

TYRONE AREA SCHOOL DISTRICT  
BLAIR COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010



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

Mr. Lee R. Stover, Board President  
Tyrone Area School District  
701 Clay Avenue  
Tyrone, Pennsylvania 16686

Dear Governor Rendell and Mr. Stover:

We conducted a performance audit of the Tyrone Area School District (TASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 14, 2008 through February 25, 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 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.

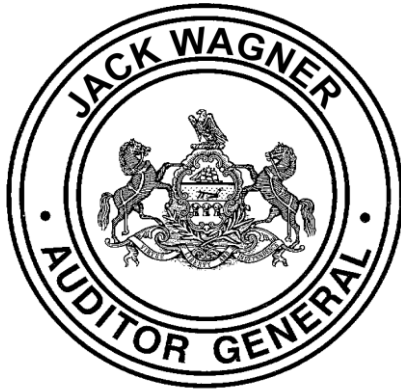
Sincerely,

/s/

JACK WAGNER  
Auditor General

September 20, 2010

cc: **TYRONE AREA SCHOOL DISTRICT** Board Members

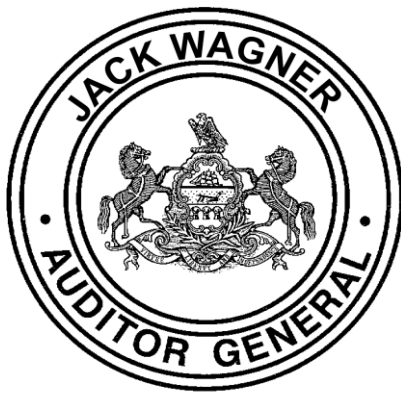


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Tyrone 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 TASD in response to our prior audit recommendations.

Our audit scope covered the period August 14, 2008 through February 25, 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.

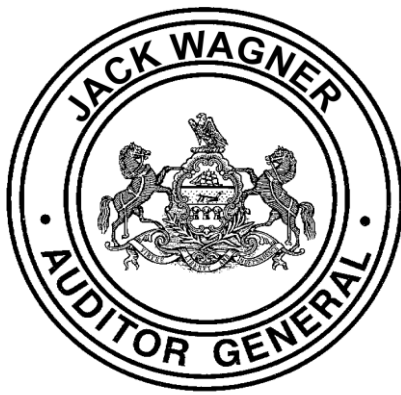
### **District Background**

TASD encompasses approximately 167 square miles. According to 2010 local census data, it serves a resident population of 12,581. According to District officials, in school year 2007-08 TASD provided basic educational services to 1,878 pupils through the employment of 152 teachers, 148 full-time and part-time support personnel, and 10 administrators. Lastly, TASD received more than \$13.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that TASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of TASD resulted in no findings or observations.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to TASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found TASD had taken appropriate corrective action in implementing our recommendations pertaining to health services reimbursement (see page 7).





## Audit Scope, Objectives, and Methodology

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### 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 August 14, 2008 through February 25, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2008 through November 30, 2009.

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 (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 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?
- ✓ 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?

- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 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 T ASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2009, we reviewed the T ASD's response to DE dated June 16, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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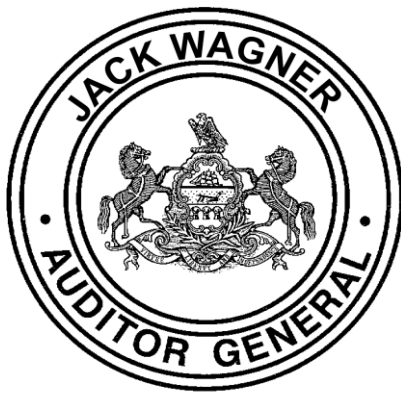
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**F**or the audited period, our audit of the Tyrone Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Tyrone Area School District (TASD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to health services reimbursement. 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, performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the TASD did implement recommendations related to health services reimbursement.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Overstatement of Average Daily Membership for Health Services Resulted in Overpayments of \$1,472</i></u></p> <ol style="list-style-type: none"> <li>1. Report membership only for students who are provided health services by the District.</li> <li>2. Review applications submitted subsequent to our audit and if errors are noted send revised reports to the Department of Health (DH).</li> <li>3. DH should adjust the District's allocations to correct the overpayments of \$1,472.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's health services reimbursement data for the 2005-06 and 2004-05 school years found District personnel incorrectly reported average daily membership (ADM) to DH. The errors resulted in reimbursement overpayments of \$1,472.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the District's health services reimbursement for the 2007-08 audit year found that the District is reporting ADM only for students for whom they are providing health services.</p> <p>Our review of the 2006-07 school year reimbursement found that the District did not implement our recommendation to review the subsequent year reports, resulting in uncorrected errors; however, these errors did not significantly affect the District's reimbursement.</p> <p>As of completion of our fieldwork, DH had not yet adjusted the District's allocations. Therefore, we again recommend that DH resolve the overpayments of \$1,472.</p>



## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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