



**PETERS TOWNSHIP SCHOOL DISTRICT
WASHINGTON 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. Cynthia Golembrewski, Board President
Peters Township School District
631 East McMurray Road
McMurray, Pennsylvania 15317

Dear Governor Corbett and Ms. Golembrewski:

We conducted a performance audit of the Peters Township School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 12, 2009 through July 24, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies 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 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 11, 2013

cc: **PETERS TOWNSHIP SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Peters Township 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 June 12, 2009 through July 24, 2012, 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 the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 19 square miles. According to 2010 federal census data, it serves a resident population of 21,213. According to District officials, the District provided basic educational services to 4,440 pupils through the employment of 283 teachers, 219 full-time and part-time support personnel, and 23 administrators during the 2009-10 school year. Lastly, the District received \$10,439,801 in state funding in the 2009-10 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. Our audit 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 District from an audit released on January 11, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the buy-out of the former Superintendent's contract (see page 6) and internal control weaknesses in bus driver qualifications (see page 7).

Audit Scope, Objectives, and Methodology

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 June 12, 2009 through July 24, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through June 30, 2012.

Regarding state subsidies and reimbursements, our audit covered the 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?
- ✓ 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?

- ✓ 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ 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?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 bus driver qualifications, professional employee certification, 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 January 11, 2012, we reviewed the District's response to PDE dated May 21, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Peters Township School District (District) released on January 11 2012, resulted in one reported finding and one reported observation. The finding pertained to a buy-out of the former Superintendent's employment contract and the observation pertained to administrative policies concerning bus drivers' 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 District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement recommendations related to the Superintendent's buy-out and bus drivers' qualifications.

Auditor General Performance Audit Report Released on January 11, 2012

Finding: **The District Did Not Adhere to the Termination Provisions in the Employment Contract with the Superintendent, Leading to a Costly and Confidential Buy-out of the Contract**

Finding Summary: Our prior audit found that on February 19, 2008, the District's Board of School Directors entered into a Separation and Release Agreement (Agreement) with the former Superintendent. This agreement terminated the Superintendent's employment effective July 31, 2008, two years prior to the end of the Superintendent's original four-year contract. Although the terms of the Superintendent's employment contract placed limits on the District's liability in the event of early termination, these provisions were not followed. The Agreement required the District to pay the Superintendent \$123,573, which included the equivalent of 10 months' salary, an unused leave payout, the Superintendent's legal fees, and compensation for the loss of health care coverage. Additionally, the District spent \$51,500 to employ an interim substitute superintendent until a permanent Superintendent was hired.

Recommendations: Our audit finding recommended that the District:

1. Ensure that employment contracts contain adequate termination provisions sufficient to protect the interests of the taxpayers of the District and the District itself, and that these provisions are enforced.
2. Enter into employment contracts with prospective superintendents at the three-year minimum term permitted by state law, in order to limit potential financial liability by the District and its taxpayers.

3. Provide as much information as possible to the taxpayers of the District explaining the reasons for the termination of the Superintendent and justifying the District's expenditure of a significant amount of public funds to terminate the Superintendent's contract.
4. Ensure that future termination agreements do not contain confidentiality requirements that would prevent the District from informing taxpayers and others of the reasons for a termination.

Current Status: The District has not engaged in any early employment contract terminations since the one we examined in our prior audit. However, we will continue to monitor the District's procedures regarding superintendent contracts in future audits.

Observation: Continued Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary: Our prior audit found that the District had not implemented previous audit recommendations regarding bus drivers' qualifications.

- Recommendations: Our audit observation recommended that the District:
1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractor 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.
 2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to have direct contact with children.

Current Status: During our current audit, we found that the District did implement our recommendations. The District now has procedures in place requiring bus drivers to report an arrest or conviction within 72 hours.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of the School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
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This report is a matter of public record and is available online at 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.

