



Annual Report

Fiscal Year 2025



Lindsey A. Perry
Auditor General

Message from the Auditor General



Lindsey A. Perry
Arizona Auditor General

I am pleased to submit the Office's annual report for the fiscal year ending June 30, 2025. My Office's annual report outlines the accomplishments of a skilled and knowledgeable team who diligently maintain an excellent reputation for the accuracy and quality of information we provide. This reputation extends nationally, largely resulting from our leadership in the government auditing field and our recognized body of work. As a legislative

agency, we are positioned to fulfill our many mandates, the most important of which is to provide independent, impartial, precise, and timely information to the Arizona Legislature.

Our audit and investigative work and resulting reports make a positive difference for Arizona and its citizens by identifying deficiencies, making recommendations for improvements, and holding State and local governments accountable. In fiscal year 2025, we issued **239 audit and special reports** covering a wide range of topics and entities, including State agencies, counties, universities, community colleges, and school districts, and made **1,078 recommendations** for improvement.

Additionally, the Arizona Legislature has appropriated the Office resources to follow up on audit findings and recommendations periodically for 2 years and longer, if needed, to help ensure entities implement all critical recommendations. Doing so assists the Arizona Legislature in holding entities accountable to improving State and local government for Arizona citizens. In fiscal year 2025, we performed **59 followup reviews** and as of the end of fiscal year 2025, State agencies, school districts, counties, universities, and community colleges had **implemented nearly 75% of the recommendations** made in audit reports we issued during the previous 3 fiscal years.


I express gratitude and appreciation to members of the Arizona Legislature for their continuing support and to my valued team for their professionalism, demonstrated excellence, and incredible focus on improving Arizona government for its citizens.

Our mission

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts and State agencies and the programs they administer.

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Our impact

We improve Arizona government for its citizens by:

- ▶ Helping government work better.
- ▶ Holding State agencies and school districts accountable.
- ▶ Investigating fraud and financial misconduct allegations.
- ▶ Informing stakeholders.
- ▶ Providing high-impact trainings and presentations.

Helping government work better

We conducted 2 audits of the **Arizona Department of Economic Security's (ADES) Unemployment Insurance (UI) Program** and identified problems with ADES' maintenance of accurate UI Program records and customer service quality. Specifically:

- ▶ As part of our financial audit work for the State, we found that ADES did not maintain accurate records, including complete and accurate bank listings or reconciliations, to support unemployment insurance cash balances reported in the State's financial statements. We made 6 recommendations to address the identified issues. However, this resulted in a qualified financial statement opinion in the [Fiscal Year 2023 State of Arizona Annual Comprehensive Financial Report](#) issued in November 2024 and a risk that the State may be required to return approximately \$231.1 million of unreconciled cash to the federal government, as reported in the [Fiscal Year 2023 State of Arizona Single Audit Report](#), which we issued in December 2024.
- ▶ Our June 2025 performance audit of the UI Program found that although ADES provided some UI claimants with quality phone customer service, we also identified several customer service quality problems ([Report 25-101](#)). This included inaccurate and potentially misleading information provided to claimants, not answering most customer service phone calls, and long call wait times. For some customer service phone calls we reviewed, UI call center staff did not use a courteous and professional manner and tone, address all identified questions, or provide sufficient context or education to callers. Additionally, in calendar year 2023, the UI call center answered an average of only 817 of 3,225 calls it received per day, or 25%. Effective customer service is necessary for ensuring that UI program claimants do not experience delays in receiving UI benefit payments. Additionally, claimants who experience delays in UI benefit payments could face a variety of impacts resulting from those delays, including financial and health impacts. We made 22 recommendations to ADES, including that it continue to monitor customer service provided by its staff, review and analyze UI Program customer service performance metrics, and correct any identified deficiencies.

