



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Pomerene Elementary School District

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May • 2013  
Report No. 13-05



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**Debra K. Davenport**  
Auditor General

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

May 30, 2013

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
Pomerene Elementary School District

Mr. Dan Bailey, Superintendent  
Pomerene Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Pomerene Elementary School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport  
Auditor General

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

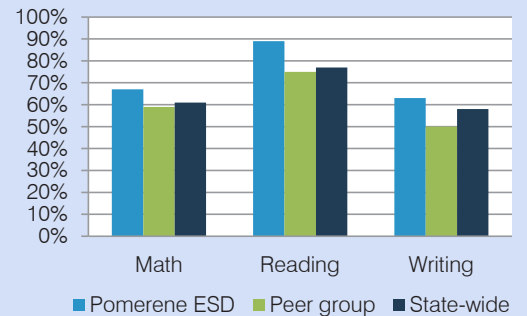
### Our Conclusion

In fiscal year 2011, Pomerene Elementary School District's student AIMS scores were higher than both peer districts' and the State's averages, and it operated efficiently with lower per-pupil costs in nearly all operational areas. Pomerene ESD's per-pupil costs were lower primarily because it had more students than its peer districts, on average. However, the District's costs were also lower because its management made decisions that resulted in lower costs, such as the extensive use of part-time employees and efforts to manage the District's unused building space. Additionally, in an effort to further reduce costs, the District has begun obtaining information technology and student transportation services from a nearby district. However, the District needs to strengthen its accounting and computer controls.

## Student achievement and operational efficiency

**Student achievement**—In fiscal year 2011, Pomerene ESD's student AIMS scores were higher than both peer districts' and state averages. For very small districts, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. However, Pomerene ESD's student AIMS scores have been higher than both the state and peer districts' averages during the years auditors reviewed—fiscal years 2009 through 2011. Under the Arizona Department of Education's A-F Accountability Letter Grade System, Pomerene ESD received an overall letter grade of B for fiscal year 2011.

Percentage of students who met or exceeded state standards (AIMS)  
Fiscal year 2011



### District operated efficiently with lower per-pupil costs than peer districts'—

The District operated efficiently with lower per-pupil costs than peer districts' in nearly all operational areas, and its food service and transportation programs operated with similar per-meal and per-mile costs as peer districts, on average. Pomerene ESD's costs were lower primarily because it had more students than its peer districts, on average. However, the District's costs were also lower because its management made decisions that resulted in lower costs, such as the extensive use of part-time employees and efforts to manage the District's unused building space.

Comparison of per-pupil expenditures by operational area  
Fiscal year 2011

Operational area	Pomerene ESD	Peer group average
Administration	\$1,207	\$2,505
Plant operations	948	1,681
Food service	642	764
Transportation	198	743

## Management has been effective at controlling costs

District management has made decisions that resulted in lower costs, such as the extensive use of part-time employees and its effective management of unused building space. Additionally, in an effort to further reduce costs in fiscal year 2013, the District has begun obtaining information technology and student transportation services from a nearby district and also began renting an unused facility.

**District employs many part-time staff, resulting in lower costs**—Pomerene ESD made extensive use of part-time employees that resulted in lower costs. For example, although the peer districts employed primarily full-time administrative employees, three of Pomerene ESD's four administrative employees were part-time. By employing part-time employees, the District was able to save a large amount of money on benefit



2013

costs because the part-time employees generally did not receive health insurance. Similarly, the District also employed a part-time employee who was responsible for driving the bus and maintaining facilities, which contributed to low costs in these operational areas.

**Managing cost of unused facilities**—Pomerene ESD owns a building that was previously used as the District's school but was no longer needed after the new school was constructed in the late 1990s. To help minimize its plant operations costs, the District fully closed the old school building, including turning off the electricity. Although Pomerene ESD's building was vacant and the power was turned off, the District still incurred some maintenance and repair costs for it, such as repairing vandalism. To help reduce costs further, the District began renting the building to an outside organization in fiscal year 2012. Although the organization pays only a nominal fee to the District for use of the facility, the organization pays the full utility costs and performs repairs and maintenance on the facility.

