

ROCKWOOD AREA SCHOOL DISTRICT
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2009

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

Mr. Ron Saler, Board President
Rockwood Area School District
439 Somerset Avenue
Rockwood, Pennsylvania 15557

Dear Governor Rendell and Mr. Saler:

We conducted a performance audit of the Rockwood Area School District (RASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 30, 2007 through March 31, 2009, 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, 2007, 2006 and 2005, as they were the most recent reimbursements subject to audit. 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 RASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 10, 2009

cc: **ROCKWOOD AREA 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 Rockwood Area School District (RASD). 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 RASD in response to our prior audit recommendations.

Our audit scope covered the period March 30, 2007 through March 31, 2009, 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, 2006-07, 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The RASD encompasses approximately 146 square miles. According to 2007 local census data, it serves a resident population of 5,680. According to District officials, in school year 2007-08 the RASD provided basic educational services to 858 pupils through the employment of 70 teachers, 35 full-time and part-time support personnel, and 3 administrators. Lastly, the RASD received more than \$5 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the RASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the RASD had taken appropriate corrective action in implementing our recommendations pertaining to a fund balance decrease and a certification irregularity (see page 7).



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 March 30, 2007 through March 31, 2009, except for the verification of professional employee certification which was performed for the period February 1, 2007 through December 31, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 RASD'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?

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.

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 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.

RASD 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.
- Tuition receipts and deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with RASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 14, 2008, we performed audit procedures targeting the previously reported matters.

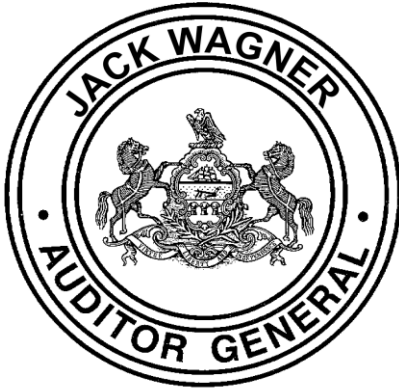
Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Rockwood Area School District (RASD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to a decrease in the District’s fund balance, and the second to a certification irregularity. 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 questioned District personnel regarding the prior findings. As shown below, we found that the RASD did implement recommendations related to a decrease in the District’s fund balance and the certification irregularity.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	Implementation Status	
<p><u><i>I. Finding 1: District Fund Balance Decreased \$861,242 Over the Four Year Period Ending June 30, 2006</i></u></p> <p>1. Prepare budgets based on realistic fund balance and real estate tax projections.</p>	<p>Background:</p> <p>Our prior audit found that, according to the District’s annual financial reports, the District’s general fund balance decreased from a surplus of \$855,956 at June 30, 2002 to a deficit of \$5,286 at June 30, 2006.</p> <p>A major factor contributing to the decrease in the fund balance was the District’s use of unrealistic beginning fund balance projections when preparing its general fund budgets.</p>	<p>Current Status:</p> <p>Our current audit found that as of June 30, 2008, the District had a general fund surplus of \$546,177. Additionally, for the 2008-09 school year, the District prepared its budget based on a realistic fund balance.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding.</p>
<p><u><i>II. Finding 2: Certification Irregularity</i></u></p> <p>1. Ensure all professional employees hold valid Pennsylvania certification prior to teaching in the District’s schools.</p> <p>2. DE should adjust the District’s allocations to recover the subsidy forfeiture of \$751.</p>	<p>Background:</p> <p>Our prior audit of the professional employees’ certification for the period November 1, 2004 through January 31, 2007, found that a teacher was employed for two months during the 2005-06 school year prior to receiving Pennsylvania certification.</p> <p>The information was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. Subsequently, BSLTQ determined the employee did not have appropriate certification and the District was subject to a subsidy forfeiture of \$751.</p>	<p>Current Status:</p> <p>Our current audit of the professional employees’ certification for the period February 1, 2007 through December 31, 2008, determined that all professional personnel were properly certified and assigned. Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this finding.</p> <p>DE has scheduled the recovery of the \$751 subsidy forfeiture for June of 2009.</p>



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:

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