by the employee responsible for the property and approved by the governing board or authorized designee.
3. After obtaining appropriate authorization for disposal, maintain a separate list of items awaiting physical disposal for control purposes until the items are properly disposed.
4. Update the district's capital assets or stewardship lists at the time of disposal or include such items on a list of disposals that will be used to update the lists at fiscal year-end. Disposal documentation should be retained to support the changes to the lists and to assist in reconciling the previous year's capital assets list to the current year's capital assets list.

If district property is disposed of by sale, any proceeds from the sale of assets should be recorded in the School Plant Fund (500) unless required to be remitted to a federal or state agency, such as the federal Schools and Library Division for some E-rate equipment, or the Arizona School Facilities Board as required by A.R.S. §§15-341 or 15-342." USFR. Accounting Procedures, Property Control. (5/12). VI-E-7-8. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 22. Regulation Code: DID-R Asset Management –Procedures- "Disposal Procedure -**  
 "Surplus District materials (furniture, apparatus, equipment, library books, and supplies), regardless of value, shall be offered through competitive sealed bids, public auction or trade-in except for sales or leases to the state, county, city, or tribal government agency; and, except for the donation of surplus or outdated learning materials to nonprofit community organizations when the cost of selling the materials equals, or exceeds, the estimated market value of the

materials. This does not apply to District real property, real estate, land, school buildings and grounds, or school sites.

Administrators may not arbitrarily dispose of any furniture, equipment or other TUSD property. All disposals must go through the Asset Management Office. Site & Department Administrators must adhere to the following procedures:

Lost or destroyed property will not be removed from the site inventory without the signature of the Site Administrator authorizing the action on the appropriate form.

Surplus items will be reported to the Asset Management Office on the Property Loss/Disposal/Transfer Report (refer to DID-E). Arrangements to pick up itemized surplus can be made by contacting Property Control and/or the Asset Management Office in writing by fax, email, or through District inter-office mail. This will provide Asset Management with all the necessary information and authority to remove the item from the site's inventory. Sites may not transfer items directly to another site.

Surplus items that may not be operational or may be damaged can be submitted with a Capital Equipment Disposal Request (refer to DID-E) for assessment and evaluation. The appropriate Facilities Management Shop will notify Asset Management if the item is to be disposed of or placed in surplus for reissue.

Property that has been evaluated as obsolete, unsafe or not cost-effective for repair shall be disposed of or made available for public auction by Property Control. This property can also be donated to non-profit groups or sold to the public at prices set by Property Control with proceeds going to the School Plant fund.

Stolen and/or vandalized property will be processed and removed from the site inventory as submitted to Asset Management on a Theft & Damage Report (refer to DID-E). Each incident requires a police case number and may be obtained by dialing 791-4444 for all non-emergency situations.

Each site is responsible for maintaining their own copies of documents for accountability purposes and inventory records (refer to disposal and inventory forms in (refer to DID-E)."

Regulation Code: DID-R Asset Management Donation Procedures. (Reviewed: December 14, 2004.

[#http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R #](http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R)

### **23. Regulation DID-R: Asset Management -Donation Procedure:**

The following guidelines must be adhered to for accepting any donated assets (e.g. land, buildings, improvements, equipment, furniture, vehicles, materials, etc.) to the District:

Any site or department that is receiving donated assets on behalf of TUSD must fill out an Equipment Donation Form and forward it to the appropriate department director (refer to **DID-E**). Donated vehicles titles must be delivered directly to the Risk Management Department.

Each director is required to complete the Equipment Donation Form with his/her signature of approval or disapproval the form will then follow the flowchart path listed below beginning at the "Director of Risk Management" level. Asset Management will use the form's estimated value as the value of the donated asset only where TUSD agrees to maintain the asset.

Donors retain the responsibility to justify the fair market value of the donated equipment for taxing authorities. The District does not approve an assigned value. Any receipts issued or letters of acknowledgement will not specify a value of the property received by TUSD.

The Asset Management Office will be responsible for assigning Asset ID Numbers only for equipment that will be maintained by the district. Asset Management will return a completed copy of the Equipment Donation Form to the receiving site or department. The site or department will be responsible for tagging the equipment and providing a response to the donor.

