



**TYRONE AREA SCHOOL DISTRICT
BLAIR 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. James B. Crawford, Board President
Tyrone Area School District
701 Clay Avenue
Tyrone, Pennsylvania 16686

Dear Governor Corbett and Mr. Crawford:

We conducted a performance audit of the Tyrone 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 February 25, 2010 through July 3, 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, 2011, 2010, and 2009. 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.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

December 4, 2013

cc: **TYRONE 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 Tyrone Area School District (District) in Blair 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 February 25, 2010 through July 3, 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, 2010-11, 2009-10, and 2008-09 school years.

District Background

The District encompasses approximately 167 square miles. According to 2010 federal census data, it serves a resident population of 12,572. According to District officials, the District provided basic educational services to 1,923 pupils through the employment of 141 teachers, 141 full-time and part-time support personnel, and eight (8) administrators during the 2011-12 school year. Lastly, the District received \$14,579,176 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: District's Entitlement to \$132,055 in Nonpublic Transportation Reimbursement is Questionable as a Result of a Lack of Documentation. Our audit of the Tyrone Area School District's (District) transportation data for school years ending June 30, 2012, 2011, 2010, and 2009 found that District personnel were unable to provide documentation to support the nonpublic pupil count in transportation data reported to the Pennsylvania Department of Education, resulting in our inability to verify the District's entitlement to reimbursements totaling \$132,055 (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 February 25, 2010 through July 3, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through June 19, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 2009-10, and 2008-09 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 transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state 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?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ 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

District's Entitlement to \$132,055 in Nonpublic Transportation Reimbursement is Questionable as a Result of a Lack of Documentation

Criteria relevant to the finding:

Section 518 of the Public School Code (PSC), 24 P.S. § 5-518, requires that records be retained for a period of not less than seven (7) years.

Section 2509.3 of the PSC, 25 P.S. § 2509.3, provides for the payment on account of transportation of nonpublic school pupils.

The Pennsylvania Department of Education guidelines and instructions require the maintenance and retention of adequate documentation to verify the District's entitlement to state payments. Failure to maintain and retain this documentation could result in the loss of state funding.

Our audit of the Tyrone Area School District's (District) transportation data for school years ending June 30, 2012, 2011, 2010, and 2009 found that District personnel were unable to provide documentation reported to the Pennsylvania Department of Education (PDE), resulting in our inability to verify the District's entitlement to transportation cost reimbursement totaling \$132,055.

During our audit, District personnel were unable to provide detailed lists to support the number of nonpublic pupils reported for the school years ending June 30, 2012, 2011, 2010, and 2009.

The documentation that was provided for audit not only disagreed with the reported data but also did not match the bus seating charts that were used by the auditors to attempt to calculate the District's reported figures. As a result, the District's nonpublic transportation reimbursement could not be verified.

The District reported the following:

School Year	Nonpublic Pupils Reported	Reimbursement Received
2011-12	91	\$ 35,035
2010-11	95	36,575
2009-10	104	40,040
2008-09	53	20,405
	Total	<u>\$132,055</u>

The lack of documentation was caused by a change in responsibilities among the support staff, and a new person was responsible for reporting transportation data to PDE.

In April of each school year, PDE provides each district in the Commonwealth with a *Preliminary Summary of Pupil Transportation* report. This report is to be used by District personnel to perform an internal review of the reported data prior to the finalization of the PDE's transportation subsidy. Had this internal review been performed, the District would have noted that the reported data was questionable.

Internal controls are the responsibility of management. Weaknesses in the District's retention of records procedures, as detailed in this finding, did not provide management with the assurance that documentation supporting the District's nonpublic pupil transportation data was collected, recorded, and reported accurately, in accordance with PDE instructions during the school years ending June 30, 2012, 2011, 2010, and 2009.

Recommendations

The *Tyrone Area School District* should:

1. Put procedures in place to ensure that nonpublic pupil documentation includes each nonpublic student's name, bus number, and school attended and that the nonpublic pupil documentation is retained for no less than seven (7) years.
2. Perform a comparison of PDE's Preliminary Summary of Transportation report and the District's reported data to ensure that transportation data is reported and processed accurately.

Management Response

Management stated the following:

“Cause: District personnel utilized data from the seating charts to determine the number of nonpublic students transported. In response to the finding a list of students was compiled to accurately document the number of students. This data did not agree with the number of students reported.

Corrective Action: The transportation director and transportation secretary will compile a list of nonpublic students transported annually. This information will be submitted to the business office. The business office will verify the information and ensure that the correct number is reported to the state for reimbursement. In addition, the business office will maintain the documentation with the transportation data utilized to prepare the annual transportation report.”

Auditor Conclusion

We are encouraged that the District is taking steps to address the internal control deficiency in its transportation reporting procedures. We will evaluate the District’s efforts during our next cyclical audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Tyrone 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
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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.