

HIGHLANDS SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2009

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

Mrs. Debbie Beale, Board President
Highlands School District
1330 Eleventh Avenue
P.O. Box 288
Natrona Heights, Pennsylvania 15065

Dear Governor Rendell and Mrs. Beale:

We conducted a performance audit of the Highlands School District (HSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 2, 2006 through March 21, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006 and June 30, 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 HSD 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 the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

April 1, 2009

cc: **HIGHLANDS 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 Highlands School District (HSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period February 2, 2006 through March 21, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The HSD encompasses approximately 22 square miles. According to 2000 federal census data, it serves a resident population of 21,974. According to District officials, in school year 2005-06, the HSD provided basic educational services to 2,879 pupils through the employment of 229 teachers, 150 full-time and part-time support personnel, and 24 administrators. Lastly, the HSD received more than \$2.7 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the HSD 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: Teacher's Aide Qualifications Irregularities. HSD did not have the appropriate documentation on file to verify that teacher aides had the necessary clearances to have direct contact with children (see page 6).

Status of Prior Audit Findings and Observations. There were no prior audit findings or observations issued for the 200304 and 2002-03 school years (see page 8).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow 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 February 2, 2006 through March 21, 2008, except for the verification of professional employee certification which was performed for the period January 11, 2006 through January 7, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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

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 HSD'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational

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.

education), did it follow applicable laws and procedures?

- ✓ In areas where the District receives state subsidy 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 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

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 agreements and administrative procedures.

HSD 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 HSD operations.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 111 of the Public School Code requires prospective school employees who would have direct contact with children to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired. Section 111 also requires prospective school employees who would have direct contact with children to submit a federal criminal history record that cannot be more than one year old.

Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Teacher's Aide Qualification Irregularities

Our review of the qualifications of teacher's aides for the 2007-08 school year found a lack of documentation.

We reviewed the following three requirements:

1. Lack of convictions for criminal offenses, report issued by the Pennsylvania State Police;
2. Lack of convictions for criminal offenses, report issued by the Federal Bureau of Investigation; and
3. Official child abuse clearance statement, report issued by the Pennsylvania Department of Public Welfare.

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of students in school.

We reviewed the personnel records of all 66 teacher's aides shown on the District's assignment list for the 2007-08 school year. Our review found that one teacher's aide had neither a state nor a federal criminal history record on file, and also had no child abuse clearance statement on file.

As a result, children could have been exposed to a person who was at risk to their safety.

The *Highlands School District* should:

1. Obtain and maintain state and federal criminal clearances for all teacher's aides.
2. Obtain and maintain child abuse clearances for all teacher's aides.
3. Assign responsibility to a coordinator to review each teacher aide qualifications prior to hire.
4. Maintain files for each teacher's aide to ensure that the District's files are up-to-date and complete.

Management Response

Management agreed with the finding and stated:

The district has already taken corrective measures to ensure that this does not occur again.

Status of Prior Audit Findings and Observations

Our prior audit of the Highland School District for the school years 2003-04 and 2002-03 resulted in no findings or observations.

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
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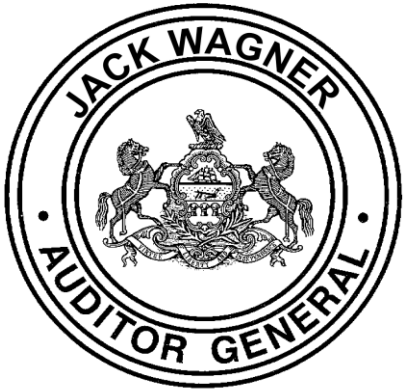
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