

CALIFORNIA AREA SCHOOL DISTRICT
WASHINGTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mrs. Amy Todd, Board President
California Area School District
40 Trojan Way, Suite 300
Coal Center, Pennsylvania 15423

Dear Governor Corbett and Mrs. Todd:

We conducted a performance audit of the California Area School District (CASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period May 14, 2009 through April 1, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 CASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is located in the Executive Summary section of the audit report.

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

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 14, 2013

cc: **CALIFORNIA AREA 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 California Area School District (CASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CASD in response to our prior audit recommendations.

Our audit scope covered the period May 14, 2009 through April 1, 2011, 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 2009-10 and 2008-09.

District Background

The CASD encompasses approximately 35 square miles. According to 2000 federal census data it serves a resident population of 10,705. According to District officials, in school year 2009-10 the CASD provided basic educational services to 946 pupils through the employment of 70 teachers, 43 full-time and part-time support personnel, and 8 administrators. Lastly, the CASD received more than \$7.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the CASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Errors in Reporting Pupil Transportation Data Resulted in Overpayments of \$71,229 to the District.

Errors in reporting various pupil transportation data to the Pennsylvania Department of Education for the 2009-10 and 2008-09 school years resulted in reimbursement overpayments of \$71,229 (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the CASD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the CASD had taken appropriate corrective action in implementing our recommendation pertaining to a certification deficiency (see page 8).



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 May 14, 2009 through April 1, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through December 31, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 CASD's compliance with applicable state laws, 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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buy-out 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

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, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observations and conclusions based on our audit objectives.

CASD's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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, professional employee certification, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 19, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

Criteria relevant to the finding:

Section 2541(a) of the Public School Code provides, in part:

“School districts shall be paid by the Commonwealth for every school year on account of pupil transportation which and the means and contracts providing for which, have been approved by the Department of Education. . . .”

Errors in Reporting Pupil Transportation Data Resulted in Overpayments of \$71,229 to the District

Our audit of the District’s 2009-10 and 2008-09 pupil transportation records submitted to the Pennsylvania Department of Education (PDE) found reporting errors, which resulted in overpayments of transportation reimbursement of \$4,540 and \$66,689 for the 2009-10 and 2008-09 school years, respectively.

The errors in the 2009-10 school year were caused by District personnel incorrectly reporting the daily mileage for four vehicles. Miles with pupils for the vehicles were overstated by 21.9 miles and miles without pupils were understated by 20.8 miles. This resulted in an overpayment of \$4,540.

The errors in 2008-09 were caused by the following:

- The number of days transportation was provided was incorrectly reported for two vehicles.
- Miles with pupils were overstated for seven vehicles, totaling 197.5 miles.
- Miles without pupils were overstated for 15 vehicles, totaling 99.5 miles.

The above errors resulted in a total overpayment of \$66,689 for the 2008-09 school year.

Days of operation and daily mileage are critical factors in determining a district’s transportation reimbursement and must be accurately reported to ensure proper transportation reimbursement.

We have provided PDE with reports detailing the errors to be used in the recalculation of the District’s pupil transportation reimbursement.

Recommendations

The *California Area School District* should:

1. Develop procedures to ensure all future transportation data is accurately reported to PDE.
2. Review data submitted for the 2010-11 school year for accuracy and submit revised reports to PDE, if necessary.

The *Pennsylvania Department of Education* should:

3. Adjust future District allocations to recover the overpayments of \$71,229.

Management Response

Management in its written response stated that the District reorganized the error in the computation.

Status of Prior Audit Findings and Observations

Our prior audit of the California Area School District (CASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to a certification deficiency. As part of our current audit, we determined the status of corrective action taken by the CASD to implement our prior recommendation. We performed audit procedures and questioned CASD personnel regarding the prior finding. As shown below, we found that the District did implement our recommendation related to the certification deficiency.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding: **Certification Deficiency**

Finding Summary: Our prior audit of professional employees' certificates and assignments for the period May 1, 2006 through January 21, 2009, found that one individual was teaching on a lapsed certificate from September 1, 2007 through March 1, 2008.

Recommendations: Our audit finding recommended that the CASD:

Establish a review process that ensures that certificates do not lapse.

We also recommended that the Pennsylvania Department of Education (PDE):

Adjust the District's allocations to recover the subsidy forfeiture of \$1,316 resulting from the deficiency.

Current Status: During our current audit procedures we found that the District did implement the recommendations. The superintendent's secretary keeps a listing of all teachers and their certification and informs teachers of upcoming certification expirations.

Regarding the subsidy forfeiture, on June 1, 2010, PDE deducted \$1,316 from the District's allocations.

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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