

SOUTH SIDE AREA SCHOOL DISTRICT
BEAVER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2011

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

Ms. Carson Robbins, Board President
South Side Area School District
4949 State Route 151
Hookstown, Pennsylvania 15050

Dear Governor Corbett and Ms. Robbins:

We conducted a performance audit of the South Side Area School District (SSASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 13, 2008 through August 13, 2010, 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 and June 30, 2007. 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 SSASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

October 18, 2011

cc: **SOUTH SIDE 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 South Side Area School District (SSASD). 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 SSASD in response to our prior audit recommendations.

Our audit scope covered the period June 13, 2008 through August 13, 2010, 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 and 2006-07.

District Background

The SSASD encompasses approximately 76 square miles. According to 2000 federal census data, it serves a resident population of 6,935. According to District officials, in school year 2007-08 the SSASD provided basic educational services to 1,331 pupils through the employment of 112 teachers, 78 full-time and part-time support personnel, and 8 administrators. Lastly, the SSASD received more than \$13.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SSASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: Errors in Reporting Pupil Transportation Data Resulted in Overpayments to the District of \$402,201.

Our audit of transportation data for the 2007-08 and 2006-07 school years found errors in reporting pupil transportation data to the Department of Education, resulting in overpayments of \$70,697 and \$331,504 for the 2007-08 and 2006-07 school years, respectively (see page 6).

Finding No. 2: Memorandum of Understanding Not Available.

Our audit found that the SSASD did not have a Memorandum of Understanding with its local law enforcement agency on file (see page 8).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SSASD from an audit we conducted of the 2005-2006 and 2004-2005 school years, we found the SSASD had not taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding that was not updated timely (see page 9).



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 June 13, 2008 through August 13, 2010, except for the verification of professional employee certification which was performed for the period May 2, 2008 to June 30, 2010.

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

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 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 SSASD'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?
- ✓ 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?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?

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.

SSASD 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, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 26, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1



Criteria relevant to the finding:

Bus mileage is a critical factor in determining a District's transportation reimbursement. As such, it is important that the District accurately report daily bus mileage to ensure correct transportation reimbursement is received.

Errors in Reporting Pupil Transportation Data Resulted in Overpayments to the District of \$402,201

Our audit of transportation data for the 2007-08 and 2006-07 school years found errors in reporting pupil transportation data to the Department of Education (DE), resulting in transportation reimbursement overpayments of \$70,697 and \$331,504 for the 2007-08 and 2006-07 school years, respectively.

For the 2007-08 school year, our audit of bus mileage reports showed that mileage was reported incorrectly for 19 vehicles, which resulted in a net overstatement of 116.3 and 90.5 daily miles driven with and without pupils, respectively.

For the 2006-07 school year, our audit of bus mileage reports showed that mileage was reported incorrectly for 29 vehicles, which resulted in a net daily overstatement of 788.1 and 496.6 daily miles driven with and without pupils, respectively.

The District uses software from an outside vendor for its transportation reports. The District believes there was a problem with this software, resulting in the doubling of miles for each bus reported to DE for the 2006-07 school year, and other reporting errors for the 2007-08 school year. The District has contacted the vendor regarding the errors found during our audit.

We have provided DE with reports detailing the errors to be used in the recalculation of the District's pupil transportation reimbursement.

Recommendations

The *South Side Area School District* should:

1. Review and check the software with the vendor to assure that everyone involved with using the software understands the correct data needed to produce accurate reports.

2. Require personnel to review and check the accuracy of all spreadsheets and of all reports submitted.

The *Department of Education* should:

3. Adjust the District's allocations to correct the overpayments of \$402,201.

Management Response

Management waived the opportunity to reply at the time of our audit.

Finding No. 2 →

Memorandum of Understanding Not Available

Criteria relevant to the finding:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI General Provisions item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our previous audit of South Side Area School District's records found that the Memorandum of Understanding (MOU) between the District and the local law enforcement agency was signed on June 23, 1998, and was not updated through the ending date of our prior audit, June 13, 2008 (see page 9).

Our current audit of the District's records found that the District could not produce any MOU with the local law enforcement agency.

The failure to have an updated MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agency if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *South Side Area School District* should:

1. In consultation with its solicitor, re-execute an MOU with the local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management waived the opportunity to reply at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the South Side Area School District (SSASD) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to a Memorandum of Understanding (MOU) not being 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 performed audit procedures and questioned District personnel regarding the prior observation. As shown below, we found that the SSASD did not implement recommendations related to the observation.

School Years 2004-05 and 2005-06 Auditor General Performance Audit Report

Observation: **Memorandum of Understanding Not Updated Timely**

Observation

Summary:

Our prior audit of the District records found that the MOU between the District and the local law enforcement agency was signed on June 23, 1998, and had not been updated since.

Recommendations:

Our audit observation recommended that the SSASD:

1. In consultation with the District's solicitor, review, update, and re-execute the current MOU between the District and the local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status:

During the course of the current audit, the District was unable to produce a copy of any MOU with its local law enforcement agency (see page 8).



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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