In addition to the audits we conduct, we work closely with contracted audit partners to complete select projects, including developing and issuing requests for proposals, reviewing proposals to select qualified and independent contractors, regularly meeting with the contractors and auditees, and guiding and overseeing contractors' audit work and written reports. For example, we contracted for the December 2024 special audit of the **Arizona State Board of Chiropractic Examiners** ([Report 24-115](#)). Our contractor identified multiple issues, including that the Board regularly expanded complaint investigations by requiring licensees to submit records not relevant to the original complaint allegations, such as continuing education documentation and a broad range of business and patient records, potentially resulting in unwarranted disciplinary actions and lengthy complaint investigations. The Board also failed to report allegations of criminal wrongdoing, such as allegations of sexual contact and insurance fraud, to appropriate authorities, increasing public safety risk. Finally, the Board encouraged its licensees to oppose legislation without clear statutory authority to do so, making statements that were potentially misleading and using its resources for purposes other than regulating the chiropractic profession. Our contractor made 28 recommendations to the Board to address the issues it identified.

Holding State agencies and school districts accountable

Our April 2025 performance audit of **Sierra Vista Unified School District** identified several issues, including that the District potentially violated the Arizona Constitution's gift clause and reduced monies available for other District priorities by improperly paying \$34,500 in bonuses and performance pay to top administrators ([Report 25-203](#)). Additionally, the District's process for administering sick leave resulted in some employees accruing less sick leave than required by statute and overcompensating or undercompensating some employees based on errors in these employees' sick leave accrual. Finally, the District did not ensure proper certification and testing of all school bus drivers or perform timely school bus preventative maintenance. In addition to making 39 recommendations to address these issues, we provided our report to the Arizona Attorney General's Office for further action related to the potential gift clause violations. In September 2025, the Arizona Attorney General's Office notified the District it had closed its public monies investigation based on remedial actions the District reported taking to address the concerns identified in the report, which included recouping some of the improperly paid monies.

Our October 2024 performance audit of the **Arizona Department of Housing (ADOH)** found that in calendar years 2021 through 2023, ADOH inadequately oversaw 12 affordable housing grant projects we reviewed that were intended to provide housing and services for low-income and special needs populations, including individuals or families who are fleeing domestic violence and temporary lodging for homeless individuals or families ([Report 24-113](#)). For example, ADOH did not conduct most required site inspections, putting program participants at risk of living in unsafe or unsanitary conditions; approved and paid more than \$8.1 million in project expenses that were not supported by adequate documentation or were unallowable; and inconsistently ensured grantees submitted required project progress reports, limiting its ability to help address project delays and hold grantees accountable for providing agreed upon services. This inadequate oversight could result in wasteful and inappropriate spending of public monies and risky or unhealthy environments for vulnerable individuals such as those with disabilities and experiencing homelessness. We made 5 recommendations to ADOH, including that it develop and implement a written plan outlining steps it will take to implement key practices for providing program oversight consistent with federal and State requirements and recommended practices.

Investigating fraud and financial misconduct allegations

We received 83 fraud-related allegations concerning school districts, State agencies, universities, counties, cities and towns, and special taxing districts. In fiscal year 2025, we evaluated all allegations to determine sufficiency of evidentiary documentation and whether the issue would best be resolved through a financial investigation or further review by independent auditors or separate regulatory agencies. Additionally, we made a positive impact on Arizona government by helping to hold fraudsters accountable. Our investigations helped prosecutors take legal action against 3 public employees for their alleged unlawful actions that resulted in public money losses totaling nearly \$39 million.

For example, we investigated and reported on a former **Town of Parker** (Town) employee who allegedly embezzled Town monies totaling \$173,295 ([Report 25-401](#)). The former employee admittedly issued unauthorized checks to herself and others, kept cash that should have been deposited in a Town bank account, and made personal purchases on Town credit cards. This former employee has been indicted on 9 felony counts related to theft, fraudulent schemes, and forgery.

