

February 25, 2025

Dear Members of the Governing Board:

I am writing to summarize the issue out of the Pima County School Superintendent's Office that led to a finding for your district on your recent Single Audit Report for this past fiscal year.

School districts are required to establish and maintain regular reconciliation controls to the County School Superintendent's Office regarding cash on deposit with the County Treasurer. This process ensures that cash balances are accurately recorded in the district's general ledger and establishes a procedure to investigate and resolve any discrepancies.

Your district did maintain its procedures for this reconciliation process and did complete its monthly cash reconciliations to the County School Superintendent's Office. However, fiscal year 2023-2024 (FY24) cash reconciliations between the County School Superintendent's Office and the Treasurer's Office were not completed on an ongoing basis throughout this fiscal year. The FY24 process began in April 2024 after the FY23 process was completed in March 2024, due to challenges from prior fiscal years that were addressed this past year. July through March reconciliations were completed in April 2024, and monthly subsequently – with June being completed in July, per the regular timeline. However, identified material reconciling items were not fully resolved by the December 31st standard deadline.

The Pima County School Superintendent's Office will receive an audit finding related to this matter and impacted school districts may also receive an audit finding related to this matter.

Due to significant challenges identified in the Pima County School Superintendent's Office (Office) FY23 audit, the Office fully completed the cash reconciliations process for fiscal year 2022-23 by March 2024 per the corrective action plan initiated in response to the FY23 related finding. Once this work was completed, the Office immediately began the process to complete cash reconciliations for 2023-24, as that process could not begin until the prior fiscal year was completed. Following training provided to staff, provided per the corrective action plan initiated in response to the FY23 related finding, the Office worked to redesign and update the legacy reconciliation file template and process – which had been unchanged within the office for over 15 years - to assist with accelerating these processes. This updated file template and process were used to complete the monthly reconciliations for July -March by April, and through June 30 by mid-July. However, the Office experienced challenges regarding addressing identified reconciling items, largely due to the Office's financial system's limitations and the cumulative impact of multiple years of reconciling items that had previously not been addressed by the Office during prior fiscal years, in some cases going back up to five or more years.

What we have learned is that over prior years, while the Office would deliver a June reconciliation file to auditors, staff would generally only address and resolve items deemed 'material' in a given year. This meant that many districts had reconciling items going back up to

5 or more years. For this current cycle, we again actively worked with auditors to address material items so district audits may be finalized timely – but we are also addressing all remaining identified items regardless of their age or materiality. In addition to completely re-engineering the reconciliation file and processes, we also worked with our IT staff to create new data reports from our legacy financial system to help research these individual items. Prior to these reports becoming available, the process of addressing reconciling items was an entirely manual process that required pulling physical files from both our Office and the Treasurer's Office for each line item in a given reconciliation report. We also found that the root cause for many reconciling items was due to the legacy financial system and processes previously used by our Office to process district journal entries used to reconcile local district records to our Office.

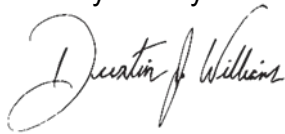
Moving forward, the Office is actively working to implement a new Tyler ERP system in Spring 2025 for this current fiscal year. This new financial system will replace the Office's legacy School Fund Accounting System (SFAS) applications, which have been the primary software supporting the Office's financial operations since the early 1990s. This implementation will serve to greatly modernize our office's financial processes, to include the reconciliation process with the Treasurer's Office for 2024-25 given the limitations of the current legacy system, and into future fiscal years.

Additionally, since Spring 2024, our office has updated our internal procedures for processing district transactions, such as journal entries to reconcile local records to our records to greatly minimize issues inherent to the legacy system. We're also confident that the transition to the new financial system, coupled with our redesigned internal processes and procedures for completing monthly reconciliations, as well as other operational changes, will serve to eliminate this as an issue moving forward.

These reconciliation data are a key component of both County and school district annual audit processes. As a result of the delay in completing the reconciliations, district audits were not completed by December 31, 2024. Unfortunately, this issue negatively impacted Pima County school districts who rely on the County School Superintendent's Office to reconcile with the County Treasurer, thus leading to the finding on the 2024 Single Audit Report.

The County School Superintendent's Office takes full responsibility for this finding and has been working diligently to resolve these issues going forward. I assure you our leadership, my team, and I are taking the necessary steps operationally to ensure that this issue will not occur in future years. Please reach out to me should you have any questions, moving forward.

Thank you for your continued commitment to our community!



Dustin Williams
Pima County Schools Superintendent