

BELLE VERNON AREA SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Dale K. Patterson, Board President
Belle Vernon Area School District
270 Crest Avenue
Belle Vernon, Pennsylvania 15012

Dear Governor Corbett and Mr. Patterson:

We conducted a performance audit of the Belle Vernon Area School District (BVASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 13, 2009 through February 3, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 BVASD 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 BVASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BVASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BVASD's cooperation during the conduct of the audit.

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 14, 2013

cc: **BELLE VERNON 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 Belle Vernon Area School District (BVASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period November 13, 2009, through February 3, 2012, 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 2009-10 and 2008-09.

District Background

The BVASD encompasses approximately 42 square miles. According to 2010 federal census data it serves a resident population of 18,925. According to District officials, in school year 2009-10 the BVASD provided basic educational services to 2,733 pupils through the employment of 190 teachers, 129 full-time and part-time support personnel, and 10 administrators. Lastly, the BVASD received more than \$13.5 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the BVASD 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: Weaknesses in Controls and a Lack of Documentation Supporting Reimbursements for Pupil

Transportation. Our audit of pupil transportation reports submitted to the Pennsylvania Department of Education for the 2009-10 and 2008-09 school years found weaknesses in internal controls and a lack of documentation supporting reimbursements of \$722,143 and \$726,285, respectively (see page 6).

Status of Prior Audit Findings and

Observations. There were no findings or observations included in our prior audit report.



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 November 13, 2009 through February 3, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 BVASD'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:

- ✓ 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 buy-out 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?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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?

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.

BVASD 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 pupil transportation, bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Findings and Observations

Finding →

Criteria relevant to the finding:

The instructions provided by PDE for completing end-of-year transportation reports provides guidance for reporting the number of days vehicles provided service, the daily miles vehicles traveled with and without pupils, and the number of pupils assigned to ride vehicles.

Weaknesses in Controls and a Lack of Documentation Supporting Reimbursements for Pupil Transportation

Our audit of pupil transportation reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 and 2008-09 school years found weaknesses in internal controls and a lack of documentation supporting transportation reimbursements of \$722,143 and \$726,285 for the respective school years.

Our review found internal control weaknesses and a lack of documentation in the following areas:

Daily Mileage With and Without Pupils

PDE instructions require district personnel to use the weighted average method or the sample average method to report daily miles with and miles without pupils. The weighted average method requires odometer readings for mileage changes in routes due to the entry or withdrawal of any pupils transported. The sample average method requires odometer readings once during each month from October through May that measure and record the number of miles the vehicle traveled with pupils and the number of miles the vehicle traveled without pupils. These odometer readings should also report the greatest number of pupils assigned to ride the vehicle at any one time. The average of the eight measurements is to be reported to PDE.

District personnel did not use either required method. District personnel took only two odometer readings during the year, and the mileage calculations were inaccurate. Therefore miles driven per day with and without pupils could not be verified.

Number of Pupils Assigned

Odometer readings should also report the greatest number of pupils assigned to ride the vehicle at any time. Pupil rosters should be kept at the beginning of the school year and revised throughout the year as students enter, withdraw, or relocate within the District.

The District took only a snap shot of the students who rode the bus at the beginning of the school year. The pupil roster for each bus was not updated to reflect changes for each bus as pupils entered, withdrew, or relocated within the District.

Number of Nonpublic Pupils

District personnel maintained a list of pupils who attended nonpublic schools, but were unable to provide proof that the parents of the pupils requested busing to the nonpublic schools.

The daily mileage, number of pupils assigned and nonpublic pupil counts are all integral parts of the pupil transportation reimbursement formula and must be maintained and reported in accordance with PDE guidelines and instructions.

Recommendations

The *Belle Vernon Area School District* should:

1. Institute the controls necessary to ensure that the daily miles with and without pupils, the number of pupils assigned to ride buses, and nonpublic pupil counts are reported accurately and in accordance with PDE instructions.
2. Maintain the source data used to report transportation data to PDE.

Management Response

Management stated the following:

“The Belle Vernon Area School District agrees with the finding and will make every attempt to change our procedure to comply with the recommendations passed along to us. Going forward, the report will be prepared by the Transportation Supervisor and adequate documentation will be kept on file.”

Status of Prior Audit Findings and Observations

Our prior audit of the Belle Vernon Area School District resulted in no findings or observations.

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:

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

The Honorable Ronald J. Tomalis
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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.

