

CALIFORNIA AREA SCHOOL DISTRICT
WASHINGTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mrs. Theresa Doman, Board President
California Area School District
750 Orchard Street
California, Pennsylvania 15419

Dear Governor Rendell and Mrs. Doman

We conducted a performance audit of the California Area School District (CASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 16, 2006 through May 14, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008, 2007, 2006 and 2005. 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, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented 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 and their willingness to implement our recommendations.

Sincerely,

/s/

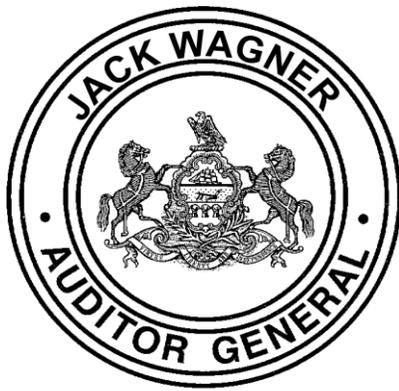
JACK WAGNER
Auditor General

January 19, 2010

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, regulations, 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 August 16, 2006 through May 14, 2009, 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 2007-08, 2006-07, 2005-06 and 2004-05.

District Background

The CASD encompasses approximately 35 square miles. According to the 2000 federal census, it serves a resident population of 10,705. According to District officials, in school year 2007-08 the CASD provided basic educational services to 1,031 pupils through the employment of 75 teachers, 40 full-time and part-time support personnel, and 9 administrators. Lastly, the CASD received more than \$7.9 million in state funding in school year 2007-08 school year.

Audit Conclusion and Results

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

Finding: Certification Deficiency. Our audit revealed that one teacher was teaching with a lapsed certificate from September 2007 to March 2008 (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 2003-04 and 2002-03 school years, we found the CASD had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation (see page 8), violation of the Public Official and Employee Ethics Act (see page 8), and lack of criminal and child abuse clearances (see page 9).

Regarding the recommendations made in the observation in our prior audit report, we found the CASD was in the process of updating its policy for bus drivers' qualifications at the time of our current fieldwork (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 August 16, 2006 through May 14, 2009, except for the verification of professional employee certification which was performed for the period May 1, 2006 through January 21, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 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 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.

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 CASD's 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 audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy 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 receives state subsidy and reimbursements based on payroll (e.g. Social Security and 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?
- ✓ 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.

CASD 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 Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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 September 13, 2007, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to this finding:

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the Public School Code provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Certification Deficiency

Our 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.

Information pertaining to the certificate assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE), for its review. BSLTQ subsequently confirmed the individual's certificate had lapsed; the District is therefore subject to a \$1,316 subsidy forfeiture.

Recommendations

The *California Area School District* should:

1. Establish a review process that ensures that certificates do not lapse.
2. DE should adjust the District's allocations to recover the \$1,316 subsidy forfeiture.

Management Response

Management stated the following:

My secretary keeps a listing of all teachers and their certification. She did inform the teacher and the [previous] superintendent at the time about the situation. I don't know what the other superintendent did about it. We will continue to maintain a list of certifications. The secretary will inform the teacher and keep a hard copy of all communications of upcoming certification. If I need to step in and suspend a teacher, I will.

Status of Prior Audit Findings and Observation

Our prior audit of the California Area School District (CASD) for the school years 2003-04 and 2002-03 resulted in three findings and one observation, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the CASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the CASD did implement recommendations related to the three findings and observation, but was still in the process of updating its policies related to bus drivers’ qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Pupil Transportation Reimbursement Underpayment of \$1,346</i></u></p> <ol style="list-style-type: none"> Require District personnel responsible for pupil transportation reporting to conduct an internal review to ensure the accuracy of all transportation data reported to DE. Require District personnel to prepare and maintain daily records of mileage data as required by DE instructions, and use this data and the daily pupil count records to report data to DE. DE should adjust the District’s allocations to resolve the reimbursement underpayment of \$1,346. 	<p>Background:</p> <p>Our prior audit found multiple errors regarding days pupils were transported, miles pupils were transported, and the greatest number of pupils transported. In addition, the District had failed to use the weighted average method outlined in DE’s instructions.</p>	<p>Current Status:</p> <p>Our current audit found no significant errors in transportation data. Based on our current audit, we concluded the District <u>did</u> take appropriate corrective actions to address this finding.</p> <p>As of May 14, 2009, DE had not corrected the underpayment of \$1,346. We therefore recommend that DE correct the underpayment.</p>
<p><u><i>II. Finding 2: Violation of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> Seek the advice of the District’s solicitor in regard to the board’s responsibility when a board member fails to file Statements of Financial Interests. 	<p>Background:</p> <p>Our prior audit found that one former board member failed to file the required Statements of Financial Interests.</p>	<p>Current Status:</p> <p>Our current audit found that all Statements of Financial Interests were on file with the District. Based on our current audit, we determined that the District <u>did</u> take appropriate corrective action to address this finding.</p>

<p>2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethic Act.</p>		
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<p><u>III. Finding 3: Lack of Criminal and Child Abuse Clearance Checks</u></p> <ol style="list-style-type: none"> 1. Immediately obtain from the transportation contractor the missing documentation referred to in our finding, in order to ensure that drivers transporting students in the District possess proper qualifications. If this documentation is not available, consult with the District’s solicitor to address this potential failure to satisfy the minimum legal requirements set forth in both the Public School Code and the Child Protective Services Law (CPSL). 2. Ensure that the District’s transportation coordinator reviews each driver’s qualifications prior to that person transporting students. 3. Maintain files, separate from the transportation contractors, for all District drivers, and work with the contractors to ensure that the District’s files are up-to-date and complete. 	<p>Background:</p> <p>Our prior audit found that three bus drivers did not have criminal background histories and one bus driver did not have a child abuse clearance on file with the District.</p>	<p>Current Status:</p> <p>Our current audit found that all drivers reviewed possessed all credentials and criminal checks required by the Public School Code and the CPSL.</p> <p>Based on our current audit, we determined that the District <u>did</u> take appropriate corrective action to address this finding.</p>
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<p><u><i>I. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors 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's transportation contractors 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. 	<p>Background:</p> <p>Our prior audit found that neither the District nor the contractor had written policies or procedures in place to ensure that they were notified if current employees were 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.</p>	<p>Current Status:</p> <p>Our current audit found that the District did have procedures to determine the suitability of hiring one driver who had been charged with a crime that was not disqualifying under state law.</p> <p>However, the District had not yet implemented written policies and procedures to ensure that the District would be notified when a driver is charged with a crime. The District stated it would amend the transportation contracts to implement our recommendation. We will review the amended contract during the next audit to determine if it includes such a notification clause.</p>
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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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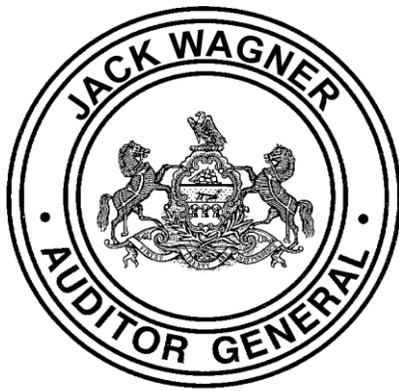
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