Equipment not maintained by the district will not be issued an Asset ID Number or added to the Asset Stewardship Listing. This equipment will be tagged as "DONATION" by the receiving

school/department". Regulation Code: DID-R Asset Management Donation Procedures. (Reviewed: December 14, 2004.

[#http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R #](http://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DID-R)

**24. USFR: Accounting Procedures – Property Control – Procedures –**

**"Reconciling Capital Acquisitions to Total Capital Expenditures:**

Districts should reconcile current year capital acquisitions to total capital expenditures each fiscal year after all encumbrances have been included in the accounting records.

Districts with a large volume of capital asset acquisitions may want to prepare a reconciliation more frequently.

The purpose of this reconciliation is to help ensure that all current year acquisitions of land, land improvements, buildings, building improvements, and equipment items with unit costs of \$5,000 or more (or a lower dollar amount if adopted by the governing board) are included on the capital assets list.

An employee independent of the recordkeeping and custodial functions for capital assets should prepare the reconciliation, and district management should review and approve the reconciliation...

A separate reconciliation should be prepared for each fund that reported capital expenditures. Compatible property control and accounting systems may be able to automatically compare capital acquisition and expenditure information in a report for review and resolution of any differences. Reconciliations can be presented in other formats but should include all of the information shown on the sample form on page VI-E-14. To complete the sample reconciliation, enter the information as follows:

Lines 1-10 Enter the voucher number and date for each voucher that includes capital expenditures, using one line per voucher. Enter the capital expenditures from the voucher in the appropriate columns based on the type of asset acquired and the related per-unit cost. The Other Capital Expenditures column should include any capital expenditures from the voucher that were not appropriate to record in the columns to the left, such as supplies purchased from capital funds that are not used for construction, including library books, textbooks, and instructional aids. The Total column should be used to total each line and should equal the total capital expenditures reported on that voucher.

**Note:** If the unit cost of an item is not apparent from the voucher detail, supporting purchase documents such as purchase orders and vendor invoices should be examined to determine which column the expenditure should be reported in on the reconciliation.

Line 11 Enter the total from all vouchers for each column.

Line 12 Enter the net increase (debit) or decrease (credit) to capital expenditures made through adjusting journal entries in the related columns. Adjustments may include journal entries made

to move the cost of salaries, employee benefits, and supplies related to in-house construction projects from the Maintenance and Operation Fund to a capital projects fund.

Line 14 Enter the total cost of additions made to the capital assets list during the fiscal year by asset type. The total cost for additions should be taken from the capital assets list based on acquisition date or a separate list of acquisitions for the fiscal year used to update the capital assets list.

Line 15 Enter the total construction in progress expenditures reported on the vouchers for projects that were not completed as of the fiscal year-end and, therefore, not added to the capital assets list.

Line 17 Differences between total capital expenditures and total capitalized acquisitions recorded for the fiscal year should be specifically explained and resolved. Any resulting adjustments to the capital assets list should be made in a timely manner to allow for accurate reporting of capital assets in the district's financial statements and annual financial report.

Differences may result from expenditure coding errors, classification errors in completing the reconciliation, or items added to the capital assets list at a value that is not expected to agree with current year expenditures. For example:

- Improvements improperly classified as repair and maintenance expenditures.
- Assets acquired through trade-in added to the capital assets list. No expenditure is recorded for the value of the trade-in in the related voucher.
- Donated assets added to the capital assets list during the fiscal year. No expenditure is recorded for the acquisition because an expenditure was not incurred.
- Lease-purchased assets added to the capital assets list at fair market value. Only the current year periodic lease payments will be included in the related voucher.
- Multi-year construction projects that were completed in the current year and added to the capital assets list. Only the current year expenditures for the project will be included in the related voucher.

USFR. Accounting Procedures, Property Control. (5/12). VI-E:8-9. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

**25. USFR: Accounting Procedures – Introduction – “Reconciling the Previous Year’s June 30 Capital Assets List to the Current Year’s June 30 Capital Asset List:**

Districts should reconcile the previous year’s June 30 capital assets list total to the current year’s June 30 capital assets list total to help ensure the accuracy and continuity of the list...

The form on page VI-E-15 may be used to document this reconciliation.

Line A Enter the total of each asset category from the previous year’s June 30 capital assets list.