Informing stakeholders

Our February 2025 [Arizona School District Spending report](#) found that in fiscal year 2024, State-wide school district spending increased by more than \$500 million from fiscal year 2023, largely due to a 1-time \$300 million State aid supplement and an increase to districts' base level funding. The State-wide instructional spending percentage (ISP) decreased to 52.6%, a 0.8% decrease from fiscal year 2023 and, for the second consecutive year, the lowest recorded ISP since we began monitoring instructional spending. The State's per student operational spending increased by \$668, or 5.7%, and less than half of the increase went toward instruction. The State's average teacher salary increased to \$65,113, and 62% of districts' average teacher salaries increased from fiscal year 2023. In addition, we identified inefficient district practices that, if addressed, could result in more money for instruction. This year's analysis provided additional reporting on student enrollment because school district funding is closely tied to the number of students enrolled in schools. Two-thirds of school districts in the State have experienced declining enrollment since fiscal year 2023, and enrollment declines are expected to continue given State-wide demographic trends.

We completed our annual [Arizona School District Financial Risk Analysis](#), which identified districts at the highest risk of not being able to operate within their available cash resources or budget constraints. Our January 2025 analysis found 2 districts, **Antelope Union High School District (UHSD)** and **Isaac Elementary School District (ESD)**, at higher financial risk than other Arizona school districts. Both districts' experienced risks related to operating and/or capital budget limit reserves and all 3 General Fund measures, which analyze components of a district's General Fund revenues, expenditures, and ending balances in different ways. In addition, both of these districts are now operating under a State-appointed receiver. For example, the State Board of Education voted Isaac ESD into receivership on January 14, 2025, based on the District exceeding its fiscal year 2024 operating and capital budget limits by \$2.9 million and \$9.3 million, respectively. We have consistently identified Isaac ESD in the highest-risk districts in each of our previous 5 years' reports. Finally, 2 of the previous year's 4 highest-risk districts improved enough to be removed from the current highest-risk districts list by reducing spending to be within available revenues, which improved their budgetary reserves and financial position measures.

Providing high-impact trainings and presentations

Our staff provide presentations to legislators and other government officials, and provide trainings, webinars, technical assistance, and other outreach to help improve governmental services.

Key presentation and training topics

- ▶ Audit findings and recommendations.
- ▶ Accounting controls and practices.
- ▶ School district accounting practices.

Presentation and training statistics

- ▶ **107** presentations, briefings, and trainings.
- ▶ **4,650+** attendees.

We identify potential waste, misuse, and inefficient spending

During the course of our audit work, we identify instances of potential waste, misuse, and inefficient or unsupported spending of public monies. Our fiscal year 2025 financial audits and State agency and school district performance audits identified more than **\$39 million** in questioned, unsupported, and inefficient spending; and wasted and misused public monies. For example:

- ▶ Our May 2025 performance audit of the **Western Maricopa Education Center** identified various examples of inefficient and improper spending ([Report 25-204](#)). We found that between fiscal years 2021 and 2023, the District paid its employees more than \$71,000 for unused sick and vacation leave time contrary to the District’s leave-payout policies. This included paying for unused vacation that should have been forfeited and improperly paying 1 employee for all accrued leave despite the employee not ending their District employment. We also found that between fiscal years 2019 and 2023, the District operated its adult education program at a deficit of more than \$2.2 million because its tuition and fees did not cover program expenses. The District had not calculated its costs for operating the program to ensure that it appropriately set the program’s tuition and fees. Because of this deficit, the District subsidized this program’s operations by as much as \$3.6 million using ordinary school monies, which could have been used for other district purposes. We made 9 recommendations to the District to address these deficiencies and prevent future improper payments and deficits.
- ▶ As reported in the [Fiscal Year 2023 State of Arizona Single Audit Report](#), which we issued in December 2024, contrary to its policies and procedures, the **Arizona Department of Housing (ADOH)** reimbursed \$19,554 of State Housing Trust Fund monies to 1 nonprofit organization for costs that were unsupported, unallowable, and/or were paid to the nonprofit organization’s principal officers or their immediate family members in violation of conflict-of-interest disclosure requirements. This included bookkeeping services and supply costs that were not adequately supported by sufficiently detailed invoices and monies paid to principal officers of the nonprofit organization for services that were not disclosed as a conflict of interest to ADOH. As a result, these monies were not available for their intended purpose to provide housing assistance to individuals in need. We made 7 recommendations to ADOH to address these deficiencies.

