

FRAZIER SCHOOL DISTRICT
FAYETTE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2011

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

Ms. Stacey Erdely, Board President
Frazier School District
142 Constitution Street
Perryopolis, Pennsylvania 15473

Dear Governor Rendell and Ms. Erdely:

We conducted a performance audit of the Frazier School District (FSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 23, 2008 through April 23, 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 FSD 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 FSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve FSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the FSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 4, 2011

cc: **FRAZIER 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 Frazier School District (FSD). 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 FSD in response to our prior audit recommendations.

Our audit scope covered the period December 23, 2008 through April 23, 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 FSD encompasses approximately 83 square miles. According to 2000 federal census data it serves a resident population of 8,531. According to District officials, in school year 2007-08 the FSD provided basic educational services to 1,119 pupils through the employment of 90 teachers, 46 full-time and part-time support personnel, and 8 administrators. Lastly, the FSD received more than \$9.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the FSD 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.

Finding: Certification Deficiency.

Our audit found that one teacher was assigned to a position without proper certification (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the FSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the FSD had not taken appropriate corrective action in implementing our recommendations 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 December 23, 2008 through April 23, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through March 31, 2010.

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 FSD'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?
- ✓ 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.

FSD's 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.

Additionally, we interviewed selected administrators and support personnel associated with FSD's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 29, 2009, we reviewed the FSD's response to DE dated November 19, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) 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 PSC 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 current audit of certificates and assignments of professional personnel for the period July 1, 2009 through March 31, 2010, found that one teacher was assigned to teach one course for which she was not certified. This same teacher was the subject of certification findings in our three prior audits (see page 8).

Information pertaining to the certificate and assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education, for its review. BSLTQ subsequently confirmed the individual was not properly certified. Consequently, the District is subject to a subsidy forfeiture. The subsidy forfeiture could not be calculated at this time because the aid ratio necessary for the calculation was not yet available.

The certification deficiency occurred because the administration failed to review the course objective and content so as to determine the proper certification for the person in question.

Recommendations

The *Frazier School District* should:

Review the course objective and content with BSLTQ to determine the proper certification.

The *Department of Education* should:

Adjust the District's allocations to recover the subsidy forfeiture when the aid ratio becomes available.

Management Response

Management stated the following:

The Frazier School District is in the process of working with the Department of Education to determine appropriate certification for the Humanities course offered at the High School.

Status of Prior Audit Findings and Observations

Our prior audit of the Frazier School District (FSD) for the school years 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 District to implement our prior recommendations. We analyzed the FSD 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 FSD did not implement recommendations related to the certification deficiency.

<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: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> Review the course objective and content with the Bureau of School Leadership and Teacher Quality to determine the proper certification. DE should adjust the District’s allocations to recover the subsidy forfeitures resulting from the deficiency. 	<p>Background:</p> <p>Our prior audit of certificates and assignments of professional personnel for the period July 1, 2006 through September 30, 2008, found that one teacher was assigned to teach one course for which she was not certified. This District was previously cited for the same teacher in our audit reports for the 2003-04 and 2002-03 school years and the 2001-02 and 2000-01 school years.</p>	<p>Current Status:</p> <p>Our current audit found that the teacher the District was cited for previously is still teaching the course in question, which is again the subject of a finding in the current audit (see page 6).</p> <p>DE deducted \$970 from the District’s June 2010 basic education funding payment to assess the subsidy forfeitures related to our prior finding.</p>

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:

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

The Honorable Thomas E. Gluck
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. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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