

Ajo Unified School District

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

List of deficiencies for the year ended June 30, 2023

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 conflict of interest 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	COI forms were not signed by board members.
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 A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The District did not publish a Notice of Public Hearing to the Arizona Department of Education's (ADE) website in fiscal year (FY) 2023.
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 2 of 10 journal entries reviewed, documentation to support if the journal entry was signed off by a secondary reviewer was not provided.

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

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2.	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue postings or journal entries) for propriety and researched and resolved any differences.	<p>The District's reconciliation process with the CSS was insufficient, as reconciling items between the CSS and County Treasurer records were not included in the District's accounting records. Specifically, the District did not record the following revenues in its accounting records:</p> <ul style="list-style-type: none"> • April – June 2023 State aid payments of \$769,904. • March – June 2023 property tax revenues of \$172,683. • April – June 2023 interest income of \$100,507. • Johnson-O'Malley June 2023 revenues of \$3,608. <p>The District reported a cash balance of \$3,771,194 as of June 30, 2023. To agree with the County Treasurer's reconciled balance of \$4,831,099, the reconciliation provided an unreconciled variance of \$1,059,905 with the County Treasurer for the fiscal year ending June 30, 2023. Therefore, the District's cash with County was understated by \$1,059,905.</p>
3.	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	
4.	The District reconciled total revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported.	

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 Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1125.	For 2 of 10 auxiliary deposits reviewed, sales reports were not provided.
2.	The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	For 1 of 10 student activities deposits reviewed, sales report was not provided. For 2 student activities deposits, sales reports did not agree to the deposit amounts.
3.	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	One employee is responsible for receiving and depositing revenues. Secondary reviews of the deposits were not done.

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List of deficiencies for the year ended June 30, 2023

4.	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>For 5 of 30 deposits reviewed, the deposits were not deposited within a timely manner. Further, the District did not maintain, and was unable to provide supporting cash receipts, deposits, or check images within the following areas:</p> <ul style="list-style-type: none"> • Food service cash receipts. • Extracurricular activity tax credit cash receipts. • Student activity cash receipts. • Federal and state grants cash receipts. • Auxiliary operations cash receipts. • Career Technical Education District (CTED) cash receipts. <p>The District did not retain support for \$240,801 deposited to the miscellaneous receipts clearing bank account and for \$108,801 deposited to the County Treasurer and did not have a process in place to reconcile deposits to accounting records.</p>
5.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	
6.	The District's deposits with the county treasurer were reconciled.	

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 2 of 36 accounts payable disbursements tested, the District did not maintain a purchase order, invoice, or copy of the check cut. Further, receiving reports were not provided for 2 of 36 expenditures reviewed.
2.	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.	
3.	The District prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	An Advice of Encumbrance for FY 2023 was not provided.

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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.	Annual credit card training was not done in FY 2023. Also, a credit card user agreement was not maintained for 1 employee.
2.	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.	One of 10 purchases reviewed was not supported by a receipt for the purchase.
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 all 5 purchases costing between \$10,000 and \$100,000, quotes were not obtained from at least 3 vendors.
2.	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 Arizona Administrative Code (A.A.C.) R7-2-1003	Gift training was not done in FY 2023.
3.	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. A.A.C. R7-2-1191 through R7-2-1195	For all 5 cooperative purchases reviewed, contracts were not provided.
4.	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 purchases reviewed, due diligence documentations were not provided.
5.	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 cooperative contract for construction, written determination was not provided.

Ajo Unified School District

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

List of deficiencies for the year ended June 30, 2023

Classroom site fund (CSF) - The District should ensure it appropriately spends the State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as required by law.		
	Question	Deficiency
1.	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S §15-977. See CSF frequently asked questions (FAQ).	For all 5 teachers reviewed for performance-based compensation, the District did not maintain performance evaluations for the teachers.
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 payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.	There was no secondary review done for payroll contracts entered into the financial system.
2.	The District's payroll reports were properly reviewed and approved before processing and distribution to employees.	For 3 of 25 employee files selected for review, the total salary paid during the fiscal year did not agree to the contract. Also, a contract or personnel action form for FY 2023 was not provided for 1 of 25 employees to support the employee's rate of pay.
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.	Multiple budgeted expenditures did not agree with the latest revised budget.

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List of deficiencies for the year ended June 30, 2023

