



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

September 16, 2025

Sent via email

Arizona State Board of Education
1700 W. Washington St.
Executive Tower Ste. 300
Phoenix, AZ 95007

Subject: Naco Elementary School District—Still in Noncompliance with the USFR

Dear Members of the State Board:

In accordance with Arizona Revised Statutes (A.R.S.) §15-271, we are notifying you that Naco Elementary School District (District) is still in noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) based on our review of the District's fiscal year (FY) 2024 financial audit reports and USFR *Compliance Questionnaire* (Questionnaire) and our April 2024 status review results. As required, we are providing you a list of the most significant USFR deficiencies we noted in those reports and our status review.

The following summarizes our past notifications and State Board of Education (State Board) action related to the District's continued noncompliance with the USFR:

- December 2022—We notified the District that it had not complied with the USFR based on our review of the significant deficiencies cited in its FY 2021 financial audit reports and Questionnaire. The District had 90 days to correct its deficiencies, but it did not do so.
- October 2023—We further notified the District that it had not complied with the USFR based on our review of the significant deficiencies cited in its FY 2022 financial audit reports and Questionnaire.
- February 2024 through April 2024—We conducted a status review of the District's internal controls and corrective action plan to determine whether the District had made improvements to address its noncompliance with the USFR identified in its FY 2022 financial audit reports and Questionnaire. We reviewed the District's procedures and related documents, and conducted interviews with personnel.
- July 2024—We notified the State Board that the District was not in compliance with audit reporting requirements since it had not submitted its FY 2023 financial audit reports and Questionnaire which were due on March 31, 2024.

- September 2024—We notified the State Board that the District had not made adequate progress in correcting its deficiencies and remained in noncompliance with the USFR based on our status review of the District's internal controls and our review of the District's FY 2023 financial audit reports and Questionnaire, which were submitted in August, nearly 5 months late, and included deficiencies not cited in the District's FY 2022 financial audit reports and Questionnaire.
- December 2024—The State Board held a hearing and directed the Superintendent of Public Instruction to withhold 3 percent of the District's State aid in accordance with Arizona Revised Statutes §15-272(B).

Further, we will continue to assist the District as it works to correct its internal control deficiencies. For example, we provided the District an updated corrective action plan template to document corrective actions taken to comply with the USFR, and we will schedule periodic meetings with District management to discuss the District's implemented and planned corrective actions. When the District can show it has corrected its deficiencies, my Office may perform a status review to determine if the District is no longer in noncompliance with the USFR, and we will inform you of the results.

If you have questions concerning the District's noncompliance or our process, please call Meghan Hieger, Director, or Chris Votroubek, Manager, within our Accountability Services Division at (602) 977-2796.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: Governing Board
Jonathan Watts, Superintendent
Kristen King, Business Manager
Naco Elementary School District
The Honorable Jacqui Clay County School Superintendent
Sean Ross, Executive Director
Arizona State Board of Education
Art Harding, Chief Operations Officer
Nicole von Prisk, Deputy Associate Superintendent, Grants Management
Arizona Department of Education