

CHARLEROI AREA SCHOOL DISTRICT  
WASHINGTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2010



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

Mr. Kenneth Wiltz, Board President  
Charleroi Area School District  
125 Fecsen Drive  
Charleroi, Pennsylvania 15022

Dear Governor Rendell and Mr. Wiltz:

We conducted a performance audit of the Charleroi Area School District (CASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 16, 2007 through March 5, 2010, 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 and June 30, 2007. 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 the 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

November 4, 2010

cc: **CHARLEROI AREA SCHOOL DISTRICT** Board Members

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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 Charleroi 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 December 16, 2007 through March 5, 2010, 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 and 2006-07.

### **District Background**

The CASD encompasses approximately 26 square miles. According to 2000 federal census data, it serves a resident population of 13,175. According to District officials, in school year 2007-08 the CASD provided basic educational services to 1,630 pupils through the employment of 132 teachers, 204 full-time and part-time support personnel, and 10 administrators. Lastly, the CASD received more than \$10.2 million in state funding in school year 2007-08.

### **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: Errors in Reporting Nonpublic Pupils Transported Resulted in Overpayments to the District of \$15,015.**

CASD overstated the number of nonpublic pupils transported during the 2007-08 and 2006-07 school years, resulting in overpayments to the CASD of \$15,015 (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 2005-06 and 2004-05 school years, we found the CASD had not taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation reporting errors (see page 7).





## Audit Scope, Objectives, and Methodology

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### 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 December 16, 2007 through March 5, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2008 through December 31, 2009.

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

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 (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

*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 payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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, 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 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.

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, and financial stability.
- Items such as Board meeting minutes, and reimbursement applications.

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 November 4, 2008, we reviewed the CASD's response to DE dated February 28, 2006. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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*Criteria relevant to the 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.

### Errors in Reporting Nonpublic Pupils Transported Resulted in Overpayments to the District of \$15,015

Our review of the District's pupil transportation data submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years found errors in reporting the number of nonpublic pupils transported, resulting in reimbursement overpayments of \$8,855 and \$6,160, respectively.

District personnel overstated nonpublic students by 23 and 16 for 2007-08 and 2006-07, respectively, by including special education and alternative education students. The errors were caused by District personnel's lack of familiarity with DE instructions.

We have provided DE with a report detailing the errors for use in recalculating the District's reimbursement.

### Recommendations

The *Charleroi Area School District* should:

Require District personnel to be familiar with DE instructions for nonpublic pupils and to verify nonpublic totals prior to their submission to DE.

The *Department of Education* should:

Adjust the District's future allocations to recover the reimbursement overpayments of \$15,015.

### Management Response

Management stated the following:

Students attending Alternative Education programs in schools such as Holy Family, Transformation Learning, Western PA School for the Blind, and Western PA School for the Deaf were included as non-public students. This was corrected to include only parochial students in the 2008-09 Transportation Report.

## Status of Prior Audit Findings and Observations

Our prior audit of the Charleroi Area School District (CASD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to pupil transportation errors. 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 finding. As shown below, we found that the CASD did not implement recommendations related to nonpublic student transportation.

| <i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>  |  |   |
|---|--|---|
| <i>Prior Recommendations</i>  | <i>Implementation Status</i>   |   |
| <p><u><i>I. Finding: Pupil Transportation Reporting Errors</i></u></p> <ol style="list-style-type: none"> <li>1. Adopt procedures to ensure all data reported is accurate for all contractors eligible for reimbursement, and to account for all nonpublic pupils transported.</li> <li>2. Require personnel to perform an internal review to ensure accuracy of data prior to submission of reports to DE.</li> <li>3. DE should adjust the District's allocations to correct the reimbursement underpayment of \$15,192.</li> </ol> | <p><b>Background:</b></p> <p>Our prior audit of the 2005-06 school year found that the District incorrectly reported transportation data for 4 contractors and 29 nonpublic students to DE, resulting in a reimbursement underpayment to the District of \$15,192.</p> | <p><b>Current Status:</b></p> <p>For the 2006-07 and 2007-08 school years, the District continued to inaccurately report nonpublic students transported (see the finding in the current report on page 6).</p> <p>All other data related to transportation were reported correctly.</p> <p>As of March 27, 2010, DE had yet to adjust the District's allocations. We therefore again recommend that DE correct the \$15,192 underpayment.</p> |



## **Distribution List**

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

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