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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

February 25, 2016

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed a 24-month followup of the Pearce Elementary School District's implementation status for the 11 audit recommendations presented in the performance audit report released in December 2013. As the enclosed grid indicates, all of the recommendations have been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the December 2013 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bh
Enclosure

cc: Mr. Kyle Hart, Superintendent
Governing Board
Pearce Elementary School District

PEARCE ELEMENTARY SCHOOL DISTRICT

Auditor General Performance Audit Report Issued December 2013 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud	
1. The District should establish and implement proper controls over its payroll and purchasing processes to ensure adequate separation of responsibilities.	Implemented at 24 months
2. The District should require supervisors to thoroughly review and approve time sheets and have the payroll clerk verify the time sheets' accuracy to ensure that employees are correctly paid for the correct number of hours worked.	Implemented at 6 months
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	Implemented at 6 months
4. The District should require prior approval for purchases made with district credit cards and maintain supporting documentation for all credit card expenditures.	Implemented at 12 months
5. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	Implemented at 12 months
6. The District should implement and enforce stronger password controls, requiring its employees to periodically change their passwords and require more complex passwords.	Implemented at 12 months
7. The District should establish written agreements with its vendors that outline each party's responsibilities for data backup.	Implemented at 12 months
8. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.	Implemented at 12 months
9. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 6 months

Recommendation

Status/Additional Explanation

OTHER FINDING 1: District reported eligible riders, not actual, for student transportation funding

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1. The District should track and report the actual number of students transported as required by statute.

Implemented at 12 months

OTHER FINDING 2: District may be able to improve efficiency and lower costs through the use of cooperative agreements

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1. The District should look for ways to improve efficiency and lower costs, including the possibility of cooperatively providing services with other school districts or the County School Superintendent's Office.

Implemented at 24 months

In fiscal year 2016, the District began working with a neighboring district to share the services of a superintendent. This should substantially reduce its administrative costs in fiscal year 2016. Further, the District is continuing to work with other neighboring districts to share the services of physical, occupational, and speech therapists and to obtain information technology services.