**Cooperative services with nearby district**—In an effort to further reduce costs, Pomerene ESD contracted with a nearby district in fiscal year 2013 to receive information technology and student transportation services. The information technology services include assistance with technology needs through telephone consultation, remote online access, and on-site response, including services to update Pomerene ESD's computer network. District officials determined that it would be cheaper to obtain these services from the nearby district rather than through its vendor that was providing these services. For student transportation, the nearby contracted district provides transportation services for Pomerene ESD, using Pomerene ESD's bus, but separately provides necessary drivers, fuel, and bus maintenance. Additionally, district officials stated that they believe costs for fuel and other bus supplies will decrease as the nearby district is able to purchase these items in bulk and therefore receive a lower price. Pomerene ESD officials estimate these agreements will save the District \$15,000 per year by eliminating administrative costs associated with performing information technology services and operating a transportation program. The District is also continuing to review other ways to consolidate additional services.

## District needs to strengthen its accounting and computer controls

In fiscal year 2011, Pomerene ESD lacked adequate controls over payroll and purchasing and its accounting system. More specifically, the District did not adequately document current employment terms for classified employees, did not accurately report its costs on its Annual Financial Report, and made some purchases without proper prior approval. Additionally, three accounting system users had full access to the system that would allow them to complete transactions without an independent review and approval. Lastly, the District's accounting system resides at the Cochise County School Superintendent's Office but there was no written agreement describing the responsibilities of the District and the Superintendent's Office regarding software licensing, user access, data security, data backup and recovery, and removing former employees' access.

### Recommendations

The District should:

- Prepare and retain a current personnel/payroll action form or contract for each employee to document employment terms.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
- Ensure that all purchases have prior approval.
- Limit employee access to the accounting system so that one employee cannot complete transactions without an independent review.
- Establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for the District's accounting system.

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Fiscal year 2011  
(Unaudited) 1

concluded ♦

# DISTRICT OVERVIEW

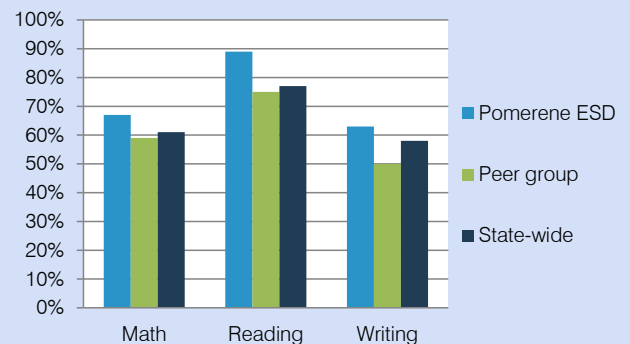
Pomerene Elementary School District is a very small, rural district located approximately 50 miles southeast of Tucson, in Cochise County. In fiscal year 2011, the District served 120 students in kindergarten through 8th grade at its one school. The District's enrollment has been fairly stable, averaging about 125 students between fiscal years 2006 and 2011.

In fiscal year 2011, Pomerene ESD's student test scores on Arizona's Instrument to Measure Standards (AIMS) were higher than both peer districts' and state averages. Further, the District operated efficiently with lower per-pupil costs in nearly all operational areas, and its food service and transportation programs operated with similar per-meal and per-mile costs.<sup>1</sup> Pomerene ESD's costs were lower primarily because it had more students than its peer districts, on average. However, the District's costs were also lower because its management made decisions that resulted in lower costs, such as the extensive use of part-time employees and efforts to manage the District's unused building space.

## Student achievement

In fiscal year 2011, 67 percent of the District's students met or exceeded state standards in math, 89 percent in reading, and 63 percent in writing. As shown in Figure 1, these scores were higher than both the state and peer districts' averages. For very small districts such as Pomerene ESD, year-to-year changes in student populations can greatly impact year-to-year student AIMS scores. However, Pomerene ESD's student AIMS scores have been higher than both the state and peer districts' averages during the years auditors reviewed—fiscal years 2009 through 2011. Under the Arizona Department of Education's A-F Accountability Letter Grade System, Pomerene ESD received an overall letter grade of B for fiscal year 2011.<sup>2</sup>

**Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2011 (Unaudited)**



Source: Auditor General staff analysis of fiscal year 2011 test results on Arizona's Instrument to Measure Standards (AIMS).