Line B Enter the current year’s final adjusted capital asset acquisitions amount after performing the reconciliation of capital asset acquisitions to total capital expenditures.

Line C Enter the current year’s disposals amount from asset disposal documentation for the current year.

Line E Enter the total of each asset category from the current year’s June 30 capital assets list.

Line F Differences noted should be specifically explained and resolved. Any resulting adjustments to the capital assets list should be made in a timely manner to allow for accurate

reporting of capital assets in the district's financial statements and annual financial report." USFR. Accounting Procedures, Property Control. (5/12). VIE-10. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 26. USFR: Accounting Procedures – Introduction –** "An effective accounting system can also help safeguard district assets from fraud, theft, or misuse. Accounting system policies and procedures formally documented and adopted by the governing board should provide separation of responsibilities, adequate internal checks and balances, and sufficient records to support financial transactions.

Responsibilities should be assigned to specific departments, if applicable, and adequately separated within departments so that one individual does not have complete authority over an entire financial transaction or process. Districts should also periodically rotate responsibilities among employees when practical and require employees who process financial transactions to take vacation time and have another employee perform their responsibilities. If adequate separation of responsibilities is not possible because of a district's limited staff size, district management should implement review procedures at appropriate points in the process to compensate for employees performing incompatible functions.

The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts. Specific controls should be tailored to each district's needs, and alternative procedures may be used if they provide at least the same level of internal control. See §IX, Information Technology, for information regarding general and application controls for automated systems." USFR. Accounting Procedures, Property Control. (5/12). VI-A. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 27. USFR: Information Technology – Internal Controls** Application controls are manual or programmed activities intended to ensure the completeness and accuracy of records and the validity of entries made into business computer systems. They are embedded in business process applications and include checks over completeness, accuracy, validity, authorization, and separation of duties.

1. Completeness checks help ensure all records were processed from initiation to completion (i.e., provide reasonable assurance that all transactions that occurred are input into the system), accepted for processing, processed in accordance with system requirements, and properly included in output. The most commonly encountered controls for completeness include the use of record counts and control totals, computer sequence checking, computer matching of transaction data with data in a master or suspense file, and checking of reports for transaction data.

2. Accuracy checks provide reasonable assurance that transactions are properly recorded with correct information, data elements are processed correctly by applications, reliable results are achieved, transactions detected with errors are controlled to ensure that they are corrected and reentered in a timely manner, and output is reviewed and control information is reconciled to determine whether errors occurred during processing.

3. Validity checks help ensure that a program operates on clean, correct, and useful data by checking for correctness, meaningfulness, and security of data that is input into the system. The simplest data validation verifies that the characters provided come from a valid set. For example, telephone numbers should include the digits and possibly the dash, and left and right

parentheses. A more sophisticated data validation routine would check to see that the user had entered a valid country code (i.e., that the number of digits entered matched the convention for the country or area specified).

4. Authorization checks help ensure that only approved users have access to the application system and that data is properly authorized before it is entered or accepted into the system.

5. Separation of duties helps ensure that checks are in place to prevent fraud and errors by separating the tasks and associated privileges for a specific business process among multiple users. These controls include policies, procedures, and an organizational structure established so that one individual cannot control key aspects of computer-related operations and thereby conduct unauthorized actions or gain unauthorized access to assets or records." USFR. Accounting Procedures, Property Control. (12/11). IX-6. <https://www.azauditor.gov/sites/default/files/USFR102323.pdf>

- 28. The Arizona Revised Statutes (A.R.S.) – 41-151.14.** State and local public records management: violation: classification; definition: "...C. A head of a state or local agency who violates this section is guilty of a class 2 misdemeanor." Arizona State Legislature, <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/41/00151-14.htm>

- 29. ARIZONA STATE LIBRARY, ACHIEVES AND PUBLIC RECORDS ( GS-1017 AND GS 1032).**  
**IMAGES: "GS-1032 – RECORD SERIES #:**

21072 – CONTRACT AND AGREEMENT RECORDS – CAPITAL/FIXED ASSETS, CONSTRUCTION, LEASE PURCHASE OF EQUIPMENT, AND REAL ESTATE."  
[https://azlibrary.gov/sites/default/files/all\\_general\\_schedules\\_searchable.pdf](https://azlibrary.gov/sites/default/files/all_general_schedules_searchable.pdf)

- 30. IMAGES: GS-1017 - RECORD SERIES #:**

10064 – CAPITAL ASSET RECORDS, CAPITAL EQUIPMENT AND PROPERTY INVENTORIES.

