

GATEWAY SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. James Rosipal, Board President
Gateway School District
9000 Gateway Campus Boulevard
Monroeville, Pennsylvania 15146

Dear Governor Rendell and Mr. Rosipal:

We conducted a performance audit of the Gateway School District (GSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 21, 2007 through July 30, 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 GSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

December 9, 2010

cc: **GATEWAY SCHOOL DISTRICT** Board Members

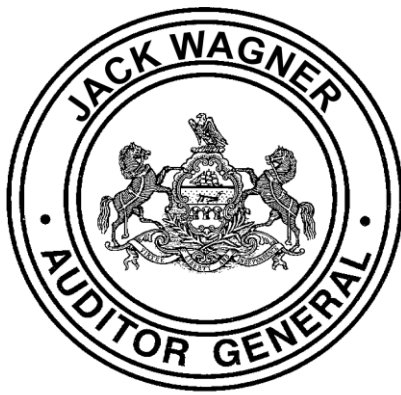
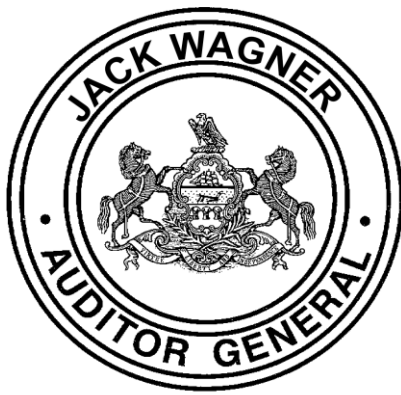


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Gateway School District (GSD). 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 GSD in response to our prior audit recommendations.

Our audit scope covered the period September 21, 2007 through July 30, 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

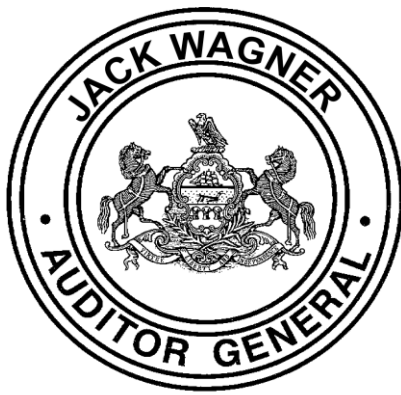
The GSD encompasses approximately 19 square miles. According to 2000 federal census data, it serves a resident population of 33,038. According to District officials, in school year 2007-08 the GSD provided basic educational services to 4,101 pupils through the employment of 341 teachers, 390 full-time and part-time support personnel, and 40 administrators. Lastly, the GSD received more than \$13.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the GSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the GSD had taken appropriate corrective action in implementing our recommendations pertaining to nonpublic pupil transportation (see page 7) and health services (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 September 21, 2007 through July 30, 2010, except for the verification of professional employee certification which was performed for the new hires for July 1, 2009 through June 30, 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 (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 GSD'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?

- ✓ 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, 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.

GSD 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, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 30, 2008, we reviewed the GSD's response to DE dated October 29, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

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Status of Prior Audit Findings and Observations

Our prior audit of the Gateway School District (GSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to nonpublic transportation and the second pertained to health services. 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 GSD 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 GSD did implement recommendations related to non-public transportation and health services.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Errors in Reporting Nonpublic Students Transported Resulted in Subsidy Overpayments of \$185,570</i></u></p> <ol style="list-style-type: none"> 1. Include only students transported to nonpublic parochial and private schools in the count of nonpublic students. In the future, any questions about proper classification of students transported should be resolved with DE before transportation reports are submitted. 2. DE should adjust the District’s future allocations to recover the overpayments of \$185,570. 	<p>Background:</p> <p>Our prior audit of the District’s pupil transportation data submitted to DE for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found errors in reporting the number of nonpublic pupils transported, resulting in subsidy overpayments of \$46,200, \$43,890, \$51,590 and \$43,890, respectively.</p>	<p>Current Status:</p> <p>Our current audit found that the District correctly reported nonpublic students for the 2007-08 and 2006-07 school years.</p> <p>Based on the results of our current audit, we determined the District did take appropriate corrective action.</p> <p>DE adjusted the District’s subsidy in February and April of 2010 to correct the overpayments of \$185,570.</p>

<p><u>II. Finding No. 2: Errors in Health Services Data</u></p> <ol style="list-style-type: none">1. Ensure average daily membership (ADM) is reported for GSD students who attend the career and technology center.2. Review health services reimbursement applications prior to submission to the Department of Health (DH) to ensure accurate ADM is reported.3. DH should adjust the District's allocations to correct the underpayments of \$7,197.	<p>Background:</p> <p>Our prior audit of the District's health services reimbursement data for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found District personnel again incorrectly reported ADM to DH.</p> <p>The errors resulted in underpayments in health services reimbursements totaling \$7,197.</p>	<p>Current Status:</p> <p>Our current audit found no significant errors in ADM reported.</p> <p>DH adjusted the District's allocations to correct the underpayments in February 2010.</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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