<p>2.</p>	<p>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)</p>	<p>The following revenues reported on the AFR did not agree to the District's records:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>AFR</th> <th>District</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>020</td> <td>\$40,084</td> <td>\$19,097</td> <td>\$20,987</td> </tr> <tr> <td>190</td> <td>\$14,440</td> <td>\$8,105</td> <td>\$6,335</td> </tr> <tr> <td>220</td> <td>\$64,963</td> <td>\$47,172</td> <td>\$17,791</td> </tr> <tr> <td>290</td> <td>\$501,654</td> <td>\$156,623</td> <td>\$345,031</td> </tr> <tr> <td>300-399</td> <td>\$486,300</td> <td>\$324,498</td> <td>\$161,802</td> </tr> <tr> <td>465-499</td> <td>\$122,160</td> <td>\$113,864</td> <td>\$8,296</td> </tr> <tr> <td>510</td> <td>\$220,026</td> <td>\$212,255</td> <td>\$7,771</td> </tr> <tr> <td>520</td> <td>\$1,730</td> <td>\$1,455</td> <td>\$275</td> </tr> <tr> <td>526</td> <td>\$11,172</td> <td>\$11,072</td> <td>\$100</td> </tr> <tr> <td>530</td> <td>\$10,784</td> <td>\$9,678</td> <td>\$1,106</td> </tr> <tr> <td>691</td> <td>\$4,902,059</td> <td>\$4,747,711</td> <td>\$154,348</td> </tr> </tbody> </table> <p>The following expenditures reported on the AFR did not agree to the District's records:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>AFR</th> <th>District</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>001</td> <td>\$3,220,619</td> <td>\$3,297,936</td> <td>(\$77,317)</td> </tr> <tr> <td>100-130</td> <td>\$90,474</td> <td>\$125,880</td> <td>(\$35,406)</td> </tr> <tr> <td>140-150</td> <td>\$31,565</td> <td>\$5,803</td> <td>\$25,762</td> </tr> <tr> <td>300-399</td> <td>\$584,476</td> <td>\$450,344</td> <td>\$134,132</td> </tr> <tr> <td>374</td> <td>\$29,756</td> <td>\$29,737</td> <td>\$19</td> </tr> <tr> <td>465-499</td> <td>\$95,508</td> <td>\$97,473</td> <td>(\$1,965)</td> </tr> <tr> <td>526</td> <td>\$1,046</td> <td>\$947</td> <td>\$99</td> </tr> <tr> <td>530</td> <td>\$42,626</td> <td>\$41,126</td> <td>\$1,500</td> </tr> <tr> <td>570</td> <td>\$4,216</td> <td>\$5,698</td> <td>(\$1,482)</td> </tr> <tr> <td>596</td> <td>\$113,475</td> <td>\$112,314</td> <td>\$1,161</td> </tr> <tr> <td>610</td> <td>\$183,427</td> <td>\$184,232</td> <td>(\$805)</td> </tr> <tr> <td>691</td> <td>\$4,906,924</td> <td>\$4,260,761</td> <td>\$646,163</td> </tr> </tbody> </table>	Fund	AFR	District	Difference	020	\$40,084	\$19,097	\$20,987	190	\$14,440	\$8,105	\$6,335	220	\$64,963	\$47,172	\$17,791	290	\$501,654	\$156,623	\$345,031	300-399	\$486,300	\$324,498	\$161,802	465-499	\$122,160	\$113,864	\$8,296	510	\$220,026	\$212,255	\$7,771	520	\$1,730	\$1,455	\$275	526	\$11,172	\$11,072	\$100	530	\$10,784	\$9,678	\$1,106	691	\$4,902,059	\$4,747,711	\$154,348	Fund	AFR	District	Difference	001	\$3,220,619	\$3,297,936	(\$77,317)	100-130	\$90,474	\$125,880	(\$35,406)	140-150	\$31,565	\$5,803	\$25,762	300-399	\$584,476	\$450,344	\$134,132	374	\$29,756	\$29,737	\$19	465-499	\$95,508	\$97,473	(\$1,965)	526	\$1,046	\$947	\$99	530	\$42,626	\$41,126	\$1,500	570	\$4,216	\$5,698	(\$1,482)	596	\$113,475	\$112,314	\$1,161	610	\$183,427	\$184,232	(\$805)	691	\$4,906,924	\$4,260,761	\$646,163
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<p>3.</p>	<p>The District followed the AFR—Review, Submission, and Publication Instructions.</p>	<p>Student activities revenues and expenditures were not included in the AFR.</p>																																																																																																				
<p>4.</p>	<p>The District properly prepared the Food Service page of the AFR and reported expenditures from the Maintenance and Operation (M&O) Fund 001 and Capital Fund 610 that agreed with the District's accounting records.</p>	<p>Multiple revenues and expenditures reported on the Food Service AFR did not agree with the Districts accounting records.</p>																																																																																																				

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5.	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	Detailed source documents were not traceable to the District's trial balance. A qualified opinion was rendered within the financial statements for lack of adequate cash receipting support and revenue recognition.
6.	The District's website included its average teacher salary information 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	The most recent Arizona Auditor General District Spending Report was not linked or posted to the District's website.

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 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	Membership days reported to ADE did not agree with the District's computerized records for the first 100 days of school.

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.	It was noted 3 Individuals with accounts payable access and the Finance Director position had full access rights to the accounting system and 7 additional individuals had full access to the accounting system.
2.	The District immediately and appropriately modified terminated or transferred employees', contractors', or vendors' access to all District systems.	The user access was not deactivated for 1 former employee.
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 disaster recovery plan was last reviewed in July 2021.

Ajo Unified School District

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

List of deficiencies for the year ended June 30, 2023

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 accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report (TRAN 55-1) submitted to ADE. A.R.S. §15-922	Mileage reported on the TRAN 55-1 did not agree to the District's mileage logs. The District also did not specify if the miles recorded in their mileage logs were for student transportation to school, field trips, maintenance, etc. The District did not calculate eligible riders correctly. The District took the student total for 25 nonconsecutive days and divided the total by 25. The District did not specify AM and PM riders and divide the total of the 25 nonconsecutive days by 2.
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. www.azlibrary.gov/records	Prior year records disposal was not done in FY 2023.