



**TITUSVILLE AREA SCHOOL DISTRICT
VENANGO 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. Dwight Proper, Board President
Titusville Area School District
221 North Washington Street
Titusville, Pennsylvania 16354

Dear Governor Corbett and Mr. Proper:

We conducted a performance audit of the Titusville Area 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 September 9, 2011 through April 30, 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 and June 30, 2011. 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, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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 13, 2013

cc: **TITUSVILLE AREA 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 Titusville Area School District (District) in Venango 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.

Our audit scope covered the period September 9, 2011 through April 30, 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 and 2010-11 school years.

District Background

The District encompasses approximately 200 square miles. According to 2010 federal census data, it serves a resident population of 14,151. According to District officials, the District provided basic educational services to 2,016 pupils through the employment of 139 teachers, 107 full-time and part-time support personnel, and 20 administrators during the 2011-12 school year. Lastly, the District received \$18,174,309 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, except for one (1) compliance related matter reported as a finding.

Finding: Board Action Violated the Public School Code and Board Policy.

Our review of the Titusville Area School District's (District) 2010-11 Board of School Directors (Board) meeting minutes found the District purchased a low ropes challenge course for the middle school at a cost of \$34,603 without advertising for competitive bids as required by the Public School Code and the District's Board policy. Additionally, the Board failed to obtain approval from the Pennsylvania Department of Education for the project (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

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 September 9, 2011 through April 30, 2013, except for the verification of professional employee certification which was performed for the period August 15, 2011 through April 10, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable 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?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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?

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.

Findings and Observations

Finding

Board Action Violated the Public School Code and Board Policy

Criteria relevant to the finding:

Section 751 of the Public School Code (PSC), 24 P.S. § 7-751, provides in part:

- (a) All construction, reconstruction, repairs, maintenance or work of any nature . . . made by any school district, where the entire cost, value or amount . . . including labor and material, shall exceed ten thousand dollars (\$10,000), shall be done under separate contracts to be entered into by such school districts with the lowest responsible bidder . . . after due public notice has been given asking for competitive bids.

Section 807.1 of the PSC, 24 P.S. § 8-807.1, provides in part:

“All furniture, equipment, textbooks, school supplies and other appliances for the use of the public schools, costing ten thousand dollars (\$10,000) or more **shall** be purchased by the board of school directors **only after** hereinafter provided . . . after public notice has been given by advertisement once a week for three (3) weeks in not less than two (2) newspapers of general circulation. . . . **(emphases added)**”

Our review of the Titusville Area School District’s (District) 2010-11 Board of School Directors (Board) meeting minutes found the District purchased a low ropes challenge course for the middle school at a cost of \$34,603 without advertising for complete bids, as required by the Public School Code (PSC) and the District’s Board policy. Additionally, the Board failed to obtain Pennsylvania Department of Education (PDE) approval for the project.

Documentation examined by auditors found that the District received a \$49,792 grant from a private entity to promote nutrition and physical activity for the middle school. The middle school project included the hardware equipment and installation of a new Low Ropes Challenge Course and related supplies at a cost of \$34,603, which included \$5,605 for training. An additional \$15,189 was expended for snack education program and program supplies, postage, and associated event expenditures.

The audit found the District did not seek competitive bids for the construction of the middle school ropes course, nor did the District secure approval from PDE, as required by the PSC, at the time the construction of the course.

PDE approval is required because school buildings are subsidized and constructed according to architectural plans approved by PDE. Any alterations to buildings or grounds without PDE approval may have an effect on the health or safety of the District’s students. Alterations to buildings or grounds may also have an effect on the reimbursements received for building costs.

Additionally, by failing to seek competitive bids, the Board might not have received the benefit of lower costs normally associated with bidding.

Additional criteria relevant to the finding:

Section 731 of the PSC, 24 P.S. § 7-731, provides for the approval from the Pennsylvania Department of Education (PDE) on the construction and the reconstruction of school buildings.

NOTE: Although required at the time of construction, the requirement to obtain PDE's approval for projects not funded by Commonwealth funds is no longer needed.

Board Policy Manual Section 610 "Purchases Subject to Bid"— provides in part:

"It is the policy of the Board to obtain competitive bids for the products and services where such bids **are required by law** or where such bids may be believed to bring about a cost saving to the school district . . . bid specifications shall be prepared by the superintendent or his/her designee. **(emphases added)**"

The auditors were informed that as a result of time constraints and one vendor's failure to provide documents needed for the project, the District requested a detailed proposal from another vendor.

Correspondence received during the audit noted the vendor that was selected provided, in the District's opinion, a much more detailed analysis of what needed to be done both physically and for the curriculum to make this a successful project.

On August 4, 2011, the District received a detailed proposal which included specifics on installation and training on how to use the equipment for curriculum and safety.

The District's reasoning and rationale for not bidding out the low ropes course project, per the District's business manager, was as follows:

"Due to the time constraints, lack of expertise in writing the bid specs and the difficulty in trying to obtain sample specs the District decided it was in the best interest of the project to move forward or return the money. In coming to this decision the District first consulted with the District Solicitor. Since the monies to fund this project were private grant dollars, the Administration next decided to seek the [funding source] approval/permission to move forward utilizing [the course] or send the grant dollars back. The District explained the situation to the [funding source] and the fact that asking an expert to write these specifications would be costly. The [funding source] reviewed the proposal and granted their permission to move forward with [the project]."

Regardless of the funding source, the District was required to comply with all bidding and project approval requirements.

Recommendations

The *Titusville Area School District* should:

1. Require District administrators to follow the PSC bidding requirements and the District's bidding policies when making purchases for the District.
2. Require District administrators to adhere to the provisions and restrictions of Section 731 of the PSC in all future projects, as applicable.

Management Response

Management waived their opportunity to respond to the finding at the time of audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Titusville Area School District resulted in no findings or observations.

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
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
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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.