

ALBERT GALLATIN AREA SCHOOL DISTRICT
FAYETTE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2010

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

Ms. Janet S. Swaney, Board President
Albert Gallatin Area School District
2625 Morgantown Road
Uniontown, Pennsylvania 15401

Dear Governor Rendell and Ms. Swaney:

We conducted a performance audit of the Albert Gallatin Area School District (AGASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 30, 2008 through June 2, 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 AGASD complied, in all significant respects, with applicable state laws, regulations, 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 AGASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve AGASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the AGASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 24, 2010

cc: **ALBERT GALLATIN AREA 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 Albert Gallatin Area School District (AGASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period September 30, 2008 through June 2, 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 AGASD encompasses approximately 142 square miles. According to 2000 federal census data, it serves a resident population of 25,282. According to District officials, in school year 2007-08 the AGASD provided basic educational services to 3,848 pupils through the employment of 270 teachers, 141 full-time and part-time support personnel, and 16 administrators. Lastly, the AGASD received more than \$31.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

District Did Not Maintain Files Regarding School Bus Drivers' Qualifications.

Our audit of current bus drivers' qualifications found that the AGASD did not maintain qualification files for bus drivers, relying on the transportation contractor to maintain the required files (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the AGASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the AGASD had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting nonresident membership (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 30, 2008 through June 2, 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 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 AGASD'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:

- ✓ 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?
- ✓ 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.

AGASD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding

District Did Not Maintain Files Regarding School Bus Drivers' Qualifications

Criteria relevant to the finding:

Public School Code (PSC) Section 111 (24 P.S. 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our audit of bus drivers' qualifications for the 2009-10 school year found that the Albert Gallatin Area School District (AGASD) did not maintain bus drivers' qualifications at the District. Instead, AGASD relied on the transportation contractor to maintain the required files showing compliance with state statutes and regulations.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following five requirements:

1. possession of a valid driver's license;
2. completion of school bus driver skills and safety training;
3. passing a physical examination;
4. lack of convictions for certain criminal offenses; and
5. official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained in the box to the left, the fourth and fifth requirements were set by the PSC and the CPSL, respectively.

We were initially unable to review the current bus drivers' qualifications at the District's administration building because the records were located at the transportation contractor's office.

On April 15, 2010, we informed AGASD management of the missing documentation and instructed them to obtain the necessary documents. On April 21, 2010, District personnel provided us with the necessary documentation and we verified that the drivers have proper qualifications to continue to have direct contact with children.

Recommendations

The *Albert Gallatin Area School District* should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.

Management Response

Management stated the following:

The District's management is in agreement with this finding. Driver qualification records are not currently kept on site at the District. The records have been maintained by the District's contracted carrier. . . . [The contractor's] management verified that driver qualification records are continuously updated. The District's recently retired Transportation Coordinator may not have been aware that the District was required to keep driver qualification records on site and relied upon [the contractor]. The new Transportation Coordinator is aware of this requirement and will take corrective action. Driver qualification records will be requested from [the contractor] at least twice each year; once at the start of the school year and again at the start of the second half of the school year. The Transportation Coordinator will then review the records to ensure that the driver qualifications are in fact being maintained and updated on a regular basis.

Status of Prior Audit Findings and Observations

Our prior audit of the Albert Gallatin Area School District (AGASD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to errors in reporting nonresident membership. 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 AGASD did implement recommendations related to errors in reporting nonresident membership.

<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: Errors in Reporting Nonresident Membership Resulted in an Overpayment of \$10,275 in Tuition for Children Placed in Private Homes</i></u></p> <ol style="list-style-type: none"> Review membership data thoroughly to ensure students are properly classified prior to submitting reports to the Department of Education (DE). Review reports submitted subsequent to the years audited and submit revised reports to DE if errors are found. DE should adjust the District's allocations to recover the \$10,275 overpayment of tuition for children placed in private homes. 	<p>Background:</p> <p>Our prior audit of pupil membership reports submitted to DE for the 2005-06 school year found that secondary nonresident membership for children placed in private homes was overstated by 232 days. The errors resulted in an overpayment of \$10,275 in tuition for children placed in private homes.</p> <p>The error was caused by District personnel incorrectly classifying three resident students as nonresident children placed in private homes.</p>	<p>Current Status:</p> <p>Our current audit found that the District created a new position to deal with child accounting and the Pennsylvania Information Management System.</p> <p>When nonresidents enroll in the District the child accounting supervisor will be notified immediately to ensure proper documentation is received and recorded.</p> <p>Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this finding.</p> <p>As of the audit closing date, DE had not deducted the \$10,275 overpayment from the District's allocations. We again recommend that DE take action on this issue.</p>

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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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

