



**RIVERVIEW SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

DECEMBER 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

Mr. John Hackworth, Board President
Riverview School District
701 Tenth Street
Oakmont, Pennsylvania 15139

Dear Governor Corbett and Mr. Hackworth:

We conducted a performance audit of the Riverview School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period July 30, 2010 through August 9, 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 Section 403 of The Fiscal Code, 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 relevant requirements. However, we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of this report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

December 2, 2013

cc: **RIVERVIEW 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 Riverview School District (District) in Allegheny County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, 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 July 30, 2010 through August 9, 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 two (2) square miles. According to 2010 federal census data, it serves a resident population of 8,777. According to District officials, the District provided basic educational services to 1,043 pupils through the employment of 102 teachers, 52 full-time and part-time support personnel, and nine (9) administrators during the 2011-12 school year. Lastly, the District received \$4,968,227 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one (1) matter unrelated to compliance that is reported as an observation.

Observation: Amount Paid Pupil Transportation Contractor Greatly Exceeds Pennsylvania Department of Education Final Formula Allowance. Our audit of the Riverview School District's (District) contracted pupil transportation costs for the school years ending June 30, 2009 through June 30, 2012, found that over that four-year period, the District paid its main transportation contractor substantially more than the Pennsylvania Department of Education's final formula allowance, which is used to determine reimbursement of pupil transportation services (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Riverview School District (District) from an audit released on June 2, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8).

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 Section 403 of The Fiscal Code, 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 30, 2010 through August 9, 2013.

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 certain relevant 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:

- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?

- ✓ 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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 independent 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 certain relevant state 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 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). 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 relevant requirements 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 controls 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, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- 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 June 2, 2011, we reviewed the District's response to PDE dated February 27, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Amount Paid Pupil Transportation Contractor Greatly Exceeds Pennsylvania Department of Education Final Formula Allowance

Criteria relevant to the finding:

Chapter 23 of the State Board of Education Regulations states that the District's Board of School Directors is responsible for the negotiation and execution of contracts or agreements with contractors, and approval of the drivers of the vehicles providing transportation.

Our audit of the Riverview School District's (District) contracted pupil transportation costs for the school years ending June 30, 2009 through June 30, 2010, found that over that four-year period, the District paid its main transportation contractor substantially more than the Pennsylvania Department of Education's final formula allowance, which is used to determine reimbursement of pupil transportation services.

PDE's final formula allowance provides for a per-vehicle allowance based on the vehicle chassis' year of manufacture, the approved seating capacity, the number of trips the vehicle operates, the number of days pupils were transported, the approved daily miles driven, any excess hours, and the greatest number of pupils transported. The final formula allowance is adjusted annually by an inflationary cost index. The reimbursement received is the lesser of the final formula allowance for the vehicles, or the actual amount paid to the contractor, multiplied by the District's aid ratio.

The following chart details the fluctuation in the District's contracted payments to the District's main transportation contractor as compared to PDE's final formula allowance:

School Year	Contractor Cost	Final Formula Allowance	Contractor Costs Over Final Formula Allowance	Percent Over Formula Allowance
2011-12	\$627,719	\$269,746	\$357,973	132.7
2010-11	584,329	217,903	366,426	168.2
2009-10	525,006	221,874	303,132	136.6
2008-09	286,296	173,672	286,296	164.9

Additionally, our audit found that over this period, the District's total number of pupils transported decreased, while the number of buses and total approved annual miles increased.

The following chart details the total amount paid to the contractor each school year, the maximum allowable cost, the total reimbursement received by the District from PDE, and the local tax dollars required to operate the District's pupil transportation program.

<u>School Year</u>	<u>Contractor Cost</u>	<u>Maximum Allowable Cost</u>	<u>Reimbursement Received</u>	<u>Local Share</u>
2011-12	\$ 640,367	\$282,394	\$153,283	\$ 487,084
2010-11	593,853	227,427	124,654	469,199
2009-10	530,214	227,082	127,335	402,879
2008-09	462,743	176,447	96,136	366,607
Total	<u>\$2,227,177</u>	<u>\$913,350</u>	<u>\$501,408</u>	<u>\$1,725,769</u>

District personnel provided us with the current pupil transportation contract effective July 1, 2009 through June 30, 2014. The contract did not indicate that there would be any consideration of PDE's approved final formula allowance. District administrative personnel stated that the contract was put out for bid; however, only one (1) company responded to the bid.

Recommendations

The *Riverview School District* should:

1. Ensure that, prior to negotiating a new contract, the Board of School Directors and administrative personnel are cognizant of the state's final formula allowance cost formula.
2. Routinely seek competitive bids for all of the District's pupil transportation services to ensure the most efficient cost to the District and its taxpayers.
3. Prepare pupil transportation contracts to ensure the local share is as minimal as possible by establishing the base rate and increases in line with PDE's final formula allowance for all pupil transportation costs.
4. Have District personnel continuously monitor and justify any increase in the District's pupil transportation costs.

Management Response

Management stated the following:

“We are currently entering the last year of the transportation contract. Superintendent will recommend that board bid new contract. Bids will include details used in state formula when considering next contract. Current situation will be analyzed by new business manager who begins 8/19/2013 in an effort to examine what variable could be impacting situation and potential remedy considerations.”

Auditor Conclusion

We are encouraged the Superintendent will be recommending that the Board of School Directors bid the District’s new transportation contract. We will follow-up on the issue during our next cyclical audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Riverview School District (District) released on June 2, 2011, resulted in one (1) observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit 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 observation. As shown below, we found that the District did implement our recommendations related to unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on June 2, 2011

Observation	Unmonitored Vendor System Access and Logical Access Control Weaknesses
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Observation Summary:

Our prior audit determined that a risk exists that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it is adequately monitoring vendor activity in its system.

Recommendations: Our audit observation recommended that the District should:

1. Require all employees to sign the District's Acceptable Use Policy.
2. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.
3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
4. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight (8) characters.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. District personnel provided appropriate source documentation that reflects that employees now sign the Acceptable Use Policy, that they are now tracking employees who are no longer employed at the District, and that system parameters have been updated to require passwords are a minimum of eight (8) characters and must be changed every 30 days.

Distribution List

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

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
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The Honorable Carolyn Dumaesq
Acting Secretary of Education
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The Honorable Robert M. McCord
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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.