

# PERFORMANCE AUDIT

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## Uniontown Area School District Fayette County, Pennsylvania

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October 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Kenneth G. Meadows, Board President  
Uniontown Area School District  
23 East Church Street  
Uniontown, Pennsylvania 15401

Dear Governor Corbett and Mr. Meadows:

We conducted a performance audit of the Uniontown Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period January 17, 2011 through February 28, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

October 23, 2014

cc: **UNIONTOWN AREA SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Uniontown Area School District (District) in Fayette County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period January 17, 2011 through February 28, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

### **District Background**

The District encompasses approximately 250 square miles. According to 2010 federal census data, it serves a resident population of 23,427. According to District officials, the District provided basic educational services to 2,870 pupils through the employment of 233 teachers, 140 full-time and part-time support personnel, and fifteen (15) administrators during the 2011-12 school year. The

District received \$21,757,168 in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

#### **Finding: A Lack of Proper Internal Controls in the District Resulted in the District Making Student Data Reporting Errors, Which Resulted in State Subsidy Underpayments Totaling \$67,734.**

Our audit found that in the 2009-10 school year, the Uniontown Area School District provided educational services to twelve (12) non-resident students. Membership days for these students were not reported to the Pennsylvania Department of Education, resulting in the District failing to receive the appropriate funding (see page 5).

#### **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the Uniontown Area School District (District) from an audit released on January 26, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the general fund deficit (see page 8).

# Audit Scope, Objectives, and Methodology

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## Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period January 17, 2011 through February 28, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through October 30, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

## Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

## Methodology

### *What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of

our audit and determined to be significant within the context of our audit objectives are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on January 26, 2012, we reviewed the District's response to PDE dated April 16, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding

### A Lack of Proper Internal Controls in the District Resulted in the District Making Student Data Reporting Errors, Which Resulted in State Subsidy Underpayments Totaling \$67,734

*Criteria relevant to the finding:*

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Our audit found that in the 2009-10 school year, the Uniontown Area School District (District) provided educational services to twelve (12) non-resident students. Based on the review of the District's membership reports, we found that membership days for these students were not reported to the Pennsylvania Department of Education (PDE), resulting in an underpayment totaling \$67,734, detailed as follows:

<b>Student Data Underreporting</b>			
	<u>Students</u>	<u>Days</u>	<u>Total Tuition Reimbursement</u>
<b>Wards of the State</b>			
Elementary	3	368	\$ 15,954
Secondary	1	176	8,614
<b>Children Placed in Private Homes</b>			
Half-time Kindergarten	3	285	6,168
Elementary	3	456	19,770
Secondary	<u>2</u>	352	<u>17,228</u>
<b>Totals</b>	<b>12</b>		<b>\$ 67,734</b>

The errors were the result of the District failing to perform an internal review of all membership reports prior to submitting the child accounting reports to PDE. If appropriate review procedures had been in place, the District would have noticed that these students were not included on the District's membership reports and that omission could have been corrected prior to final processing to PDE.

It is the responsibility of District management to have internal policies and procedures in place to ensure that student data is accurately collected and submitted to PDE. Without such internal controls, the District cannot be assured that its student data is accurate or that it is receiving the appropriate subsidy.



Additionally, according to the *Federal Information System Controls Audit Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

According to the federal Government Accountability Office's (GAO) (formerly the General Accounting Office) *Standards for Internal Control in the Federal Government*, internal controls are key factors in an agency's ability to meet its mission, improve performance, and "minimize operational problems."

In addition, this guidebook states that an "Internal control is not an event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis . . . In this sense, internal control is management control that is built into the entity as a part of its infrastructure to help managers run the entity and achieve their aims on an ongoing basis." U.S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg 1.

We have provided PDE with reports detailing the errors for use in recalculating the District's reimbursement for wards of the state and children placed in private homes (foster children).

## Recommendations

The *Uniontown Area School District* should:

1. Train individuals to familiarize them with PDE's child accounting reporting requirements and Pennsylvania Information Management System reporting procedures in the event of a sudden change in personnel.
2. Put internal controls in place to ensure that students are classified correctly in the pupil membership reports prior to their submission to PDE.
3. Review subsequent years' reports for errors and resubmit to PDE, if necessary.

The *Pennsylvania Department of Education* should:

4. Adjust future District allocations to correct the underpayments of \$67,734.

## Management Response

Management stated the following:

"The Uniontown Area School District agrees with all findings made by the auditors. In the school year of 2009-2010, Uniontown Area School District failed to report foster students in the PIMS upload. This error was completed by the District Technology Coordinator and Business Manager. (Both parties are no longer with the district). The district will be more diligent in printing error reports and viewing data before submitting the reports. Human errors are always possible; however, the district will be more proactive in preventing these errors by reducing the number of personnel who have access to enter the data and having those personnel trained on a consistent basis."

## **Auditor Conclusion**

We are encouraged that the District accepts our finding and is taking steps to correct the deficiency. We will follow up on the status of our recommendations during our next cyclical audit of the District.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Uniontown Area School District (District) released on January 26, 2012, resulted in one (1) finding. The finding pertained to the District having a general fund deficit. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior finding. As shown below, we found that the District did implement our recommendations related to its general fund deficit.

### **Auditor General Performance Audit Report Released on January 26, 2012**

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**Finding:** **The District Had a General Fund Deficit of \$1,846,772 as of June 30, 2010**

Finding Summary: Our prior audit of the District found a deficit of \$997,070 in the 2008-09 school year and a deficit of \$1,846,772 in the 2009-10 school year.

Recommendations: Our audit finding recommended that the District should:

1. Adopt budgets estimating revenue and beginning fund balances based on historical indicators and realistic expectations of the amount of revenue that will actually be available for the budgetary period.
2. Use monthly budget status reports to better monitor the status of revenue estimations, and adjust expenditures to reflect available revenue.
3. Provide for the systematic reduction of the general fund deficit.

Current Status: During our current audit, we found that the District did implement our prior recommendations. We noted that the District underwent a review of their spending and hiring practices and made the decision to stop replacing employees who retired. In addition, the District refinanced their bonded debt to take advantage of lower interest rates. At the conclusion of the 2011-12 school year, the District had a positive fund balance of \$4,177,635.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Lori Graham  
Acting Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Mr. Lin Carpenter  
Assistant Executive Director for Member Services  
School Board and Management Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).