



Hozho Academy

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Audit Review

FY23 Fixed Findings

- Prior Year Voids – fixed
- COA – fixed
- Donated Fixed Assets – fixed



FY24 Findings

	FY24 Findings	Cause	Next Steps	Was this fixed in FY25?
Number of Repeat Finding Categories for the school and foundation	4			
2024-001 Financial Close and Reporting (Previously 2023-001) (Material Weakness)	<p>Condition/Context: The June 2024 bank reconciliation differed from the trial balance and general ledger by \$50.</p> <p>Fund 26107 expenses exceed revenue by \$4,103 and required a reclassification to the operational fund.</p> <p>Fund 27199 expenses of \$4,256 incurred in fiscal year 2023 were not submitted for reimbursement in fiscal year 2024.</p> <p>The September 2023 USDA meal claim and the supply chain assistance aware were recorded to fund 21100, instead of 21000, which required adjustments of \$75,265 to correct.</p> <p>One purchase of \$3,184 was not properly identified by the school as a fiscal year 2023 expense and accounts payable.</p> <p>A down payment of \$27,980 to purchase a bus was not properly identified as a prepaid expense.</p> <p>Leasehold improvements of \$43,166 were listed as building improvements.</p>	<p>For a school the size of Hozho, any of these items separately would be considered compliance issues, but b/c they were all put under the same finding they are recoded as a material weakness.</p> <p>Many of these issues were oversights based on timing and a turnover on Axiom's accounting team.</p>	<p>21100 is now an established fund and we understand what should and shouldn't be booked there.</p> <p>We have doubled the size of our accounting team and have additional checks in place;</p> <ol style="list-style-type: none"> 1. All funds being listed on the bank rec. 2. Double checks on all bank rec and TBs each month. 3. Review of all submitted RfRs monthly. 4. Listing of all prepaids and down payments reviewed monthly <p>We have updated our depreciation schedule to include the leasehold improvements</p>	<p>Yes, we believe with the extra checks in place these have all been fixed.</p> <p>All of the issues are quick fixes and with our additional capacity will be addressed and corrected in FY25.</p>



FY24 Findings



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2024-004 Internal Controls over Journal Entries (Material Weakness)	We noted various journal entries recorded that did not balance by fund, as the accounting system is designed to allow entries that do not balance by fund. We noted significant adjustments at year end to properly state cash, due to this matter. Insufficient support was provided for two journal entries totaling \$148,331.	Cause: Management oversight	All JEs now have support attached to them in the system, so this is easier to pull during the audit. We have updated the software to balance all JEs by fund.	Yes, we believe with the extra checks in place these have all been fixed.
2024-005 Internal Control over Payroll (Significant Deficiency)	Condition/Context: During our testing over employment files, we noted the following issues: Documentation could not be provided to verify: Four of six employee benefit withholding elections varied from the benefits withheld. Two of six employees reviewed had gross pay that varied from the approved contract by \$10,284.	Cause: Documentation not retaining or provided and turnover on the payroll team	Additional checks need to be put in place by management to ensure proper documentation is provided and reconciled. Implementation: School payroll office will review withholdings and business management office will require all back-up in a timely manner. We are moving to a more sophisticated payroll platform, where documentation can be stored in each staff member's account.	We believe that the changes made in FY25 and FY26 will ensure this finding does not reoccur.

FY24 Findings



	FY24 Findings	Cause	Next Steps	Was this fixed in FY25?
2024-006 Internal Control over Disbursements (Other Noncompliance)	During our review of disbursements, we noted one instance where a purchase card and statement of \$3,184 did not have documented review and approval. We also noted one instance where a purchase of \$5,869 preceded the purchase order.	Management oversight	<p>We have put additional checks in the software system to help catch PO dating issues.</p> <p>We have also limited our use of the PO card so that all expenses have the back-up required.</p>	Yes this has been addressed.
2024-007 Internal Controls over Cash Receipts (Previously 2023-004) (Other Noncompliance)	<p>Condition/Context: During our testing over cash receipts, we noted the follow issues:</p> <p>Four instances of deposits not made within 24 hours of receipt.</p> <p>Three instances in which no support was provided for deposits totaling \$428,710.71. We were able to obtain sufficient audit evidence through external confirmation.</p>	<p>Cause: Lack of effective internal controls surrounding cash receipts.</p> <p>The Ed Fellows did not provide documentation to deposits in FY24. When we requested it as part of the audit it was not sent within the auditor timeline.</p>	<p>We request all back-up from the school before we close the month.</p> <p>We have asked Ed Fellows to send over documentation when deposits are made.</p>	Both items have been addressed in FY25, and we should not see a repeated finding.

