

HEMPFIELD AREA SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2009

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

Mr. John B. Henry, Board President
Hempfield Area School District
4347 Route 136
Greensburg, Pennsylvania 15601

Dear Governor Rendell and Mr. Henry:

We conducted a performance audit of the Hempfield Area School District (HASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 27, 2007 through May 18, 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, 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 HASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the HASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

August 20, 2009

cc: **HEMPFIELD 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 Hempfield Area School District (HASD). 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 HASD in response to our prior audit recommendations.

Our audit scope covered the period April 27, 2007 through May 18, 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 HASD encompasses approximately 95 square miles. According to 2000 federal census data, it serves a resident population of 48,464. According to District officials, in school year 2007-08 the HASD provided basic educational services to 6,390 pupils through the employment of 476 teachers, 365 full-time and part-time support personnel, and 40 administrators. Lastly, the HASD received more than \$25.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the HASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audit period, our audit of the HASD resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the HASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the HASD had taken appropriate corrective action in implementing our recommendations pertaining to an error in reporting pupil transportation contract costs (see page 7), errors in nonresident tuition billings (see page 7), certification irregularities (see page 8), and updating the HASD's Memorandum of Understanding with the local law enforcement agency (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 April 27, 2007 through May 18, 2009, except for the verification of professional employee certification which was performed for the period April 18, 2007 through March 1, 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 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 HASD'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?
- ✓ 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

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.

HASD 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, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership records.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 15, 2008, we performed audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Hempfield Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Hempfield Area School District (HASD) for the school years 2003-04 and 2002-03 resulted in three reported findings and one observation. The findings and observation are 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 performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the District did implement all recommendations related to the findings and observation.

<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 No. 1: Error in Reporting Pupil Transportation Contract Cost Resulted in an Underpayment of \$102,527 in Pupil Transportation Reimbursement</i></u></p> <ol style="list-style-type: none"> 1. Implement internal review controls to ensure that an accurate contracted pupil transportation cost is submitted to the Department of Education (DE) for reimbursement. 2. Review for accuracy any subsequent year pupil transportation cost submissions. 3. DE should adjust the District's allocations to correct the reimbursement underpayment of \$102,257. 	<p>Background:</p> <p>Our prior audit of pupil transportation data for the 2003-04 school year found that the amount paid to one contractor was incorrectly reported to DE. The reporting error caused the District to be underpaid \$102,257 in pupil transportation reimbursement.</p>	<p>Current Status:</p> <p>The District now has personnel recalculate the contractor cost prior to submission to DE.</p> <p>Based on the results of our current audit, we concluded the HASD <u>did</u> take appropriate corrective action to address this finding.</p> <p>The business manager contacted DE and was informed a payment will be made to the District via the June 2009 subsidy payment.</p>
<p><u><i>II. Finding No. 2: Errors in Nonresident Tuition Billings</i></u></p> <ol style="list-style-type: none"> 1. Correct the improper billing and bill the nonresident students' district accordingly. 	<p>Background</p> <p>Our prior audit of the District's membership records and tuition billings for the 2003-04 and 2002-03 school years found that the District either over or underbilled tuition for nonresident pupils.</p>	<p>Current Status:</p> <p>During our current audit, we found that the HASD had not yet corrected the tuition billing errors found during our prior audit.</p>

<p>2. Review subsequent years' pupil membership reports to ensure nonresident tuition students were properly reported and billed.</p>		<p>We informed District personnel and, as a result, on April 24, 2009, the District sent a bill to the Norwin School District and a refund check to the Greater Latrobe School District to make the corrections.</p> <p>No errors in tuition billing were found for our current audit years.</p>
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<p><u>III. Finding No. 3:</u> <u>Certification Irregularity</u></p> <ol style="list-style-type: none"> 1. Strengthen controls to ensure that professional personnel possess valid certification for positions to which they are assigned. 2. DE should adjust the District's allocations to recover the subsidy forfeiture of \$1,500. 	<p>Background:</p> <p>Our prior audit of the District's professional certificates and assignments for the period November 4, 2004 to April 17, 2007, found one teacher was teaching with a lapsed certificate from August 29, 2006 to January 1, 2007.</p>	<p>Current Status:</p> <p>Our current audit found no certification irregularities. Based on the results of our current audit, we determined the District <u>did</u> take appropriate corrective action.</p> <p>DE adjusted the District's June 2008 basic education funding payment to recover the \$1,500 subsidy forfeiture.</p>
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<p><u>IV. Observation:</u> <u>Memorandum of Understanding Not Updated Timely</u></p> <ol style="list-style-type: none"> 1. In consultation with the District's solicitor, review, update and re-execute the current Memorandum of Understanding (MOU) between the District and the local law enforcement agency. 2. Adopt a policy requiring the administration to review and execute the MOU every two years. 	<p>Background:</p> <p>Our prior audit of the District's MOU with the local law enforcement agency found the District had not updated the agreement since April 2003.</p>	<p>Current Status:</p> <p>The District updated its MOU with the Pennsylvania State Police on September 10, 2007.</p> <p>Based on the results of our current audit, we determined the District <u>did</u> take appropriate corrective action.</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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