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AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

May 28, 2015

The Honorable Judy Burges, Chair  
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed an 18-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:

- 9 recommendations have been implemented, and
- 2 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 18-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>FINDING 1: Inadequate accounting and computer controls increased risk of errors and fraud</b>	
1. The District should establish and implement proper controls over its payroll and purchasing processes to ensure adequate separation of responsibilities.	<b>Implementation in process</b> The District has strengthened its controls over payroll and purchasing, but it should further improve its payroll review procedures by having the final reviewer examine actual pay amounts as recorded on the payroll register. Auditors will review this recommendation again at the 24-month followup.
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.	<b>Implemented at 6 months</b>
3. The District should ensure that it requires an independent review and approval for all of its purchases prior to the purchases being made.	<b>Implemented at 6 months</b>
4. The District should require prior approval for purchases made with district credit cards and maintain supporting documentation for all credit card expenditures.	<b>Implemented at 12 months</b>
5. The District should limit employees' access to the accounting system so that one single employee cannot complete transactions without an independent review.	<b>Implemented at 12 months</b>
6. The District should implement and enforce stronger password controls, requiring its employees to periodically change their passwords and require more complex passwords.	<b>Implemented at 12 months</b>
7. The District should establish written agreements with its vendors that outline each party's responsibilities for data backup.	<b>Implemented at 12 months</b>
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.	<b>Implemented at 12 months</b>

Recommendation	Status/Additional Explanation
9. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	<b>Implemented at 6 months</b>
<b>OTHER FINDING 1: District reported eligible riders, not actual, for student transportation funding</b>	
1. The District should track and report the actual number of students transported as required by statute.	<b>Implemented at 12 months</b>
<b>OTHER FINDING 2: District may be able to improve efficiency and lower costs through the use of cooperative agreements</b>	
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.	<b>Implementation in process</b> 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 24-month followup.