

Ajo Unified School District

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

List of deficiencies for the year ended June 30, 2025

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 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 5 of 14 journal entries selected for testing, the documentation did not show that the entry was reviewed or approved by a person separate from the preparer.
2.	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.	<p>The District did not perform any type of monthly or fiscal year-end cash reconciliation to the county treasurer, nor did the District reconcile cash to the CSS during the fiscal year. As a result, the following audit adjustments were required to properly record current-year activity:</p> <ul style="list-style-type: none"> • \$232,868 of State equalization and additional State aid revenues were not recorded in the general ledger. • \$45,463 of June 2025 interest income was not recorded until July 2025. • Prior-year activity was not properly recorded in the general ledger and required adjustment to cash and fund balances.
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 a Maintenance and Operation (M&O) Fund revolving bank account in accordance with Arizona Revised Statute (A.R.S.) §15-1101.	For 1 M&O Fund revolving bank account disbursement tested, the District cut a check to an employee for payroll related expenditures.
2.	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.	<p>The following was noted related to deposits:</p> <ul style="list-style-type: none"> • For 1 of 15 deposits tested, cash receipt summaries did not reconcile to sale amounts collected in the summary report. • For 1 of 15 deposits tested, a cash collection form was not signed to document review by an individual other than the preparer. • For 2 of 15 deposits tested, the deposits were not reviewed by a second person other than the preparer.
3.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 1 of 15 deposits tested, it was not deposited timely.

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4.	The District's deposits with the county treasurer were reconciled.	The District did not reconcile deposits with the county treasurer during the fiscal year.
5.	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 District did not perform or document adequate review of the Auxiliary Operations Fund bank account reconciliations. Specifically, bank reconciliations were not consistently prepared and reviewed by an individual independent of the preparer for the period of September 2024 through June 2025.
<p>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.</p>		
	Question	Deficiency
1.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	<p>The District's auditors noted the following:</p> <ul style="list-style-type: none"> • For 4 of 5 items selected from the District premises, the items had an identifying number affixed to the asset that could not be traced back to either the stewardship or capital asset listing. • For all 5 capital assets selected for testing, the District was not able to find the asset. • For all 5 stewardship assets selected for testing, the District was not able to find the asset.
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 has not completed a physical inventory since March 2021. The District's auditor was also not able to obtain documentation supporting that a physical inventory count had begun in FY 2026.

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Travel—The District should ensure employee travel is for an approved District purpose and travel reimbursements are correctly calculated and appropriately supported by travel documentation.	
Question	Deficiency
1. The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of the Arizona Department of Administration (ADOA) and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred. A.R.S. §15-342(5)	For 1 of 10 travel disbursements tested, the District's nightly rate of \$169.15 exceeded the allowable ADOA rate of \$156.
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 paid credit card and p-card statements before the due date to avoid finance charges and late fees.	The District incurred \$29 in credit card late fees during the fiscal year.
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 recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. Arizona Administrative Code (A.A.C.) R7-2-1029 or R7-2-1045	For the only request for proposal tested, the District did not maintain a record of the time and date the sealed proposals were received, and that the proposals were unopened until the time and date set for opening.
2. The District obtained signed procurement disclosure statements for all procurement consultants, members of a procurement advisory group, or evaluation committee involved in each specific procurement process. A.A.C. R7-2-1008	The District did not maintain procurement disclosure forms in the procurement file for the 1 request for proposal tested.
3. The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period. A.A.C. R7-2-1191(D)	For all 5 cooperative vendors tested, the District did not provide support to confirm that due diligence was performed.

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4.	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative. A.A.C. R7-2-1004 and A.R.S. §15-213(B)	For 1 of 5 cooperative vendors tested, the District did not prepare or provide a written determination for accounting services.
5.	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	For 3 sole source vendors tested, the District did not document in writing the reason why only a single source was available, why no other reasonable alternative exists, that the price was fair and reasonable, and a description of the efforts made to seek other sources.

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.	<p>For 9 of 25 employee files tested for payroll, the employee did not have all required documentation on file as follows:</p> <ul style="list-style-type: none"> • 2 employees did not have their Loyalty Oath notarized. • 1 employee did not have a direct deposit form. • 3 employees did not have a contract or personnel/payroll action request form. • 1 employee did not have a teacher certificate. • 2 employees did not have an I-9, W4, or A4 form.

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.	The District completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F)	The District's reported amounts did not agree to the trial balance for Funds 220—IDEA Part B and 300-399—Other Federal Projects.

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2.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	<p>Material audit adjustments were required to properly record cash, fund balance, revenues and expenditures. Additionally, \$51,900 of expenditures were improperly recorded in the School Facilities Board Fund for costs that were not reimbursable or allowable under the grant and an adjustment was required to reclassify the expenditures to the M&O Fund.</p> <p>Finally, the District did not roll forward its FY 2025 beginning balances until October 2025, after the fiscal year had ended. As a result, beginning balances were not recorded in the general ledger at the start of the fiscal year and required manual adjustments to cash and fund balance. The following adjustments were made to the July 1, 2024, beginning fund balances:</p> <ul style="list-style-type: none"> • General Fund: \$49,534 • Special Projects Fund: \$22,989 • Other Special Revenue Fund: \$45,798.
3.	The District's website home page included its average teacher salary information, separately from the budget, 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, required by A.R.S. §41-1279.03(A)(9).	The District did not include its average teacher salary information on its website.

Student attendance reporting—The District should report accurate student membership and attendance information to Arizona Department of Education (ADE) to ensure it receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17 First Day Absence	For 3 of 5 student enrollments tested, student membership did not begin on the actual first day of student attendance.
2.	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 4 of 5 student withdrawals tested, withdrawal dates in the District's computerized attendance system did not agree with the withdrawal date on the withdrawal form.

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3.	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 5 students tested, the student withdrawn for having 10 consecutive absences was withdrawn prior to the last day of attendance.
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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 District had 4 users with full unrestricted access to its financial systems.
2.	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	Per an onsite walkthrough, the District's auditor noted the server room was unlocked and accessible to anyone within the District as it was located in the library.
3.	The District had cloud computing, digital learning, and vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	Third party data-sharing agreements were not provided by the District.
4.	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 did not provide support to verify that the disaster recovery plan was tested during the fiscal year.

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 for FY 2025.

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Records management—The District should protect and maintain its records, including hard copies and electronic files with student and employee data, and ensure that its records are disposed of securely in accordance with established time frames.

	Question	Deficiency
1.	The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. Retention Schedules Arizona State Library (azlibrary.gov)	No disposals of records occurred during FY 2025, as required.