

## Ajo Unified School District

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

List of deficiencies for the year ended June 30, 2024

Governing board/management procedures—The governing board and District management should establish and implement procedures as required by Arizona Revised Statutes (A.R.S.) to ensure their oversight duties are met.		
	Question	Deficiency
1.	The District annually provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, A.R.S. 38-503, and 38-509	The District did not conduct conflict-of-interest training for governing board members and employees during fiscal year (FY) 2024.
2.	The District annually obtained conflict-of-interest (COI) forms that allowed governing board members and employees to make known and fully disclose a conflict of interest in any contract, sale, purchase, service, or decision, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. A.R.S. §§38-502 and 38-503	The District did not retain conflict-of-interest forms from governing board members during FY 2024.
3.	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	The District's Board did not appoint a student activities treasurer for the current fiscal year.
Budgeting—The District should prepare budgets based on legal requirements and allowable uses of monies and monitor spending to accurately inform the public about its planned spending and ensure it stays within those budgets.		
	Question	Deficiency
1.	The budget included all funds as required by A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District published its Notice of Public Hearing to the Arizona Department of Education's (ADE) website on July 17, 2023, after the actual meeting to adopt the budget.
2.	The District revised its budget on or before December 15, if ADE notified the District that its Maintenance and Operations (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the General Budget Limit (GBL) or Unrestricted Capital Budget Limit (UCBL). A.R.S. §15-905(E).	The District's December 2023 revised budget had budgeted expenditures for its M&O and UCO Funds that exceeded the GBL and UCBL.

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Accounting records—The District should accurately maintain accounting records to support the financial information it reports and follow processes and controls that reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies.		
	Question	Deficiency
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	Six certified teachers were coded to object code 6150—Classified Salaries and should have been coded to object code 6110-6114—Classroom Teacher Base Salaries.
2.	The District reconciled cash balances by fund monthly with the County School Superintendent (CSS) or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	<p>The District did not reconcile cash balances by fund monthly with the County Treasurer records. The District retained documentation that its cash balances agreed to those reported at the CSS office, but there were reconciling items between the CSS and the County Treasurer. The CSS had not performed monthly reconciliations during the fiscal year.</p> <p>The audit firm issued a qualified opinion within the District's financial statements, due to the District exercising insufficient accounting controls over cash and investment reconciliations with the County Treasurer. The amount by which the cash and investment reconciliations variances affected the assets, net position, and fund balances could not be determined.</p>
Cash and revenue—The District should document and control cash transactions to safeguard monies, provide evidence of proper handling to protect employees involved in handling monies from unfounded accusations of misuse, and reduce the risk of theft or loss.		
	Question	Deficiency
1.	The District used the payroll direct deposits clearing bank account in accordance with A.R.S. §15-1221.	For 3 of 5 payroll direct deposit clearing bank account disbursements tested, the District cut a check directly to the employee and not to a financial institution. The checks paid were due to direct deposit processing issues.
2.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	Deposits were not reviewed by a second person. Also, 9 cash collection forms were not reviewed by a second person.

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3.	The District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	For 15 of 21 receipts tested, the cash collection form was not signed/verified by a second individual. Additionally, for all 21 receipts tested, a District employee did not reconcile and signoff on the cash collection form and deposit slip for verification before depositing to the bank.
4.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 21 receipts tested, the deposits were not made in a timely manner since they were made 10 and 13 days after receipt.
5.	The District's deposits with the county treasurer were reconciled.	The District did not reconcile deposits with the County Treasurer during the fiscal year.
6.	An employee not involved with cash-handling or issuing checks reconciled all District bank accounts monthly, and an employee independent of the cash-handling process reviewed, signed, and dated the monthly bank reconciliations.	The Auxiliary Operations Fund bank account was reconciled but not reviewed by someone other than the preparer for the months of January through June 2024.
7.	The District tracked and reconciled the number of meals sold to the total cash collected per day.	For 1 of 1 weekly cash deposit tested, the District did not reconcile meals sold to total cash collected per day.

**Property control**—The District should properly value, classify, and report land, buildings, and equipment on its stewardship and capital assets lists. In addition, the District should safeguard its property, which represents a significant investment of its resources, from theft and misuse.

	Question	Deficiency
1.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The current year's capital asset list did not agree with the previous year's list. There was a difference in accumulated depreciation of \$34,448 for Buildings and Improvements.
2.	The District performed a physical inventory of all equipment at least every 3 years and reconciled the inventory results to the stewardship and capital assets lists upon completion.	The District's last physical inventory was on March 3, 2021, which is greater than 3 fiscal years from the current fiscal year-end date of June 30, 2024.

