



MARS AREA SCHOOL DISTRICT  
BUTLER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Ms. Dayle Ferguson, Board President  
Mars Area School District  
545 Route 228  
Mars, Pennsylvania 16046

Dear Governor Corbett and Ms. Ferguson:

We conducted a performance audit of the Mars Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 23, 2010 through March 1, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2011, 2010, and 2009. 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

**EUGENE A. DePASQUALE**  
Auditor General

July 3, 2013

cc: **MARS AREA SCHOOL DISTRICT** Board of School Directors

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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 Mars Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period December 23, 2010 through March 1, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

### **District Background**

The District encompasses approximately 47 square miles. According to 2010 federal census data it serves a resident population of 14,490. According to District officials, the District provided basic educational services to 3,162 pupils through the employment of 201 teachers, 90 full-time and part-time support personnel, and 30 administrators during the 2011-12 school year. Lastly, the District received \$10.4 million in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the District from an audit released on December 22, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation reporting errors and internal control weaknesses, (see page 6) and the failure to develop a Memorandum of Understanding with local law enforcement (see page 7).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania 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 Pennsylvania 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, 2010 through March 1, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through December 21, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the District's compliance with applicable state laws, 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 received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?

## 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, 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, reimbursement applications, and financial stability.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 22, 2011, we 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 Mars Area School District resulted in no findings or observations.



## Status of Prior Audit Findings and Observations

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Our prior audit of the Mars Area School District (District) released on December 22, 2011, resulted in two reported findings. The first finding pertained to pupil transportation reporting errors and internal control weaknesses, and the second finding pertained to the failure to develop a Memorandum of Understanding with local law enforcement. 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 interviewed District personnel regarding the prior findings. As shown below, we found that the District did implement recommendations related to both findings.

### Auditor General Performance Audit Report Released on December 22, 2011

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**Finding No. 1: Pupil Transportation Reporting Errors and Internal Control Weaknesses**

Finding Summary: Our prior audit of the District's pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2007-08 and 2006-07 school years found reporting errors and internal control weaknesses. The reporting errors were caused by the District's lack of internal controls and clerical errors.

Recommendations: Our audit finding recommended that the District:

1. Establish and maintain written procedures for verifying days of operation, daily miles with and without pupils, the number of trips per day, pupil rosters, and other transportation data required by PDE.
2. Require the contractor to report any and all changes in buses and service of buses to District personnel responsible for transportation in a form that is easy to retain and record.
3. Provide appropriate training for District personnel responsible for transportation reporting.

Current Status: During our current audit, we found that the District complied with our recommendations by following established procedures for reporting data to PDE, requiring the contractor to report all changes in bus services to District personnel, and providing training for personnel responsible for transportation reporting.

**Finding No. 2: Failure to Develop a Memorandum of Understanding with Local Law Enforcement**

Finding Summary: Our prior audit of the District's records found that the District failed to develop a Memorandum of Understanding (MOU) with local law enforcement.

Recommendations: Our audit finding recommended that the District:

1. In consultation with the District's solicitor, execute an MOU between the District and the local law enforcement agency.
2. In consultation with the District's solicitor, continue to review and re-execute the current MOU between the District and the state police.
3. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status: During our current audit, we found that the District did implement the recommendations. The District signed an MOU with a local law enforcement agency and the state police, dated July 17, 2012. This MOU contained provisions that it must be reviewed and re-executed within two years of the date of the original execution, and every two years thereafter.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable William E. Harner  
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  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).

