

TRINITY AREA SCHOOL DISTRICT
WASHINGTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Thomas Bodnovich, Board President
Trinity Area School District
231 Park Avenue
Washington, Pennsylvania 15301

Dear Governor Rendell and Mr. Bodnovich:

We conducted a performance audit of the Trinity Area School District (TASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period October 20, 2006 through January 23, 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, 2006, and June 30, 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 TASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 22, 2010

cc: **TRINITY 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 Trinity Area School District (TASD). 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 TASD in response to our prior audit recommendations.

Our audit scope covered the period October 20, 2006 through January 23, 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 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 TASD encompasses approximately 87 square miles. According to 2000 federal census data, it serves a resident population of 25,591. According to District officials, in school year 2005-06 the TASD provided basic educational services to 3,674 pupils through the employment of 255 teachers, 137 full-time and part-time support personnel, and 19 administrators. Lastly, the TASD received more than \$15.9 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the TASD 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 TASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the TASD had taken appropriate corrective action in implementing our recommendations pertaining to membership reporting, transportation (see page 7) and bus driver 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 October 20, 2006 through January 23, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2006 through December 31, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 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 T ASD'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.

TASD 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 30, 2007, we reviewed the TASD's response to DE dated April 3, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Trinity Area School District (TASD) for the school years 2003-04 and 2002-03 resulted in two reported findings and one observation, as shown in the following table. 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 TASD 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 TASD did implement recommendations related to the two findings and the observation.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Errors in Reporting Pupil Membership Resulted in an Underpayment of \$6,729</i></u></p> <ol style="list-style-type: none"> Review all membership reports prior to submission to DE to ensure all applicable membership is included and properly reported. DE should adjust future allocations to the District to correct the \$6,729 underpayment. 	<p>Background:</p> <p>Our prior audit for the 2003-04 school year, the District incorrectly reported resident membership for special education students educated by the local intermediate unit.</p>	<p>Current Status:</p> <p>For the 2004-05 and 2005-06 school years, the District properly reported all membership to DE.</p> <p>We concluded that TASD <u>did</u> take appropriate corrective action to address this finding.</p> <p>As of January 23, 2009, DE had yet to adjust the District's allocations. We again recommend that DE adjust the District's allocations to correct the \$6,729 underpayment.</p>
<p><u><i>II. Finding 2: Lack of Documentation to Support Reported Transportation Data</i></u></p> <ol style="list-style-type: none"> Maintain adequate documentation to support the reported miles driven for all vehicles providing pupil transportation. 	<p>Background:</p> <p>Our prior audit of the source documentation for pupil transportation for the 2002-03 and the 2003-04 school years found that the District failed to maintain adequate documentation to support the number of miles driven by vehicles providing pupil transportation as reported to DE for transportation reimbursement.</p>	<p>Current Status:</p> <p>We audited source documentation for the 2004-05 and 2005-06 school years and found that the District had adequate documentation to allow for the verification of miles driven.</p> <p>We concluded that TASD <u>did</u> take appropriate corrective action to address this finding.</p>

<p><u>III. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether perspective and current employees of the District or the District's transportation contractors have been 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 drivers are charged with or convicted of crimes that call into question their suitability to have direct contact with children, and consider on a case by case basis whether any convictions of a current employee should lead to an employment action. 	<p>Background:</p> <p>Our review of personnel records in the prior audit found that neither the District nor its transportation contractors had written procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses that should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that the District's transportation coordinator periodically reviews the bus drivers' documentation; in addition, the contractor is required to notify the coordinator if one of the drivers is convicted of a crime.</p> <p>As of the time of fieldwork for our current audit the District had not formalized these procedures, but District personnel informed us that this would be done when the next contract with the contractor is negotiated.</p> <p>We will follow up on the District's adoption of formal procedures during our next audit of the District.</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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