

HOPEWELL AREA SCHOOL DISTRICT  
BEAVER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2010



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

Mr. Everitt Laird, Jr., Board President  
Hopewell Area School District  
2354 Brodhead Road  
Aliquippa, Pennsylvania 15001

Dear Governor Rendell and Mr. Laird:

We conducted a performance audit of the Hopewell Area School District (HASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period October 17, 2007 through February 26, 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 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

December 29, 2010

cc: **HOPEWELL 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 Hopewell 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 October 17, 2007 through February 26, 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 HASD encompasses approximately 62 square miles. According to 2000 federal census data, it serves a resident population of 19,453. According to District officials, in school year 2007-08 the HASD provided basic educational services to 2,636 pupils through the employment of 189 teachers, 125 full-time and part-time support personnel, and 13 administrators. Lastly, the HASD received more than \$14.3 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 audited 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 recommendation to the HASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the HASD had taken appropriate corrective action in implementing our recommendation pertaining to Memoranda of Understanding not being updated timely (see page 7).

We also found the HASD had taken appropriate corrective action in implementing our recommendations pertaining to bus driver qualifications (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 October 17, 2007 through February 26, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2007 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 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?
- ✓ 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 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.

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, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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 June 30, 2008, we reviewed the HASD's response to DE dated January 27, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Hopewell Area School District resulted in no findings or observations

## Status of Prior Audit Findings and Observations

Our prior audit of the Hopewell Area School District (HASD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to failure to update Memoranda of Understanding (MOU) in a timely manner. The second pertained to bus driver qualifications. 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 HASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the HASD did implement recommendations related to both observations.

<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. Observation No.1 : Memoranda of Understanding Not Updated Timely</i></u></p> <p>1. Review and update the current MOUs between the District and its local law enforcement agencies and re-execute the MOUs every two years thereafter.</p>	<p><b>Background:</b></p> <p>Our prior audit of the District’s records found that the District had on file properly signed MOUs between itself and its three local law enforcement agencies. However, the MOUs had not been updated since September of 1998.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District re-executed the MOUs with its three local law enforcement agencies on January 1, 2009.</p> <p>Based on the results of our audit we determined the District did take appropriate corrective action.</p>
<p><u><i>II. Observation No. 2: Internal Control Weaknesses in Bus Drivers’ Qualifications Administrative Policies</i></u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees 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.</p> <p>2. Implement written policies and procedures to ensure that the District is notified when</p>	<p><b>Background:</b></p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that the District was notified if its current bus drivers’ 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><b>Current Status:</b></p> <p>Our current audit found the District revised its policy on March 24, 2009. The policy now requires that drivers inform the District in writing at the beginning of each school year if they were charged with or convicted of a crime. They must also notify the District if charged with or convicted of a crime during the school year.</p> <p>Based on our audit we determined the District did take corrective action to address this observation.</p>

drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.		
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## **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:

The Honorable Edward G. Rendell  
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The Honorable Thomas E. Gluck  
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