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Credit cards and p-cards—The District should control credit cards and p-cards to help reduce the risk of unauthorized purchases and approve purchases to ensure compliance with competitive purchasing requirements in the USFR and School District Procurement Rules.		
	Question	Deficiency
1.	The District issued and tracked possession of all District credit cards and trained employees who make credit card purchases or process transactions on the District's policies and procedures.	Annual credit card training was not done for FY 2024.
2.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	Per review of monthly statements provided during testing, the auditor noted finance and late fees in 3 different months. Two months tested for the Lowe's card totaled \$82.78 in late fees and interest charges. One month tested for the Visa card incurred \$134.80 of finance charges.
Procurement—The District should follow the School District Procurement Rules and USFR purchasing guidelines for purchases it makes to promote fair and open competition among vendors that helps ensure the District receives the best value for the public monies it spends.		
	Question	Deficiency
1.	The District requested at least 3 written quotes for purchases costing at least \$10,000 but less than \$100,000 and followed the guidelines prescribed by the USFR.	For 3 of 4 vendors selected, the District did not obtain at least 3 written quotes for purchases costing at least \$10,000 but less than \$100,000.
2.	The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. A.R.S. §15-213(N) and Arizona Administrative Code (A.A.C.) R7-2-1003	The District did not retain support that this training and guidance was performed during FY 2024.
3.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	The District's Board only approved 1 sole-source procurement during the fiscal year, AirMax. However, other sole-source vendors were utilized by the District that were not Board-approved.

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Payroll—The District should document the review, verification, and approval of payroll expenditures to ensure employees are appropriately compensated and payments to employees are supported by governing board approved contracts, pay rates, and terms of employment.		
	Question	Deficiency
1.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-4 through 6.	For 4 of 25 employee files tested, the District did not have the employees' W-4 and A-4 withholding forms on file. In addition, 2 certified teachers did not have a teacher certificate on file. Also, for 3 of 25 employee files tested, an I-9 was not on file.
2.	The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342, and 41-1750(G)	One teacher reviewed did not have a valid fingerprint clearance card on file.
3.	The District enrolled employees who met the Arizona State Retirement System (ASRS) membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	For 1 employee, the District did not remit ASRS contributions during the fiscal year and the District did not provide documentation to support if the employee met membership criteria for ASRS or was exempt from contributing.
4.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 1 of 25 employee files tested, the employee's contract amounts did not agree to the employee distributions for the fiscal year. The employee was underpaid \$1,000.

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Financial reporting—The District should accurately prepare its financial reports, including its Annual Financial Report (AFR), to provide the public and oversight bodies, including bond investors and district creditors, a transparent view of the District's financial position.		
	Question	Deficiency
1.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	<p>Material journal entries were required to adjust cash and revenues during the fiscal year. The auditors noted duplicated cash/revenue journal entries and unrecorded revenues. As a result, adjusting audit entries were required to correct the following:</p> <ul style="list-style-type: none"><li>• \$245,220 of state equalization and additional State aid revenues were duplicated within the general ledger.</li><li>• \$687,099 of School Facilities Division grant revenues were duplicated within the general ledger.</li><li>• \$11,247 of Arizona Department of Education grant revenues went unrecorded.</li><li>• Property tax revenues were not recorded within the general ledger from July 1, 2023 through September 30, 2024. An audit adjustment of \$44,953 was necessary to properly record current year tax revenue that went unposted.</li><li>• \$74,914 of duplicated expenditures were recorded during the current fiscal year due to errors within the accounts payable process.</li></ul>
2.	The District's website included its average teacher salary information required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report A.R.S. §41-1279.03(A)(9)	The District did not include its average teacher salary information on its website home page.
3.	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely for ADE to calculate the Teacher Experience Index (TEI). A.R.S. §15-941 and School Finance Reports	The District did not upload an October 2023 Submission for its SDER.

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Student attendance reporting—The District should report accurate student membership and attendance information to ADE to ensure it receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	For all 5 student withdrawals reviewed, the date in the District's computerized attendance system did not agree with the withdrawal date on the official form.
2.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S. §15-901(A)(1)	For 2 of 5 withdrawals (W4) reviewed, the auditors did not note 10 consecutive unexcused absences based on review of the students' attendance records.