

SOUTH FAYETTE TOWNSHIP SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. William Newcomer, Board President
South Fayette Township School District
3680 Old Oakdale Road
McDonald, Pennsylvania 15057

Dear Governor Rendell and Mr. Newcomer:

We conducted a performance audit of the South Fayette Township School District (SFTSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 22, 2006 through May 30, 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. 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 SFTSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 22, 2010

cc: **SOUTH FAYETTE TOWNSHIP 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 South Fayette Township School District (SFTSD). 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 SFTSD in response to our prior audit recommendations.

Our audit scope covered the period December 22, 2006 through May 30, 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.

District Background

The SFTSD encompasses approximately 21 square miles. According to 2000 federal census data, it serves a resident population of 12,271. According to District officials, in school year 2007-08 the SFTSD provided basic educational services to 2,177 pupils through the employment of 155 teachers, 160 full-time and part-time support personnel, and 10 administrators. Lastly, the SFTSD received more than \$6.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SFTSD 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 SFTSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the SFTSD had taken appropriate corrective action in implementing our recommendations pertaining to violations of the Public Official and Employee Ethics Act (see page 7).

We found the SFTSD chose not to implement our recommendations pertaining to bus drivers' qualifications (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 December 22, 2006 through May 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 Department of Education (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

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.

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 SFTSD'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:

- ✓ 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 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.

SFTSD 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 bus driver qualifications, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 17, 2007, we reviewed the SFTSD's response to DE dated August 27, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the South Fayette Township School District (SFTSD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to violations of the Public Official and Employee Ethics Act (Ethics Act), and the observation pertained to internal control weaknesses in administrative policies regarding 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 SFTSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the SFTSD did implement recommendations related to the Ethics Act, but did not implement recommendations related to bus drivers' qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
Prior Recommendations	Implementation Status	
<p><u><i>Finding: Violations of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. 	<p>Background:</p> <p>Our prior audit of District records found that one board member failed to file Statements of Financial Interests for the 2003 and 2004 calendar years.</p>	<p>Current Status:</p> <p>All current board members had their Statements of Financial Interests on file. The District still needs to work on getting the Statements of Financial Interests from board members after they leave the board.</p>

<p><u>I. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Driver's Qualifications</u></p> <ol style="list-style-type: none"> 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 contractors 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 current employees of the District or the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action. 	<p>Background:</p> <p>Our prior audit found that neither the District nor the contractor had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p> <p>While recognizing that current law did not require such written policies and procedures, we considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p> <p>In its written response to DE, the board stated:</p> <p>The district is currently in compliance with applicable laws regarding the obtainment of clearances for school bus drivers.</p> <p>We have not pursued obtaining these clearances from our drivers on an annual basis because this is NOT a requirement of the law and no other employee in the District is required to obtain clearances annually. Additionally, the cost to obtain clearances is the responsibility of the employee and requiring additional clearances, that are not mandated, would need to be negotiated as a change in condition of employment.</p>	<p>Current Status:</p> <p>Our current audit found that neither the District nor the transportation contractor chose to implement our recommendations for a written policy.</p> <p>Although not required by law, we made our recommendations in the interests of the protection of the students of the District. We do not suggest that the District require employees to obtain clearances annually, but rather that the board adopt such policies and procedures as it deems effective to ensure that the District is notified if employees are charged with or convicted of crimes after their date of hire. We again recommend that the District consider implementing such written policies and procedures.</p>
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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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