10065 – CAPITAL ASSET RECORDS, CAPITAL POLICES

10066 – CAPITAL ASSET RECORDS, DEPRECIATION SCHEDULES

10067 – CAPITAL ASSET RECORDS, ALL OTHER RECORDS"

[https://azlibrary.gov/sites/default/files/all\\_general\\_schedules\\_searchable.pdf](https://azlibrary.gov/sites/default/files/all_general_schedules_searchable.pdf)



## GLOSSARY

**Accounting** – “manages the District-wide budget development, monitoring and reporting.” DOG -Assets – Pg. 1. <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Accumulated Depreciation on Equipment** – “Accumulated amounts of depreciation of equipment.” DOG -Assets- Pg. 5 - <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**American Institute of Certified Public Accountants:** “Is the national professional organization of Certified Public Accountants in the United States, with more than 418,000 members in 143 countries in business and industry, public practice, government, education, student affiliates and international associates.” <https://www.aicpa.org/>

**Arizona School Facilities Board (SFB)-** “Created in 1998, the Arizona School Facilities Board (AZSFB) is a cabinet-level, state-government agency managing nearly \$300 Million in state funding appropriated for K-12 school district facilities. The 10-member board meets monthly to grant funding for new school construction and to renew existing school facilities.” <https://sfb.az.gov/#:~:text=Created%20in%201998%2C%20the%20Arizona,to%20renew%20existing%20school%20facilities.>

**Assets:** “things you own. These can be cash or something you can convert into cash such as property, vehicles, equipment and inventory.” Key Financial Terms. March 7, 2023. <https://business.gov.au/finance/financial-tools-and-templates/key-financial-terms>

**Asset Management** – “manages the process of deploying, operating, maintaining, upgrading, and disposing of District assets cost-effectively.” DOG -Assets – Pg. 1 <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Assurance Services** – “An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.” <https://www.theiia.org/globalassets/documents/certifications/the-iia-official-glossary/official-iia-glossary-english.pdf>

**Audit Committee** – “A committee of the board charged with recommending to the board the approval of auditors and financial reports.” <https://www.theiia.org/globalassets/documents/certifications/the-iia-official-glossary/official-iia-glossary-english.pdf>

**Audit Observations** – “Any identified and validated gap between the current and desired state arising from an assurance engagement.” <https://www.theiia.org/globalassets/documents/certifications/the-iia-official-glossary/official-iia-glossary-english.pdf>

**Audit Sampling** – “The application of an audit procedure to less than 100 percent of the items in a population for the purpose of drawing an inference about the entire population.” <https://www.theiia.org/globalassets/documents/certifications/the-iia-official-glossary/official-iia-glossary-english.pdf>

**Best Practice** - “A procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption.” Defined by Merriam Webster

**Capital Assets** – “District assets such as land and land improvements, buildings and building improvements, and equipment. For discussion of capital asset valuations, see subsection §VI-E. The following criteria must be met for an item to be included in this account. 1. The useful life of an item must equal or exceed one year. 2. The unit cost or value assigned must meet the capitalization threshold established by the district. Thresholds may not exceed \$5,000 for land, buildings, and related improvements, and equipment. 3. Improvements do not include repairs or maintenance performed on assets to restore them to operating condition. 4. If a lease agreement’s terms meet certain criteria as outlined in subsection §VI-E, the least should be considered in substance a purchase of an asset, and the item being leased should be capitalized.” DOG -Assets – Pg. 4 <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Capital Contributions** – “Capital assets acquired as the result of a donation or bequest of an individual, estate, other government, a corporation, or an affiliate organization.” DOG -Revenues- Pg. 18 - <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Capital Asset Impairments** – “Used to record impairment losses on capital assets. An asset is considered impaired when there is a significant, unexpected decline in the amount of service. This code should be used in proprietary funds only. If the loss meets the criteria as a special or extraordinary item, the other financing uses and other items Object Code 6950 or 6960 should be used. Used with Functions 1000- 4000.” DOG - Pg. 28. <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Criteria** - “The standards, measures, or expectations used in making an evaluation and/or verification of an observation (what should exist).” <https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Compliance** – “Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.” <https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Condition** – “The factual evidence that the internal auditor found in the course of the examination (what does exist).” <https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Contract** - Defined by Arizona state legislature: “means all types of state agreements, regardless of what they may be called, for the procurement of materials, services, construction, construction services or the disposal of materials.”

