

Window Rock Unified School District

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

List of deficiencies for the year ended June 30, 2025

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 obtained conflict-of-interest (COI) forms that allowed governing board members and employees to make known and fully disclose a COI 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 maintain documentation that they provided COI training to all employees during fiscal year (FY) 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 District revised its budget on or before December 15, if the Arizona Department of Education notified the District that its Maintenance and Operation or Unrestricted Capital Outlay Fund budgeted expenditures exceeded the General Budget Limit or Unrestricted Capital Budget Limit. A.R.S. §15-905(E).	The District did not publish a notice of hearing for its December budget revision.
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 coded facilities rental income to object code 1990—Miscellaneous rather than to object code 1910—Rentals.
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 9 of 25 manual adjusting journal entries tested, the District did not maintain documentation that the entry was reviewed and approved prior to posting.

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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.	The District's June 2025 cash reconciliation had reconciling differences between the levy and non-levy funds of (\$60,961) and \$97,167 dating back to FY 2020, respectively. The District is working with the CSS and county treasurer to correct these. Additionally, the District's cash balances within its financial reporting software were not balanced to the CSS. The audit firm was able to reconcile cash within an immaterial amount but noted reconciling differences between levy and non-levy funds of approximately \$6.6 million. Additionally, the reconciliations were not performed in a timely manner. The June 2025 reconciliation was not fully completed until January 2026.
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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 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 3 of 27 auxiliary operations cash receipts tested, the District did not maintain a copy of the receipt or cash collection form.
2.	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 bank reconciliations over the employee insurance bank account for the months of January 2025 through April 2025 in a timely manner.

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's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The District did not maintain a cumulative stewardship list as a result of its data loss.
2.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	The asset tag numbers on the listing were not fully updated as of June 30, 2025 for the capital asset and stewardship listings.

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3.	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	The District's capital asset listing was not fully reconciled to the prior year financial statements due to prior year additions that were not added to the listing.
<p>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.</p>		
<p>Question</p>		<p>Deficiency</p>
1.	The District's expenditures were made only for allowable District purposes, properly satisfied the specific purposes required for any restricted monies spent, and were adequately supported by documentation required by the USFR.	For 1 of 45 accounts payable disbursements tested, the District was unable to locate a copy of the invoice.
2.	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	For 1 of 2 IGAs tested, the District did not maintain a copy of the fully executed agreement.
<p>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.</p>		
<p>Question</p>		<p>Deficiency</p>
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 3 of 6 mileage reimbursements tested, the District reimbursed at a rate of 44.5 or 62.5 cents per mile rather than the ADOA rate of 65.5 cents per mile that was in effect at the time of travel. For 1 of 8 hotel reimbursements tested, documentation was not provided to support the disbursement.

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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 1 of 44 credit card transactions tested, the District did not maintain documentation to support which card user authorized the purchase.
2.	The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.	For 5 of 44 credit card transactions tested, the District did not maintain documentation to support that the transactions were reviewed.
3.	The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.	For 6 of 44 credit card transactions tested, the District did not maintain documentation for the transaction. Therefore, the audit firm was unable to determine if the expenditure was allowable.
4.	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	For 2 of 12 credit card statements reviewed, the District incurred finance charges totaling \$182.70.
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 6 of 10 vendors within the written quote threshold tested, the District did not maintain documentation that it obtained 3 written quotes or documentation that written quotes were not required.
2.	The District properly procured expenditures that individually or cumulatively totaled over \$100,000.	The District spent \$106,515 with a particular vendor and did not maintain documentation to support how that vendor was procured.
3.	If the District awarded multiple contracts, it established and followed procedures for the use and award of multiple contracts. Arizona Administrative Code (A.A.C.) R7-2-1031(D) and R7-2-1050(C)	For 1 solicitation where multiple awards were made, the District did not maintain written documentation to support the need for awarding multiple contractors.
4.	The District evaluated bids/proposals and awarded contracts according to A.A.C. R7-2-1031, R7-2-1032, R7-2-1046(A)(1), or R7-2-1050 and retained documentation to support the award(s).	For 1 of 4 formal procurements tested, the District did not maintain the evaluation documentation to support the award.

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5.	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	For 3 of 4 formal solicitations tested, the District did not maintain signed procurement disclosure forms for all individuals involved with the procurement process.
6.	The District prepared the applicable written determinations as required by the specific procurement rule(s). A.A.C. R7-2-1004	For 3 of 4 formal procurements tested, the District did not maintain the required written determinations.
7.	The District's procurement files included the required information, as applicable. A.A.C. R7-2-1001(97)	For 3 of 4 formal procurements tested, the District did not maintain all required information within the procurement files.
8.	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 A.A.C. R7-2-1003	The District did not provide training on the acceptance of gifts during FY 2025.
9.	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)	The District did not maintain documentation to support that it did any due diligence in the current fiscal year.
10.	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)	The District did not maintain written determinations for construction services procured through purchasing cooperatives.
11.	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 sole source listing did not include the duration and estimated dollar value of the procurement or documentation that the price was fair and reasonable.

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 1 of 25 employees tested, the District did not maintain a copy of their Form I-9.

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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.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	The budgeted expenditures reported on the AFR did not agree with the District's most recently revised budget.
2.	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 revenues and expenditures reported on the District's AFR did not agree with the District's accounting records.
3.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	An audit adjustment of \$230,579 was necessary within the General Fund to accrue a financed purchase payment made in FY 2026 but was for the period ending June 30, 2025. Additionally, an audit adjustment of \$38,282 was recorded within the Special Projects Fund to reverse a FY 2026 expenditure that was recorded to a FY 2025 encumbrance voucher. Finally, an audit adjustment of \$938,109 was recorded within the Impact Aid Bond Building Fund to accrue 2 construction invoices for services rendered prior to June 30, 2025.
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 multiple employees with more access than was required for their job function.
2.	The District assessed security risks for its systems and data, implemented appropriate controls to address risks, and provided employees/contractors annual security awareness training.	The District did not provide a data classification policy.

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3.	The District's computer network, system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	The District's control procedures for restricting access were not sufficiently implemented to consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
4.	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.	The District does not currently have formal data security agreements with all 3rd parties accessing District systems.
5.	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 an incident response plan.