

Lake Havasu Unified School District

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

List of deficiencies for the year ended June 30, 2025

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 Arizona Revised Statutes (A.R.S.) §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District did not submit the signed covered page for the proposed and adopted budgets to the Arizona Department of Education (ADE). Additionally, documentation was not maintained demonstrating that the District submitted a clickable link of the proposed and adopted budgets to the School Finance Budget Team.

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.	The District did not code the first District Additional Assistance payment to the correct revenue code. Additionally, the District did not code indirect cost transfers in accordance with the USFR Chart of Accounts. Finally, for 1 of 5 travel reimbursements reviewed, the nontaxable benefit was coded to a taxable benefit code.
2.	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	For 6 of 25 journal entries reviewed, the journal entry was not approved by someone other than the preparer.
3.	The District documented a monthly reconciliation of its revenues, expenditures, transfers, and cash balances by fund monthly and at year-end, after all encumbrance transactions were recorded, to the county school superintendent (CSS) and county treasurer records, as applicable, and properly researched and resolved differences.	There was an unreconciled variance of \$223,439 in the June 2025 reconciliation of cash with the County Treasurer.

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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 had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.	The District did not provide mileage logs to track District vehicles.
2.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	While the District had completed numerous construction in progress projects, these projects were not moved into the appropriate asset category during the year. Therefore, they were not depreciated. Audit adjustments were required to properly state the financial statements.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 3 of 5 items selected on site, the item was not listed on the capital assets or stewardship listing. Additionally, for 2 of 5 items selected from the stewardship listing, the items could not be located on the District's premises. For 2 of 5 items selected from the capital asset listing, the items could not be located on the District's premises.
4.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District did not complete an accurate, updated capital outlay reconciliation.
5.	The governing board or authorized designee approved stewardship and capital asset disposals during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131.	The District did not provide a disposal form or supporting documentation for disposals.
Expenditures—The District should ensure spending approvals document both the allowable District purpose and confirmation that spending was within budget capacity or available cash, to ensure appropriate use of public monies and compliance with budget limits, and to protect employees from unfounded allegations of misuse.		
	Question	Deficiency
1.	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	For 1 of 36 disbursements reviewed, the PO was not approved prior to a total purchase of \$150,681. Additionally, the District had negative cash balance of \$21,023 in Fund 691—Building Renewal Grant, which is a cash-controlled fund.

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2.	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year career and technical education courses. A.R.S. §15-393	The District did not complete the CTED Supplanting worksheet.
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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.	For 2 of 5 credit card transactions reviewed, the card user could not be identified and as a result the auditor could not ensure a credit card user agreement was on file.

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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures reported on the AFR did not agree to the most recently revised expenditure budget for the Unrestricted Capital Outlay, E-Rate, and Other Federal Projects Funds.
2.	The District followed the AFR—Review, Submission, and Publication Instructions.	The District did not submit the AFR, AFR summary, or the School-Level AFR to the CSS.

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 maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (AOI) program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	For all AOI student attendance records reviewed, the District did not redetermine the students' actual FTE following withdrawal or after the end of the school year. Additionally, for all 5 AOI student attendance records reviewed, the hours reported on the District computer-generated daily logs did not agree to the hours reported to ADE.

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List of deficiencies for the year ended June 30, 2025

2.	The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S §15-828(D).	For 1 of 10 entries reviewed, the District was unable to provide the legal documents used for enrollment.
3.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 2 of 10 entries reviewed, the District did not maintain verifiable documentation of Arizona residency upon enrollment. Additionally, for 1 of 5 AOI students reviewed, the District did not maintain verifiable documentation of Arizona residency.
4.	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 2 of 10 withdrawals reviewed, the withdrawal date on the withdrawal form did not agree to the date in the computerized system.
5.	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 1 of 10 attendance records reviewed for 10 consecutive unexcused absences, the date on the withdrawal form did not agree to the actual last day of attendance. Additionally, for 1 of 10 attendance records reviewed for 10 consecutive absences, the documentation supporting the student's last day was not provided.
6.	The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. A.R.S.§15-901	The District's 100th day information uploaded to ADE for membership did not agree to the District's computerized attendance system records.
7.	The District followed the attendance procedures outlined in the approved Instructional Time Model (ITM), as specified in A.R.S. §15-901.08, for all students engaged in various modes of instruction.	For 2 of 10 Instructional Time Model students reviewed, the District could not provide documentation to support that the District followed attendance procedures in the governing board-adopted ITM.
Information technology (IT)—The District should adopt an IT security framework that aligns with credible industry standards and through that framework the District should implement controls that provide reasonable assurance that its financial and student data is accurate, reliable, and secure.		
	Question	Deficiency
1.	The District maintained adequate separation of duties in its IT systems that prevented 1 employee from completing a transaction without additional review and approval procedures.	The same individual is both authorizing and assigning access to multiple IT systems.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	For 2 of 5 employees tested, the District did not adequately remove access to the District's financial software after employees were terminated.

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3.	The District had incident response and contingency planning documents in place to restore or resume system services in case of disruption or failure that were reviewed and tested at least annually.	The District's disaster recovery plan did not appear to be detailed enough to assist in restoring or resuming system services in case of disruption or failure.
Transportation support—The District should accurately report its transportation miles and eligible student riders to ADE to ensure the District receives the appropriate amount of State aid and/or local property taxes.		
	Question	Deficiency
1.	The District submitted the vehicle inventory report by July 15 to the Superintendent of Public Instruction. ADE Transportation Manual	The District did not submit the vehicle inventory report to ADE after June 30th, it was submitted on June 16, 2025.