<https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/41/02503.htm>

**Control** – “Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goal will be achieved.” <https://www.theiia.org/>

**Cost Benefit Analysis** –“ It is a process used to make decisions. It takes into account both quantitative and qualitative factors for analysis of the value for money for a particular project or investment opportunity. Benefits to costs ratio and other indicators are used to conduct such analyses. The objective is to ascertain the soundness of any investment opportunity and provide a basis for making comparisons with other such proposals.” <https://economictimes.indiatimes.com/definition/cost-benefit-analysis>

**Depreciation** – “The portion of the cost of a capital asset that is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is apportioned over the estimated useful life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense. This code should be used in proprietary funds only. Depreciation should not be recorded in the General Fixed Assets Account Group. Used with Functions 1000-4000.” DOG -Pg. 28; <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Due Diligence** – “Due diligence is the process of obtaining and reviewing documentation to verify that the procuring entity procured contracts pursuant to the School District Procurement Rules and determining that the contract price and terms are favorable to the district to receive the best value for the good or service desired.

Whether administering or purchasing from a cooperative purchasing agreement, districts are responsible for ensuring that procurements are done in accordance with School District Procurement Rules.” Defined by HG Legal Resources <https://www.hg.org/legal-articles/what-is-the-relevance-of-industry-standards-under-the-law-36794>

**Equipment** – “Account that reflects the value of machinery, vehicles, computers, software, furniture, and other equipment, including specialized electronic and athletic equipment.” DOG -Assets- Pg. 5 - <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Effect** - “The risk or exposure the organization and/or others encounter because the condition is not consistent with the criteria (the consequence of the difference).”

<https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Gain or Loss on Sale Capital Assets** – “Amount received from the sale of fixed assets in excess of the assets’ book value. This account is used only with proprietary and fiduciary funds only. For governmental funds, other financing sources Object Code 5300 should be used”. DOG -Revenues- Pg. 14 - <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**General Accepted Auditing Standards (GAAS):** “Are sets of standards against which the quality of audits are performed and may be judged. Several organizations have developed such sets of principles, which vary by territory.” <https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-00150.pdf>

**Generally Accepted Government Auditing Standards (GAGAS):** “Also known as the Yellow Book, are the guidelines for audits created by the Comptroller General and the audit agency of the United States Congress, the Government Accountability Office.” <https://www.gao.gov/yellowbook/overview>

**Governance** – “The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.” <https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Independence** – “The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.”

<https://www.theiia.org/globalassets/documents/certifications/the-iaa-official-glossary/official-iaa-glossary-english.pdf>

**Industry Standard** – “Is the average by which those in a particular field govern themselves. It is the ordinary manner of doing things in that field and can serve to establish different things in various legal settings.” Defined by HG Legal Resources <https://www.hg.org/legal-articles/what-is-the-relevance-of-industry-standards-under-the-law-36794>

**Infinite Visions** - (iVisions): “Infinite Visions is TUSD’s ERP system. Infinite Visions is comprised of integrated financial, human resources, payroll, purchasing, warehouse, and fixed asset applications. Key functionality includes position control and inventory, Personnel Action Requests (PARs), contract management, insurance tracking, tracking of employee demographics and certifications and more. iVisions web portal helps everyone in the district work and communicate more efficiently through convenient employee self-services and comprehensive school site functionality. With 24/7 anytime, anywhere access, district employees can view their personal data such as vacation and sick-leave balances, payroll history, and insurance and benefit plan details.” <https://www.tylertech.com>

**Internal Auditing** – “IIA’s definition “Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. At its simplest, internal audit involves identifying the risks that could keep an organization from achieving its goals, making sure the organization’s leaders know about these risks, and proactively recommending improvements to help reduce the risks.” Additionally, “Internal auditors are explorers, analysts, problem-solvers, reporters, and trusted advisors. They bring objectivity and a variety of skills and expertise to the organization.” <https://global.theiia.org/about/about-internal-auditing/pages/about-internal-auditing.aspx>

