

BALDWIN-WHITEHALL SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2009

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Martin M. Schmotzer, Board President
Baldwin-Whitehall School District
4900 Curry Road
Pittsburgh, Pennsylvania 15236

Dear Governor Rendell and Mr. Schmotzer:

We conducted a performance audit of the Baldwin-Whitehall School District (BWSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 15, 2005 through January 11, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursement was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. Our audit was conducted pursuant to 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 BWSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. In addition, we identified two matters unrelated to compliance that are reported as observations. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

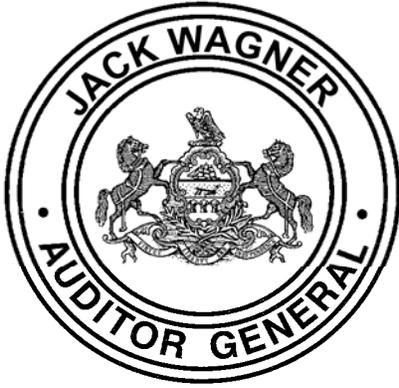
JACK WAGNER
Auditor General

January 26, 2009

cc: **BALDWIN-WHITEHALL SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Baldwin-Whitehall School District (BWSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period September 15, 2005 through January 11, 2008, except as otherwise indicated in the audit scope, objectives and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The BWSD encompasses approximately 10 square miles. According to 2000 federal census data, it serves a resident population of 36,687. According to District officials, in school year 2005-06 the BWSD provided basic educational services to 4,785 pupils through the employment of 301 teachers, 360 full-time and part-time support personnel, and 35 administrators. Lastly, the BWSD received more than \$14.2 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the BWSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding and two matters unrelated to compliance that are reported as observations.

Finding: Errors in Reporting the Number of Nonpublic Students Transported Resulted in Reimbursement

Overpayments of \$71,610. BWSD personnel incorrectly counted students transported for special needs as attending nonpublic schools. BWSD management agreed with the finding (see page 6).

Observation No. 1: Memorandum of Understanding Not Updated Timely.

BWSD did not update its Memorandum of Understanding with three police departments since 1998. BWSD management agreed with the observation (see page 7).

Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

BWSD does not have policies in place to ensure it is notified if current employees have been charged with or convicted of serious criminal offenses. BWSD management agreed with the observation (see page 8).

Status of Prior Audit Findings and Observations. In our prior audit for school years 2003-04 and 2002-03 there were no findings or observations (see page 10).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the 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 PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 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 September 15, 2005 through January 11, 2008, except for certification which was reviewed for the period May 1, 2005 through October 31, 2007. Regarding state subsidy reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 DE 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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the BWSD compliance with applicable 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 objectives:

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

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 law, regulation, 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.

- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security, Retirement) did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations 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.

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 applicable laws, regulations, contracts, grant requirements and administrative procedures.

BWSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts.

Additionally, we interviewed selected administrators and support personnel associated with BWSD operations.

Findings and Observations

Finding

Errors in Reporting the Number of Nonpublic Students Transported Resulted in Reimbursement Overpayments of \$71,610

Criteria relevant to this finding:

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty- five dollars (\$385) for each nonpublic school pupil transported.

Our review of the District's pupil transportation data submitted to the Department of Education (DE) for the 2005-06 and 2004-05 school years found errors in reporting the number of nonpublic pupils transported. The errors resulted in reimbursement overpayments of \$40,040 and \$31,570, respectively.

District personnel incorrectly counted students transported for special needs as attending nonpublic schools, resulting in 104 and 82 students being overstated for the 2005-06 and 2004-05 school years, respectively.

DE has been provided a report detailing the errors for use in recalculating the District's reimbursement.

Recommendations

The *Baldwin-Whitehall School District* should:

1. Require District personnel responsible for pupil transportation reporting to be familiar with DE instructions and guidelines for reporting nonpublic students transported.
2. Require District personnel responsible for pupil transportation reporting to review subsequent years' transportation reports and make revisions, if necessary.

The *Department of Education* should:

3. Adjust the District's future allocations to recover the reimbursement overpayments of \$71,610.

Management Response

Management agreed with the finding and stated:

The school district was reporting both special education and parochial students in its count of nonpublic students. After discussion with the onsite auditor, it was determined that special education students shouldn't be included in this count. Going forward, the district will report properly.

Observation No. 1 →

Memorandum of Understanding Not Updated Timely

Criteria relevant to this observation:

Section 1303-A (c) of the Public School Code requires: All school entities to develop an MOU with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU to be used by school entities. Section VI, General Provisions Item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and three local law enforcement agencies: Baldwin Township Police Department, Baldwin Borough Police Department and Whitehall Borough Police Department, have not been updated since they were signed December 1, 1998, October 16, 1998 and October 19, 1998, respectively. After we brought this to the District's attention during our audit, a new MOU was developed, as of February 2008.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Baldwin-Whitehall School District* should:

Approve the current MOU and adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management agreed with the observation and stated:

The District and its solicitor were unaware that the Memorandum of Understanding needed updated if there was no change in the Chief of Police. At the January 16, 2008 School Board meeting, an updated memorandum will be voted upon. Upon its approval all three police departments will receive a copy of the memorandum to sign. The District will update the Memorandum of Understanding more frequently in the future.

Observation No. 2 →

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to this observation:

Section 111 of the Public School Code, as amended, requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the CPSL requires prospective school employees to provide an official clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

The ultimate purpose of the requirements of the Public School Code and Child Protective Services Law (CPSL) detailed on the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that districts should consider, on a case-by case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five look-back period, as well as other crimes of a serious nature that are not on the list at all. Districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our review of the personnel records of a random sample of 21 of 84 bus drivers currently employed by the District found that these individuals possessed the minimum requirements to be employed as a bus driver and that the Baldwin-Whitehall School District (BWSD) had on file the required report of criminal history record information and an official clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the District from hiring any of these drivers. Therefore, we concluded, the BWSD has satisfied the minimum legal requirements set forth in both the Public School Code and CPSL.

However, the District does not have written policies and procedures in place to ensure that it is notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to have direct contact with children.

Recommendations

The *Baldwin-Whitehall School District* should:

1. Develop a process to determine, on a case-by- case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure the District is notified when current employees of the District are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Management Response

Management agreed with the observation and stated:

The administration will take this under consideration.

Status of Prior Audit Findings and Observations

Our prior audit of the Baldwin-Whitehall School District for the school years 2003-04 and 2002-03 resulted in no findings or observations.

Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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Senator Andrew Dinniman
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183 Main Capitol Building
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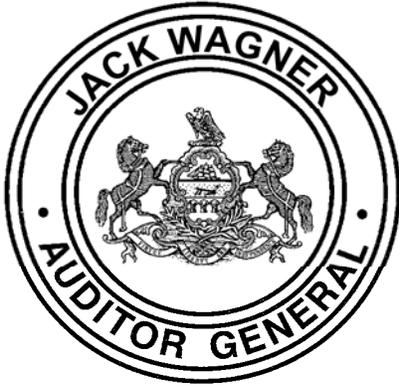
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