## District operated with lower per-pupil costs

As shown in Table 1 on page 2, in fiscal year 2011, Pomerene ESD spent 41 percent less per pupil than the \$12,821 peer district average and spent much less per pupil in nearly all operational areas.

<sup>1</sup> Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

<sup>2</sup> The Arizona Department of Education's A-F Accountability Letter Grade System assigns letter grades primarily based on academic growth and the number of students passing AIMS.



**Table 1: Comparison of per-pupil expenditures by operational area  
Fiscal year 2011  
(Unaudited)**

Spending	Pomerene ESD	Peer group average	State average
Total per pupil	\$7,539	\$12,821	\$7,485
Classroom dollars	3,849	6,280	4,098
Nonclassroom dollars			
Administration	1,207	2,505	728
Plant operations	948	1,681	927
Food service	642	764	375
Transportation	198	743	352
Student support	285	456	571
Instruction support	410	392	434

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and district-reported accounting data.

The District's costs were lower per pupil primarily because it served more students—120 students in fiscal year 2011 compared to the peer group average of 77 students. However, the District's lower costs were also the result of management decisions that helped control costs. Specifically, Pomerene ESD's extensive use of part-time employees resulted in lower benefits costs and the District also controlled costs by closing an unused building.

**Much lower administrative costs**—At \$1,207 per pupil, Pomerene ESD's administrative costs were less than half the peer districts' average of \$2,505 per pupil. The District operated with lower administrative costs per pupil primarily because it had more students, but also because it had lower benefits costs because of its extensive use of part-time, rather than full-time, employees (see Finding 1, page 3). However, auditors identified some administrative practices that need strengthening (see Finding 2, page 5).

**Reasonably efficient plant operations**—Pomerene ESD's per-pupil plant operations costs were 44 percent lower than peer districts'. However, its cost per square foot was 21 percent higher

partly because it maintained about half as much square footage per student as peer districts averaged—153 square feet per student compared to 329 square feet per student. Additionally, the higher cost per square foot was also due to additional costs for some infrequently occurring maintenance that occurred in fiscal year 2011, such as refinishing the gym floor. Auditors observed the District's facilities and plant operations activities and did not identify any overstaffing or unusually high salaries, and also did not observe any wastes of resources, such as excessive or unneeded heating or cooling of buildings. The District also controlled costs by closing, and shutting off electricity to, an unused building. Further, the District began renting this unused space to an outside organization in fiscal year 2012, thus avoiding certain other costs associated with maintaining the building (see Finding 1, page 3).

**Similar food service program costs**—Pomerene ESD's \$3.95 cost per meal was similar to the \$3.88 peer district average and its per-pupil food service costs were 16 percent lower because it served fewer meals per student. Although the District's cost per meal was similar to the peer districts' average, Pomerene ESD's food service program operated at a loss in fiscal year 2011. As a result, the District had to use approximately \$29,000 of its Maintenance and Operation Fund monies to subsidize its food service program's operations. In order to generate more revenues and reduce the amount of the subsidy, the District increased its lunch meal price in fiscal year 2013.

**Efficient transportation program**—Pomerene ESD's cost per mile was similar to peer districts' and its cost per rider was 60 percent lower primarily because it drove fewer miles per rider. The District's student population generally lives close to the school and the District has just one bus route to pick up students. The locations of the students, along with the District's use of part-time employees, allowed it to have lower transportation staffing than peer districts'. The District had one employee who drove the bus and also performed maintenance on the District's building but in total was a part-time employee. Additionally, in fiscal year 2013, Pomerene ESD began working with a nearby district to provide transportation services in an effort to further improve efficiency (See Finding 1, page 3).

