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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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August 19, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

Dear Representative Allen:

Our Office has recently completed a 6-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:

- 3 recommendations have been implemented, and
- 8 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

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 6-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.	<p>Implementation in process The District reviewed and improved its procedures, and its new purchasing process appears to have an adequate separation of responsibilities. However, the District should further improve its payroll procedures as one employee handled payroll for contracted employees and it was not always reviewed by another employee. Auditors will review this recommendation again at the 12-month followup.</p>
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.	<p>Implemented at 6 months</p>
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	<p>Implemented at 6 months</p>
4. The District should require prior approval for purchases made with district credit cards and maintain supporting documentation for all credit card expenditures.	<p>Implementation in process The District has implemented additional controls for purchases made with district credit cards. However, auditors identified credit card purchases that staff still made without prior approval or without proper supporting documentation. Specifically, auditors reviewed the 69 credit card purchases made in May 2014 and found 2 purchases that staff made prior to approval and 12 purchases that were missing receipts. The District is planning to once again review its credit card purchasing procedures, and auditors will review this recommendation again at the 12-month followup.</p>
5. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	<p>Implementation in process The District reviewed and eliminated one of the three user's access to its accounting system, but two employees still have too much access to the system. Auditors will review this recommendation again at the 12-month followup.</p>

Recommendation	Status/Additional Explanation
6. The District should implement and enforce stronger password controls, requiring its employees to periodically change their passwords and require more complex passwords.	<p>Implementation in process The District implemented procedures requiring staff to change passwords periodically and is working on a procedure to require more complex passwords. Auditors will review this recommendation again at the 12-month followup.</p>
7. The District should establish written agreements with its vendors that outline each party's responsibilities for data backup.	<p>Implementation in process The District is working with its vendors to establish written agreements that outline each party's responsibilities for data backup. Auditors will review this recommendation again at the 12-month followup.</p>
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.	<p>Implementation in process The District is working with the Cochise County School Superintendent's Office to establish a written agreement. Auditors will review this recommendation again at the 12-month followup.</p>
9. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<p>Implemented at 6 months</p>

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

1. The District should track and report the actual number of students transported as required by statute.	<p>Implementation in process District officials are implementing a process to properly track and report the actual number of students transported. Auditors will review this recommendation again at the 12-month followup.</p>
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OTHER FINDING 2: District may be able to improve efficiency and lower costs through the use of cooperative agreements

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.	<p>Implementation in process The District is in the process of determining services that may be cooperatively provided with other districts. Auditors will review this recommendation again at the 12-month followup.</p>
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