FY24 Findings due to Transportation

	FY24 Findings	Cause	Next Steps	Was this fixed in FY25?
2024-002 Cash Management (Material Noncompliance)	Condition/Context: The school reports deficit fund balance of approximately \$467,000 and reports accounts payable of \$804,000.	This was due to Hozho starting a \$1M transportation program without any financial support from PED. Hozho had over 600 students in FY24 and about 380 rode the bus. Hozho wanted to make sure all students in the area had access to the educational program and services that Hozho offers, so we made the choice to offer transportation even if it meant being over budget.	We are now receiving transportation funding to cover part of the cost of our program. For FY26 we are moving to an inhouse food program which will save the school funding.	We are currently on track to pay off all FY24 and FY25 AP by the end of the year. The additional funding for transportation should allow the school to not have a deficit fund balance in FY25.
2024-003 Budgetary Matters (Previously 2023-003) (Significant Deficiency)	Condition/Context: During our audit, we noted the school did not routinely monitor budgetary compliance and thus had expenditure functions where actual expenditures exceeded the budgetary authority: Fund 11000: Function 1000 \$54,356 Fund 11000: Function 2000 \$385,500 Fund 26107: Function 2000 \$4,045	Hozho spent \$300k more on food than we were reimbursed for.		The additional funding in fund 13000 and fund 27178 will elevate 11000 of additional transportation expenses. We are tracking the Ed Fellows account closer this year, so we do not have variances at the EOY.
2024-008 Procurement (Significant Deficiency)	Condition/Context: During our testing over procurement, we noted two instances of disbursements to vendors that exceeded \$60,000. The documentation provided was insufficient to determine if procurement was none in compliance with the procurement code	This finding was caused by the bus vendors we had to use for the transportation program.	Since the audit we have received the correct paperwork for the sole source contract and have discussed the procurement finding with the CPO. Also PED has paid off the buses so the payment will not come from the school going forward.	We do not anticipate these findings reoccurring.



FY25 Current Forecast



Hozho Academy Income Statement March Current Forecast April

		YTD	Budget		
					Previous Forecast vs. Current Forecast
		Actual YTD	Previous Forecast	Current Forecast	
SUMMARY					
Revenue					
	Revenue from Local Sources	111,252	107,910	107,910	-
	Revenue From State Sources	9,832,282	14,509,018	14,566,447	57,429
	Revenue from Federal Sources	875,184	1,736,985	1,736,985	-
	Other Financing Sources	-	-	-	-
	Other Items	-	-	-	-
	Total Revenue	10,818,718	16,353,913	16,411,342	57,429
Expenses					
	Personnel Services-Compensation	6,202,826	8,259,682	8,257,524	2,158
	Personnel Services-Employee Benefits	1,782,866	2,519,820	2,544,070	(24,250)
	Professional and Technical Services	1,525,348	1,831,794	1,934,813	(103,019)
	Purchased Property Services	1,064,141	1,867,792	1,352,423	515,369
	Other Purchased Services	369,040	340,583	437,271	(96,688)
	Supplies	642,245	720,878	848,892	(128,014)
	Property	208,326	320,038	320,038	-
	Debt Service & Miscellaneous	-	80,547	80,547	-
	Total Expenses	11,794,792	15,941,135	15,775,579	165,556
Operating Income		(976,075)	412,778	635,763	222,985

FY25 Cash Flow