# FINDING 1

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## Management has been effective at controlling costs

In fiscal year 2011, Pomerene ESD operated with much lower per-pupil costs than peer districts', on average. Although this was primarily due to the District having more students than its peer districts, district management has also made decisions that resulted in lower costs, such as the extensive use of part-time employees and its effective management of unused building space. Additionally, in an effort to further reduce costs in fiscal year 2013, the District has begun obtaining information technology and student transportation services from a nearby district and also began renting an unused facility.

## District employs many part-time staff, resulting in lower costs

Pomerene ESD made extensive use of part-time employees that resulted in lower costs. For example, although the peer districts employed primarily full-time administrative employees, three of Pomerene ESD's four administrative employees were part-time. By employing part-time employees, the District was able to save a large amount on benefit costs because the part-time employees generally did not receive health insurance. As a result, Pomerene ESD's administrative benefit costs were 72 percent lower per student than peer districts', on average. Similarly, the District also employed a part-time employee who was responsible for driving the bus and maintaining facilities, which contributed to low costs in these operational areas.

## Managing costs of unused facilities

Pomerene ESD owns a building that was previously used as the District's school but was no longer needed after the new school was constructed in the late 1990s. To help minimize its plant operations costs, the District fully closed the old school building, including turning off the electricity. Although two of the five peer districts also had vacant building space, these districts chose to continue to heat and cool the buildings. Although Pomerene ESD's building was vacant and the power was turned off, the District still incurred some maintenance and repair costs for it, such as repairing vandalism. To help reduce costs further, the District began renting the building to an outside organization in fiscal year 2012. Although the organization pays only a nominal fee to the District for use of the facility, the organization pays the full utility costs and performs repairs and maintenance on the facility. By renting out the unused space, the District has found a way to eliminate most costs associated with maintaining additional, unneeded facilities.

## Cooperative services with nearby district

In an effort to further reduce costs, Pomerene ESD contracted with a nearby district in fiscal year 2013 to receive information technology and student transportation services. The information technology services include assistance with technology needs through telephone consultation, remote online access, and on-site response, including services to update Pomerene ESD's computer network. District officials determined that it would be cheaper to obtain these services from the nearby district rather than through its vendor that was providing these services. For student transportation, the nearby contracted district provides transportation services for Pomerene ESD, using Pomerene ESD's bus, but separately provides necessary drivers, fuel, and bus maintenance. Additionally, district officials stated that they believe costs for fuel and other bus supplies will decrease as the nearby district is able to purchase these items in bulk and therefore receive a lower price. Pomerene ESD officials estimate these agreements will save the District \$15,000 per year by eliminating administrative costs associated with performing information technology services and operating a transportation program. Further, the District plans to closely monitor costs, and both agreements allow Pomerene ESD to opt out if the District does not believe that it is in its best interest to continue. The District is also continuing to review other ways to consolidate additional services.

# FINDING 2

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## District needs to strengthen its accounting and computer controls

In fiscal year 2011, Pomerene ESD lacked adequate controls over payroll and purchasing and its accounting system. Although no improper transactions were detected in the items auditors reviewed, these poor controls exposed the District to an increased risk of errors, fraud, and misuse of sensitive information. Additionally, the District did not accurately report its costs on its Annual Financial Report.

### Payroll and purchasing controls need strengthening

Pomerene ESD's procedures for maintaining payroll records and processing purchases were inadequate.

**Pay for classified employees not adequately documented**—In fiscal year 2011, the District did not maintain current documentation outlining the terms of employment for classified employees, such as office personnel and the bus driver. To ensure that work is properly authorized and employees are paid correctly, the District should document current employment terms, including at least position and pay rate. Auditors reviewed all 17 classified employees' files and although it appeared employees were paid reasonable amounts based on auditors' analysis of outdated pay rate documentation from prior years, the lack of current documented pay rates could have resulted in inaccurate payments. To ensure that work is properly authorized and employees are paid correctly, the District should document employment terms with personnel/payroll action forms as recommended by the *Uniform System of Financial Records for Arizona School Districts*. This documentation should be maintained in employee personnel files.

**District policy for purchase approval not always followed**—The District also had an increased risk of errors and fraud because it did not always follow its policy to require proper approval prior to purchases being made. Auditors reviewed 30 fiscal year 2011 accounts payable transactions and found that 6 purchases were made without proper prior approval.

