

PERFORMANCE AUDIT

Union Area School District Lawrence County, Pennsylvania

January 2015



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. John Bertolino, Board President
Union Area School District
2106 Camden Avenue
New Castle, Pennsylvania 16101

Dear Governor Corbett and Mr. Bertolino:

We conducted a performance audit of the Union 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 November 2, 2012 through September 25, 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, 2011 and June 30, 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.

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

January 8, 2015

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

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Union Area School District (District) in Lawrence 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 November 2, 2012 through September 25, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately ten (10) square miles. According to 2010 federal census data, it serves a resident population of 5,190. According to District officials, the District provided basic educational services to 817 pupils through the employment of 60 teachers, 54 full-time and part-time support personnel, and three (3) administrators during the 2011-12 school year. The District received \$6 million 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. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Union Area School District (District) from an audit released on June 5, 2013, we found that the District has started to take appropriate corrective action in implementing our recommendations pertaining to pupil membership reporting (see page 6) and did take appropriate correction action in implementing our recommendations pertaining to school bus drivers' qualifications (see page 7).

Audit Scope, Objectives, and Methodology

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 November 2, 2012 through September 25, 2014, except for the verification of professional employee certification, which was performed for the period September 13, 2012 through May 29, 2014.

Regarding state subsidies and reimbursements, our audit covered the 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?

- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state 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

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

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.

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, 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 June 5, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Union Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Union Area School District (District) released on June 5, 2013, resulted in two (2) findings. The first finding pertained to errors in reporting pupil membership, and the second finding pertained to school bus drivers' qualifications deficiencies. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior findings. As shown below, we found that the District has begun to implement our recommendations related to errors in reporting pupil membership and did implement our recommendations related to school bus drivers' deficiencies.

Auditor General Performance Audit Report Released on June 5, 2013

Finding No. 1: Errors in Reporting Pupil Membership Resulted in Reimbursement Underpayments of \$11,527 for Tuition for Children Placed in Private Homes

Finding Summary: Our prior audit of pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year found reporting errors resulting in reimbursement underpayments of \$11,527 for tuition for children placed in private homes (foster children).

Recommendations: Our audit finding recommended that the District should:

1. Strengthen internal controls to ensure accurate reporting of pupil membership.
2. Review child accounting reports submitted subsequent to our review for accuracy and submit revised reports, if necessary.
3. Require child accounting personnel to review the Pennsylvania Information Management System manual for instructions on the proper inputting of child accounting data.

We also recommended that PDE should:

4. Revise the District's future allocations to correct the \$11,527 underpayment.

Current Status: During our current audit, we found similar reporting errors for the 2010-11 and 2011-12 school years that resulted in an insignificant underpayment totaling \$9,894. Our prior audit started at the

conclusion of the 2011-12 school years, and based on the timing of the prior audit, no corrective action could have been taken for the years under review. In our current audit, we found that the District has taken the following corrective actions in an effort to implement our prior recommendations. The District has purchased and placed in service a new Student Information System for use during the 2013-14 school year. In addition, the District continues to use the services of the Commonwealth and the intermediate unit workshops for ongoing professional development. As of October 10, 2014, the underpayment totaling \$11,527 was still pending final adjustment by PDE.

Finding No. 2: School Bus Drivers' Qualification Deficiencies

Finding Summary: Our prior audit of the District's school bus driver's qualifications for the 2012-13 school year found that not all required records were on file at the District at the time of the audit.

Recommendations: Our audit finding recommended that the District should:

1. Ensure that all federal criminal record checks are done in accordance with the prescribed method of PDE.
2. Review each driver's qualifications prior to that person transporting students.
3. In consultation with the District's solicitor, determine the appropriate action regarding the employee with a prior conviction cited in our finding.

Current Status: During our current audit, we found that the District did implement our prior recommendations during the 2013-14 school year and found no continuing issues in the area of bus driver qualifications.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at 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. 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.