**Internal Control** – “A plan of organization under which employees' duties are arranged, and records and procedures are designed, to make it possible to exercise effective control over processes. Internal control procedures which call for proper authorizations by designated officials for all actions performed that must be specified and followed.” <https://global.theiia.org>

**Management Controls** – “Actions carried out by management to assure the accomplishment of their objectives, including the setting up of oversight for an objective and the alignment of people, processes, and technology to accomplish that objective.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Objectives** – “What an entity desires to achieve. When referring to what an organization wants to achieve, these are called business objectives, and may be classified as strategic, operations, reporting, and compliance. When referring to what an audit wants to achieve, these are called audit objectives or engagement objectives.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Observation** – “A finding, determination, or judgment derived from the internal auditor’s test results from an assurance or consulting engagement.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Organizational Chart** – “Organizational charts are the presentation of reporting relationships and employee roles in an enterprise. A well-structured organizational structure would help improve productivity, but a poor organizational structure can weak the organization.” <https://www.orgcharting.com/poor-organizational-structure/>

**Overall Opinion** - The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Property** – “Expenditures for acquiring capital assets, including land or existing buildings, and equipment.” DOG - Expenditures- Pg. 27 - <https://tusd1.sharepoint.com/sites/EmployeeNetwork/Shared%20Documents/DOG.pdf>

**Purchase requisitions** – “A document used by a department to request the purchase of supplies, merchandize, etc.”

**The Institute of Internal Auditors (IIA)** – “Is an international professional association; it is a worldwide leader, authority, and principal educator for internal auditing professionals.” <https://global.theiia.org>

**Reasonable Assurance** – “A level of assurance that is supported by generally accepted auditing procedures and judgments. Reasonable assurance can apply to judgments surrounding the effectiveness of internal controls, the mitigation of risks, the achievement of objectives, or other engagement-related conclusions.” <https://global.theiia.org>

**Recommendation** - The auditor’s call for action to correct or improve operations. A recommendation may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results. The recommendation answers the question, “What is to be done?” <https://global.theiia.org>

**Residual Risk** – “The portion of inherent risk that remains after management executes its risk responses (sometimes referred to as net risk).”

**Risk** - “The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.” <https://global.theiia.org>

**Risk Appetite** – “The level of risk that an organization is willing to accept.”

**Risk Management** – “A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.” <https://global.theiia.org>

**Risk Mitigation** – “An action, or set of actions, taken by management to reduce the impact and/or likelihood of a risk to a lower, more acceptable level.”

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Risk Tolerance** – “The acceptable variation relative to performance to the achievement of objectives.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Standard** – “A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.”

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Statistical Sampling** – “A sampling technique that allows the auditor to define with precision how representative the sample will be. After applying the technique and testing the sample, the auditor can state the conclusion in terms of being “%” confident that the error rate in the population is less than or equal to “%.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**System of Internal Controls** – “Comprises the five components of internal control—the control environment, risk assessment, control activities, information and communication, and monitoring—that are in place to manage risks related to the financial reporting, compliance, and operational objectives of an organization. <https://global.theiia.org>

**Tolerance** – “The boundaries of acceptable outcomes related to achieving business objectives.”

**Tone at the Top** – “The entity-wide attitude of integrity and control consciousness, as exhibited by the most senior executives of an organization. Also see Control Environment.”

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Top-Down Approach** – “To begin at the entity level, with the organization’s objectives, and then identify the key processes critical to the success of each of the organization’s objectives.”

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Tracing** – “Taking information from one document, record, or asset forward to a document or record that was prepared later. For example, if auditors count inventory, they would trace their count forward to the client’s inventory records to verify the completeness of the records.

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Virtualization** – “When a physical IT component is partitioned into multiple “virtual” components; for example, when a physical server is logically partitioned into two virtual servers.

<https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

**Vouching** – “The act of taking information from one document or record backward to an asset, document, or record that was prepared earlier. For example, auditors might vouch information on a computer report to the source documents from which the information was input to the system to verify the validity of the information.” <https://www.theiia.org/globalassets/documents/certifications/the-iiia-official-glossary/official-iiia-glossary-english.pdf>

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