## Computer controls need strengthening

Pomerene ESD lacked adequate controls over its accounting system and lacked an agreement with the Cochise County Superintendent's Office for hosting its accounting system.

**Broad access to accounting system**—Auditors reviewed the District's user access report for the three users with access to the accounting system and found that all three district employees had full access to the accounting system functions, including the ability to add new vendors, create and approve purchase orders, pay vendors, and modify employee information and pay rates. Although no improper transactions were detected in the payments to the 28 employees and the 30 accounts payable transactions auditors reviewed, such broad access exposes the District to a greater risk of errors, fraud, and misuse, such as processing false invoices or adding nonexistent vendors. Although the District had a limited number of staff, there were still opportunities to separate access in the accounting system or create other compensating controls.

**No written agreement for maintaining district accounting system**—Like many small districts within Cochise County, Pomerene ESD's accounting system resides at the Cochise County School Superintendent's Office and the District accesses the system remotely from its offices. However, the District did not have a written agreement that stipulates each party's responsibilities. An agreement should specify responsibilities such as software licensing; establishing and maintaining user access; ensuring the security of data; data backup, storing, and recovery; and removal of terminated employees' access. Lack of clearly defined responsibilities increases the potential for such essential tasks and controls to be ineffectively performed or missing altogether.

## District did not accurately report its costs

Pomerene ESD did not always classify its fiscal year 2011 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its Annual Financial Report did not accurately reflect its costs, including both classroom and nonclassroom expenditures. Auditors identified errors totaling approximately \$348,000 of the District's total \$906,000 of operational spending.<sup>1</sup> When corrected, these changes decreased the District's reported instructional expenditures by about \$282,000, or 11.9 percentage points. The District's largest error was not properly classifying tuition paid to other Arizona school districts, which accounted for approximately \$260,000 of the total errors. The dollar amounts shown in the tables and used for analysis in this report reflect the necessary adjustments.

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<sup>1</sup> Operational spending includes costs incurred for the District's day-to-day operations. For further explanation, see Appendix, page a-1.

## Recommendations

1. As recommended by the *Uniform System of Financial Records for Arizona School Districts*, the District should prepare and retain in employee personnel files a current personnel/payroll action form or contract for each employee to document employment terms.
2. The District should ensure that all purchases have prior approval.
3. The District should limit employees' access to the accounting system so that one employee cannot complete transactions without an independent review.
4. The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for its accounting system.
5. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.



# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Pomerene Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona School District Spending (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2011, was considered.<sup>1</sup> Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

For very small districts, such as Pomerene ESD, increasing or decreasing student enrollment by just five or ten students, or employing even one additional part-time position, can dramatically impact a district's costs per pupil in any given year. As a result and as noted in the *Classroom Dollars* report, spending patterns of very small districts are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of Pomerene ESD's operations, less weight was given to various cost measures and more weight was given to auditors' observations made at both Pomerene ESD and at five other very small districts also being audited for fiscal year 2011 operations.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2011 summary accounting data for all districts and Pomerene ESD's fiscal year 2011 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Pomerene ESD's student achievement peer group includes Pomerene ESD and the 7 other elementary districts that also served student populations with poverty rates less than 17 percent in towns/ rural areas. Auditors compared Pomerene ESD's student AIMS scores to those of its peer group averages. Generally, auditors considered Pomerene ESD's student AIMS scores to be similar if they were within 5 percentage points of peer averages and higher/lower if they were more than 5 percentage points higher/lower than peer averages. Auditors also reported the District's ADE-assigned letter grade.

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<sup>1</sup> Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade-12 education.



