

BIG BEAVER FALLS AREA SCHOOL DISTRICT  
BEAVER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Ms. Cindy Cook, Board President  
Big Beaver Falls Area School District  
1503 8<sup>th</sup> Avenue  
Beaver Falls, Pennsylvania 15010

Dear Governor Corbett and Ms. Cook:

We conducted a performance audit of the Big Beaver Falls Area School District (BBFASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 12, 2009 through May 10, 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, 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 BBFASD 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 BBFASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BBFASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BBFASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 20, 2012

cc: **BIG BEAVER FALLS 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 Big Beaver Falls Area School District (BBFASD). 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 BBFASD in response to our prior audit recommendations.

Our audit scope covered the period March 12, 2009 through May 10, 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 2009-10 and 2008-09.

### **District Background**

The BBFASD encompasses approximately 22 square miles. According to 2000 federal census data, it serves a resident population of 15,260. According to District officials, in school year 2009-10 the BBFASD provided basic educational services to 1,746 pupils through the employment of 157 teachers, 96 full-time and part-time support personnel, and 11 administrators. Lastly, the BBFASD received more than \$14.3 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

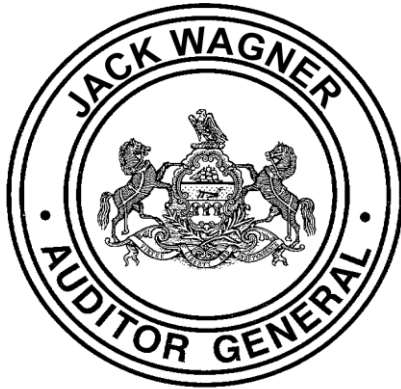
Our audit found that the BBFASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

#### **Finding: School Bus Drivers'**

**Qualifications Deficiencies.** Our audit of BBFASD records found that two bus drivers employed by the BBFASD's contracted transportation carrier did not have required federal criminal history background checks on file (see page 6).

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

**Observations.** With regard to the status of our prior audit recommendations to the BBFASD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found BBFASD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (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 19, 2009 through May 10, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through March 31, 2011.

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 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 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 BBFASD'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?
- ✓ 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**

*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.

BBFASD 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.

*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.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 11, 2010, we reviewed the BBFASD's response to DE dated May 21, 2010. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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*Criteria relevant to the finding:*

Section 111 of the Public School Code (PSC) 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 of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Section 111(c.1) requires an FBI fingerprint criminal history record check for all employees hired on or after April 1, 2007.

### School Bus Drivers' Qualifications Deficiencies

Our audit of bus drivers' qualifications for the 2010-11 school year found a lack of documentation.

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 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. The fourth and fifth requirements were set by the PSC and the Child Protective Services Law, respectively.

We reviewed the personnel records for five drivers currently employed by the Big Beaver Falls Area School District (BBFASD) transportation contractor. We found the District did not print and file two drivers' federal criminal history records from the on-line database on which the records are maintained.

On April 13, 2011, we informed BBFASD management of the missing documentation. The District reviewed the federal clearances on-line and found there were no criminal convictions noted for the two drivers.

The District could not print a hard copy of the clearances because the website only allows printing of hard copies of clearances for one year after they are obtained.

**Recommendations**

The *Big Beaver Falls Area School District* should:

Print and file all clearances required under the laws stated above when employees are hired by the District.

**Management Response**

Management stated the following:

We were unaware that the [system that maintains the database of federal criminal history background checks] only allows district personnel one year to print out clearances. Staff will now print out each new bus drivers' clearances and retain a file with such.

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

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Our prior audit of the Big Beaver Falls Area School District (BBFASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. 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 BBFASD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the BBFASD did implement recommendations related to unmonitored vendor system access.

### **School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report**

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**Observation:** **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation Summary: Our prior audit found that a risk existed that unauthorized changes to the District's child accounting data (membership and attendance) could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.

Recommendations: Our audit observation recommended that the BBFASD:

1. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Allow access to its system only when the vendor needs to make pre-approved changes/updates or provide requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
4. Allow upgrade/updates to the District's system only after receipt of written authorization from appropriate District officials.
5. To mitigate information technology control weaknesses, the District should have compensating controls that would allow

the District to detect unauthorized changes to the membership database in a timely manner.

Current Status:

During our current audit procedures we found that the BBFASD did implement the recommendations. The District has created a form to track changes to the status of local users. The District has also created a form to provide written authorization to vendors accessing the system. Access is monitored and removed upon completion of upgrades and updates. Server logs are printed and maintained, and membership databases are now reconciled and cross-checked by District personnel in July and December.





## **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  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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