

BLACKHAWK SCHOOL DISTRICT
BEAVER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2011

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

Mr. Richard Oswald, Board President
Blackhawk School District
500 Blackhawk Road
Beaver Falls, Pennsylvania 15010

Dear Governor Corbett and Mr. Oswald:

We conducted a performance audit of the Blackhawk School District (BSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period April 13, 2009 through September 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 BSD 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 recommendation have been discussed with BSD's management and their responses are included in the audit report. We believe the implementation of our recommendation will improve BSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

July 5, 2011

cc: **BLACKHAWK SCHOOL DISTRICT** Board Members

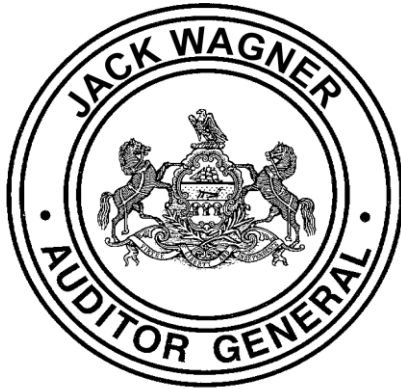


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Executive Summary

Audit Work

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

Our audit scope covered the period April 13, 2009 through September 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 BSD encompasses approximately 64 square miles. According to 2000 federal census, it serves a resident population of 17,322. According to District officials, in school year 2007-08 the BSD provided basic educational services to 2,688 pupils through the employment of 187 teachers, 76 full-time and part-time support personnel, and 9 administrators. Lastly, the BSD received more than \$13.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the BSD 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.

Finding: Failure to Have All School Bus Drivers' Qualifications on File. Our audit of BASD records found that four bus drivers employed by the BSD'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 BSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found BSD had taken appropriate corrective action in implementing our recommendations pertaining to Memoranda of Understanding that were lacking or not updated timely (see page 8). Additionally, we found the BSD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical control weaknesses (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 April 13, 2009 through September 30, 2010, except for the verification of professional employee certification which was performed for the period 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 BSD'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?
- ✓ 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, observations and conclusions based on our audit objectives.

BSD 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 11, 2010, we reviewed the BSD's response to DE dated August 19, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Failure to Have All School Bus Drivers' Qualifications on File

Criteria relevant to the finding:

Public School Code
Section 111(7)(c.1) provides, in part:

Beginning April 1, 2007, administrators shall maintain on file with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Department of Education . . . The Federal criminal history record information report shall be no more than one (1) year old. Administrators shall maintain a copy of the required information and shall require each applicant to secure a Federal criminal history record information report that may not be more than one (1) year old at the time of employment.

Our audit of the District's school bus drivers' qualifications for the 2009-10 school year found that not all records were on file at the time of audit.

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

We reviewed the personnel records of all 7 bus drivers currently employed by the Blackhawk School District's pupil transportation contractor. Our review found that the District did not have on file, at the time of the audit, federal criminal history records for four of the bus drivers.

Because required bus drivers' qualification documents were not on file at the District, there is no evidence that the District reviewed the federal criminal history records and was able to determine whether all drivers were qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

On August 23, 2010, we informed District management of the missing documentation and instructed them to immediately obtain the necessary documents so that they can ensure the drivers are properly qualified to continue to have direct contact with children. As of the end of our fieldwork, September 30, 2010, District management did not provide us with the necessary documentation. Therefore, we were unable to verify that drivers' were properly qualified to have direct contact with children.

The failure to have the records on file at the District was the result of neither the pupil transportation contractor nor the District printing and filing a copy of the federal criminal history records when they were reviewing them, thereby failing to comply with certain provisions of the Public School Code.

Recommendations

The *Blackhawk School District* should:

Adhere to the provisions of Section 111 of the Public School Code, ensuring that all bus drivers have all required background checks prior to employment, and that those documents are maintained in the District's files and records.

Management Response

Management agreed with the finding, and stated the following:

Due to the transition of staff, paper copies of these clearances were not retained and cannot be retrieved since the . . . system only allows us to retrieve clearances up to one year. We do, however, have procedures which will be reviewed with the new staff and a record for each bus driver will now be retained in District files.

Status of Prior Audit Findings and Observations

Our prior audit of the Blackhawk School District (BSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to Memoranda of Understanding that were lacking or were not updated timely, and the observation related to unmonitored system 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 BSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the BSD did implement recommendations related to the finding and observation.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding: **Memoranda of Understanding Lacking or Not Updated Timely**

Finding Summary: Our audit found that the District had schools for which there were no Memoranda of Understanding (MOU) with two local law enforcement agencies. In addition, the MOU between the District and one local law enforcement agency had not been updated since May 2001, nor was it signed by the District.

Recommendations: Our audit finding recommended that the BSD:

1. In consultation with its solicitor, execute MOUs with the two local enforcement agencies lacking them, and review, update, and re-execute the MOU with the other local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOUs at least every two years.

Current Status: During our current audit procedures we found that the BSD did implement the recommendations.

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

Observation Summary: The District uses software purchased from an outside vendor for its critical student accounting applications. Our review noted various weaknesses over vendor access to the District's system.

Recommendations: Our observation recommended that the BSD:

1. Allow access to its system only when the vendor needs to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would enable the monitoring of vendor changes.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.
4. Implement a security policy and system parameter settings to require all users to use passwords that are a minimum of eight characters, and to change their passwords on a regular basis (i.e., every 30 days).

Current Status: During our current audit procedures we found that the BSD did implement the recommendations.



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
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Harrisburg, PA 17120

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The Honorable Robert M. McCord
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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.