Our reports and recommendations

As required by statute and directed by the Joint Legislative Audit Committee (JLAC), our Office annually issues various types of audit reports that identify deficiencies and make recommendations for improvement. In fiscal year 2025, we issued **239 reports** and made **1,078 recommendations**.

Report type and description	# of reports and recommendations	
Performance audits and sunset reviews These audits and reviews assess how well governmental entities such as State agencies and school districts are fulfilling statutory mandates and serving Arizona citizens. Sunset reviews help the Legislature decide whether to continue, modify, or terminate an agency.	17	365
Followup reports After issuing reports, we follow up with auditees at regular intervals and report their progress implementing our recommendations.	59	N/A
Special audits/reviews These audits/reviews are required by law or directed by JLAC.	5	85
Financial investigations and alerts Financial investigations involve allegations of theft, fraud, misuse of public monies, and/or conflict of interest potentially committed by public officials or government employees. If our review uncovers potential criminal violations, we submit our findings to prosecutors and issue a public report after the prosecutor's independent review. Fraud prevention alerts provide tips to help government officials prevent, deter, and detect fraud.	5	20
Financial and federal compliance audits Financial audits provide reasonable assurance that the financial statements of Arizona governmental entities, including the State, universities, counties, and community college districts, are free from material omissions or errors. In FY 2025, these entities' financial statements represented \$77 and \$73.1 billion in public monies that were received and spent, respectively. Federal compliance audits help ensure federal monies are being used and reported in accordance with federal requirements.	72	602
Accountability reviews These include school district compliance reviews and county and community college district expenditure limitation report reviews and help ensure school districts maintain adequate accounting, financial reporting, and other internal controls that help safeguard district monies and property, and that government entities follow certain State laws and regulations.	81	6
Total	239	1,078

Our award-winning reporting

Our December 2024 Arizona School Safety—Emergency Operations Planning special audit received a Notable Document Award in July 2025.

Award details

- ▶ **Presented by:** The Legislative Research Librarians professional staff association within the National Conference of State Legislatures (NCSL).
- ▶ **Purpose:** To “formally recognize excellence in documents or publications that explore topics of interest to legislators and legislative staff and present substantive material in an outstanding format.”
- ▶ **Criteria:** The published document significantly contributes to the knowledge of legislators in areas of concern, compares state activities in an area of legislative interest, and is innovatively presented.

Notable Document Award

**Arizona School Safety—Emergency
Operations Planning Special Audit**

[Report 24-212](#)



Special audit details

This special audit focused on schools' emergency operations plans (EOPs) and efforts to implement and test the plans. The audit found that none of the 47 schools we reviewed had an emergency operations plan that met minimum requirements developed jointly by the Arizona Department of Education (ADE) and the Arizona Department of Emergency and Military Affairs (DEMA), and nearly 60% met fewer than half of the 30 standards we tested. This included some charter schools that did not have EOPs. Without fully developed EOPs, these schools' ability to effectively respond to safety emergencies may be impacted. The audit also found that none of the 47 schools had fully implemented and tested their plans, such as by performing required emergency drills and posting emergency reference materials in required locations.

Special audit impact

After we issued this special audit, legislation was passed that revised State laws related to school safety. These revisions addressed specific issues identified in the audit, such as revising law to explicitly require charter schools to have EOPs that meet ADE/DEMA Minimum Standards. We also presented our audit results to various groups around the State, including the East Valley School Safety Consortium and the Arizona Association of School Business Officials.