

UNIONTOWN AREA SCHOOL DISTRICT  
FAYETTE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Mr. Lloyd Williams, Board President  
Uniontown Area School District  
23 East Church Street  
Uniontown, Pennsylvania 15401

Dear Governor Corbett and Mr. Williams:

We conducted a performance audit of the Uniontown Area School District (UASD) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period March 31, 2009 through January 17, 2011, 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 UASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 26, 2012

cc: **UNIONTOWN 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 Uniontown Area School District (UASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the UASD in response to our prior audit recommendations.

Our audit scope covered the period March 31, 2009 through January 17, 2011, 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**

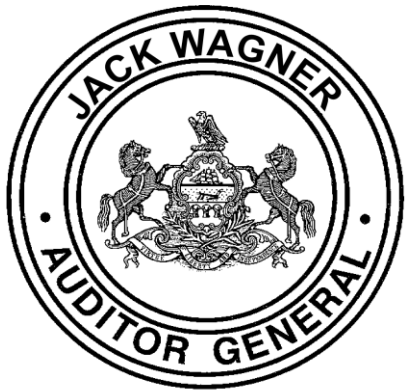
The UASD encompasses approximately 250 square miles. According to 2000 federal census data, it serves a resident population of 26,925. According to District officials, in school year 2007-08 the UASD provided basic educational services to 3,344 pupils through the employment of 267 teachers, 164 full-time and part-time support personnel, and 17 administrators. Lastly, the UASD received more than \$21.1 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the UASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

**Finding: The District Had a General Fund Deficit of \$1,846,772 as of June 30, 2010.** Our review of the UASD financial reports found a general fund deficit of \$1,846,772 as of June 30, 2010 (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the UASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the UASD had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 8).





## 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 March 31, 2009 through January 17, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through December 31, 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 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 UASD's compliance with applicable state laws, 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?

- ✓ 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 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, 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, observations and conclusions based on our audit objectives.

UASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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, 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 UASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 4, 2009, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding

### The District Had a General Fund Deficit of \$1,846,772 as of June 30, 2010

*Criteria relevant to the finding:*

Section 609 of the Public School Code provides, in part:

No work shall be hired to be done, no materials purchased, and no contracts made by any board of school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded.

Our review of the District's annual financial reports, local auditor's reports and general fund budgets for the fiscal years ended June 30, 2010 and 2009, found that the District reported general fund deficits for the past two years, as shown in the following schedule:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Expenditures</u> <u>(Over)/Under</u>	<u>General Fund</u> <u>Surplus/(Deficit)</u>
2008	\$ -	\$ -	\$ -	\$2,277,275
2009	37,884,863	41,159,208	(3,274,345)	(997,070)
2010	39,011,796	39,861,498	(849,702)	(1,846,772)

The following budgeting issues were major conditions that led to the deficit:

1. The District over estimated their beginning fund balances by \$1,250,835 and \$1,634,667 for the 2008-09 and 2009-10 fiscal years, respectively.
2. The District over estimated revenues to be received during the fiscal years as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Budgeted</u> <u>Revenue</u>	<u>Actual</u> <u>Revenue</u>	<u>Revenue</u> <u>Under Budget</u>
2009	\$39,570,391	\$37,884,863	\$1,685,528
2010	41,692,935	39,011,796	2,681,139

**Recommendations**

The *Uniontown Area School District* should:

1. Adopt budgets estimating revenue and beginning fund balances based on historical indicators and realistic expectations of the amount of revenue that will actually be available for the budgetary period.
2. Use monthly budget status reports to better monitor the status of revenue estimations, and adjust expenditures to reflect available revenue.
3. Provide for the systematic reduction of the general fund deficit.

**Management Response**

Management stated the following:

The District budgeted to balance the 2008-2009 fiscal year by using \$3.5 million of their remaining fund balance from 2007-08. The fund balance at the end of 2007-2008 was audited to be \$2,277,275 at year end. With a loss of \$3,274,345 in 2008-2009 the fund balance was depleted and the district went in to a deficit fund balance. In 2009-2010 any estimated fund balance at the beginning of the fiscal year would not be available to balance the budget for 2009-10. In 2009-2010 it is estimated that the effect on fund balance was a further reduction of approximately \$850,000, un-audited as of the response date. Beginning in the 2010-2011 fiscal year the district closed an alternative education program, raised millage to the maximum allowable by index and did not replace 14 teachers that retired in order to balance the budget. The District has applied for \$3,577,122 in exceptions to balance the 2011-2012 fiscal year budget. These have not been approved from PDE as of this response. The Board is also looking at the programs offered the students as well as other ways to reduce costs as well as maximizing revenues in order to halt the further increase in a deficit fund balance.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Uniontown Area School District (UASD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to certification deficiencies. 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 finding. As shown below, we found that the UASD did implement recommendations related to certification deficiencies.

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

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**Finding:**                      **Certification Deficiencies**

Finding Summary:        Our prior audit of professional employee's certification for the period December 1, 2006 through March 31, 2009, found that five individuals were assigned to positions with lapsed certificates during the 2008-09 and 2007-08, resulting in total subsidy forfeitures of \$13,325.

Recommendations:      Our audit finding recommended that the UASD:

Ensure that District employees obtain permanent certificates before their temporary certificates lapse.

Our audit finding also recommended that the Department of Education (DE):

Recover the appropriate subsidy forfeitures resulting from the deficiencies.

Current Status:            During our current audit procedures we found that the UASD did implement the recommendation. No instances of lapsed certification were noted.

On June 1, 2010, DE withheld the subsidy forfeitures from the District's basic education funding allocations.

## **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:

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

The Honorable Ronald J. Tomalis  
Secretary of Education  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

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Mechanicsburg, PA 17055

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