

NORTH ALLEGHENY SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Ms. Maureen Grosheider, Board President
North Allegheny School District
200 Hillvue Lane
Pittsburgh, Pennsylvania 15237

Dear Governor Corbett and Ms. Grosheider:

We conducted a performance audit of the North Allegheny School District (NASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period July 23, 2009, through October 20, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010, and June 30, 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 NASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 9, 2013

cc: **NORTH ALLEGHENY 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 North Allegheny School District (NASD). 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 NASD in response to our prior audit recommendations.

Our audit scope covered the period July 23, 2009, through October 20, 2011, 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 2009-10 and 2008-09.

District Background

The NASD encompasses approximately 45 square miles. According to 2000 federal census data, it serves a resident population of 47,531. According to District officials, in school year 2009-10 the NASD provided basic educational services to 8,064 pupils through the employment of 637 teachers, 431 full-time and part-time support personnel, and 37 administrators. Lastly, the NASD received more than \$21.4 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the NASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the NASD from an audit we conducted of the 2007-08, 2006-07, 2005-06, and 2004-05 school years, we found the NASD had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting pupil transportation data (see page 7), and Memoranda of Understanding that had not been updated timely (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 July 23, 2009, through October 20, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010, through June 30, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 NASD'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?
- ✓ 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 buy-out 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, 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, observations and conclusions based on our audit objectives.

NASD 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. 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 NASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 22, 2010, we reviewed the NASD's response to PDE dated March 24, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the North Allegheny School District (NASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported finding and one reported observation. The finding pertained to errors in reporting pupil transportation data. The observation pertained to Memoranda of Understanding that were not updated timely. 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 NASD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the NASD did implement recommendations related to both the errors in reporting pupil transportation data and the Memoranda of Understanding.

School Years 2007-08, 2006-07, 2005-06, and 2004-05 Auditor General Performance Audit Report

Finding: **Errors in Reporting Pupil Transportation Data Resulted in Overpayment of \$26,950**

Finding Summary: Our prior audit of pupil transportation data submitted to PDE for the 2004-05 school year found errors in reporting the number of nonpublic students transported, resulting in an overpayment of \$26,950 to the District.

Recommendations: Our audit finding recommended that the NASD:

Continue to require District personnel responsible for compiling pupil transportation data to review the data prior to submission of reports to PDE to ensure the accuracy of the reports.

We also recommended that PDE:

Adjust the District's allocations to recover the subsidy overpayment of \$26,950.

Current Status: During our current audit procedures we found that the NASD did implement the recommendations.

As of October 26, 2012, PDE had not yet recovered the \$26,950 overpayment. Therefore, we again recommend that PDE make the necessary adjustments to correct the \$26,950 overpayment.

Observation: Memoranda of Understanding Not Updated Timely

Observation

Summary:

Our prior audit found that the Memoranda of Understanding (MOU) between the District and local law enforcement agencies had not been reviewed and updated since March 2, 2001.

Recommendations:

Our audit observation recommended that the NASD:

1. Continue to review, update, and re-execute the MOU between the District and local law enforcement agencies.
2. Adopt a written policy requiring the administration to review and execute the MOU every two years.

Current Status:

During our current audit procedures we found that the NASD did implement the recommendations. The District has a re-executed MOU dated August 5, 2011, with each of the three law enforcement agencies. Additionally, the District is in the process of adopting a written policy requiring the administration to review and execute the MOUs every two years.

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 Tom Corbett
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