

PERFORMANCE AUDIT

North Allegheny School District Allegheny County, Pennsylvania

February 2015



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Christopher M. Jacobs, Board President
North Allegheny School District
200 Hillvue Lane
Pittsburgh, Pennsylvania 15417

Dear Governor Wolf and Mr. Jacobs:

We conducted a performance audit of the North Allegheny 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 October 20, 2011 through October 10, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. 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. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

February 25, 2015

cc: **NORTH ALLEGHENY 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 North Allegheny School District (District) in Allegheny 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 and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period October 20, 2011 through October 10, 2014, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 48 square miles. According to 2010 federal census data, it serves a resident population of 47,531. According to District officials, the District provided basic educational services to 8,215 pupils through the employment of 640 teachers, 390 full-time and part-time support personnel, and 37 administrators during the 2011-12 school year. The District received \$24,384,248 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: Certification Deficiency. Our audit of the North Allegheny School District's (District) professional employees' certificates and assignments for the period July 1, 2013 through August 22, 2014, found that one (1) professional employee was assigned to a position possessing a lapsed certificate. District administrators failed to have the necessary procedures in place to ensure that service time in other Pennsylvania school districts was included when determining when a certificate was expiring. Failure to have these procedures resulted in the District being assessed a subsidy forfeiture of \$4,005 (see page 5).

Status of Prior Audit Findings and Observations. Our prior audit of the North Allegheny School District did not include any findings or observations.

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 October 20, 2011 through October 10, 2014, except for the verification of professional employee teacher certification which was reviewed for the period of July 1, 2013 through August 22, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 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?
- ✓ 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?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, 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

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC), 24 P.S. § 1202, provides, in part:

“ . . . No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

Section 2518 of the PSC, 24 P.S. § 2518, provides, in part:

“Any school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Certification Deficiency

Our audit of the North Allegheny School District’s (District) professional employees’ certificates and assignments for the period July 1, 2013 through August 22, 2014, found that one (1) professional employee was assigned to a position with a lapsed certificate.

The individual in question was employed as a long term substitute in another Pennsylvania school district, in the position of Mid-Level English teacher for the 2007-08 and 2008-09 school year prior to beginning employment in the District beginning in the 2009-10 school year. The certificate expired at the end of the 2012-13 school year, but the teacher continued to teach during the 2013-14 school year before taking corrective action prior to the start of the 2014-15 school year by applying for and receiving a Level II certificate in August 2014.

On August 29, 2014, the Bureau of School Leadership and Teacher Quality’s (BSLTQ), Pennsylvania Department of Education, made the determination that the certificate in question lapsed at the end of the 2012-13 school year. Therefore, the District is subject to a subsidy forfeiture of \$4,005 for the 2013-14 school year.

The lapsed certificate occurred because the District failed to have in place the necessary procedures to ensure that any previous service time in Pennsylvania school districts are included when determining when an employee should make application for their permanent certification. If these procedures were in place, the District would have known that the employee’s certificate had expired.

It is the responsibility of District management to have in place internal policies and procedures to ensure that employees are both properly certified and up-to-date with their certification. A lack of appropriate internal controls can lead to uncertified persons teaching classes and to a possible loss of state subsidy.

Recommendations

The *North Allegheny School District* should:

1. Take the necessary action required to ensure compliance with certification regulations.
2. Implement procedures to track years of service for all individuals who are not permanently certified.

The *Pennsylvania Department of Education* should:

3. Recover the subsidy forfeiture levied as a result of BSLTQ's determination.

Management Response

Management stated the following:

“The District confirms the auditor’s findings. Upon discovery of the lapse in certification, said teacher initiated the process to attain Level II Certification with PDE. Since the teacher had already completed all coursework and achieved the necessary credits, the application process was completed in less than two weeks. The teacher received Level II Certification on August 1, 2014. Please refer to the letter from the Bureau of School Leadership and Teacher Quality’s (BSLTQ), [Pennsylvania] Department of Education (PDE), dated August 29, 2014, to document this status.

The Human Resource Department is now putting in place a process to more effectively manage certification:

1. A letter from all previous employers with the dates of employment and the area of certification in which the teacher worked will be required of all new employees (see attached).
2. The same letter will be required of all current employees with Level I Certification.
3. We have drafted a letter that will be sent out each August to ALL Level I certified employees. This letter provides the necessary information for attaining Level II Certification, along with the PDE contacts and phone numbers (see attached).

4. We have discussed this at length with our Federation Leadership, who in turn, continues to communicate this with teachers.
5. We have included the information in our New Employee Orientation presentation and packet of information.”

Auditor Conclusion

We are encouraged that the District has put in place corrective actions to prevent such a lapse going forward. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the North Allegheny School District did not include any 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 W. Wolf
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Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
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Christopher Craig, *Esq.*
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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.