To analyze Pomerene ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Pomerene ESD and the five other elementary school districts that also served fewer than 200 students and were located in towns/rural areas in Cochise County that were being audited for their fiscal year 2011 operations. Auditors compared Pomerene ESD's costs to its peer group averages. Generally, auditors considered Pomerene ESD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 15 percent of peer averages, higher/lower if they were within 16 to 30 percent of peer averages, and much higher/lower if they were more than 30 percent higher/lower than peer averages. However, in determining the overall efficiency of Pomerene ESD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency, such as square footage per student, meal participation rates, and bus capacity utilization, as well as auditors' observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties and staffing decisions. Auditors also reviewed and evaluated fiscal year 2011 administration costs and staffing levels and compared these to peer districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed and evaluated fiscal year 2011 transportation costs and staffing levels and compared them to peer districts'.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2011 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'. Auditors also interviewed management and reviewed records related to the District's unused building.
- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for the 28 employees in fiscal year 2011, excluding substitute teachers, and reviewed supporting documentation for 30 of 892 fiscal year 2011 accounts payable transactions. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2011 food service revenues and expenditures, including labor and food costs, compared costs to peer districts', reviewed the Arizona Department of Education's food service monitoring reports; reviewed point-of-sale reports; and observed food service operations.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2011 expenditures to determine whether they were appropriate and the District properly accounted for them. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed. No issues of noncompliance were identified.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and her staff express their appreciation to the Pomerene Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.



# DISTRICT RESPONSE

DISTRICT RESPONSE



**POMERENE SCHOOL DISTRICT #64**

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**Office of the Superintendent**

**May 14, 2013**

**Ms Debra K. Davenport  
Auditor General  
Division of School Audits  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona, 85018**

**Dear Ms. Davenport:**

**Pomerene Elementary School District respectfully submits its response to the Performance Audit of fiscal year 2011 conducted by the Office of the Auditor General and the Division of School Audits. The District would like to thank Mr. Mike Quinlan, Audit Manager, and the Audit Team for their time, effort and professionalism with regard to this audit. PESD agrees with all findings and recommendations of the team.**

**We appreciate the auditor's recognition of our efforts to control costs while maintaining test scores that exceeded both peer group and state averages. PESD is committed to fiscal responsibility, student achievement, and effective stewardship of taxpayers' funds.**

**Attached is the response to each of the findings and recommendations. Please do not hesitate to contact us if there are any questions regarding our response.**

**Sincerely,**

**Dan Bailey  
Superintendent**

**Finding: District needs to strengthen its accounting and computer controls.**

**Payroll and purchasing controls need strengthening: Pomerene ESD's procedures for maintaining payroll records and processing purchases were inadequate.**

- 1. Pay for classified employees not adequately documented.**  
**Recommendation: As recommended by the Uniform System of Financial Records for Arizona School Districts, the District should prepare and retain in employee personnel files a current personnel/payroll action form or contract for each employee to document employment terms.**

**Response: The district has implemented a policy of using contracts for all employees that will document employment terms.**

- 2. District policy for purchase approval not always followed.**  
**Recommendation: The District should ensure that all purchases have prior approval.**

**Response: The district has reviewed accounting and purchasing practices to ensure established procedures are being followed. Use of stamp signatures in purchase requisitions and purchase orders has been eliminated. District staff has been provided with training in accounting and purchasing procedures.**

**Computer controls need strengthening: Pomerene ESD lacked adequate controls over its accounting system and lacked an agreement with the Cochise County Superintendent's Office for hosting its accounting system.**

- 3. Broad access to accounting system.**  
**Recommendation: The District should limit employees' access to the accounting system so that one employee cannot complete transactions without an independent review.**

**Response: The district has reviewed job responsibilities and access to the accounting system. The district is in the process of separating and restricting access to the accounting system.**

- 4. No written agreement for maintaining district accounting system.**  
**Recommendation: The District should establish a written agreement with the Cochise County School Superintendent's Office that outlines each party's responsibilities for its accounting system.**

**Response: The district will work with Cochise County School Superintendent Office to implement a written agreement.**

**District did not accurately report its costs.**

- 5. Pomerene ESD did not always classify its fiscal year 2011 expenditures in accordance with the Uniform Chart of Accounts for school districts.**

**Recommendation: The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.**

**Response: The district has made all changes identified by the Auditor for the current school year. The district will continue to review and identify coding practices within the district. The district will continue to provide additional training to staff tasked with expenditure coding to ensure on-going compliance with the existing Uniform Chart of Accounts as well as update notifications when changes are issued.**

