

CENTER AREA SCHOOL DISTRICT  
BEAVER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2011



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

Mr. Keith Clark, Board President  
Central Valley School District  
160 Baker Road Extension  
Monaca, Pennsylvania 15061

Dear Governor Corbett and Mr. Clark:

We conducted a performance audit of the Center Area School District (CASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 16, 2006 through November 9, 2009, 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, 2007, 2006 and 2005.

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 CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the CASD's cooperation during the conduct of the audit.

Sincerely,

/s/  
JACK WAGNER  
Auditor General

March 4, 2011

cc: **CENTER AREA SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

In October 2007, the school boards at the Center Area (CASD) and Monaca School Districts (MSD) voted to merge, creating the Central Valley School District. Elements of the new District's operations began at the start of 2009-10 school year. For example, Central Valley School District has an operating budget for that year and will file an annual financial report with the Pennsylvania Department of Education. However, other aspects of the two districts have not yet been fully combined. For example, students are still attending classes at both of the old district high schools, which will eventually be merged into one. In addition, the teachers and the bus drivers technically still work under contracts entered into with their old districts.

Because we are an-audit agency, many of our audit objectives in the current report involved information for the years preceding the merger. As a result, we are issuing this report under the old school district name, but addressing the letter to the superintendent of the new district. Our next cyclical audit will focus exclusively on the new Central Valley School District, and will take time to examine the merger process in greater detail.

The Pennsylvania Department of the Auditor General conducted a performance audit of the CASD. 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 June 16, 2006 through November 9, 2009, 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, 2006-07, 2005-06 and 2004-05.

### **District Background**

The CASD encompassed approximately 21 square miles. According to 2000 federal census data, it served a resident population of 12,072. According to District officials, in school year 2007-08 the CASD provided basic educational services to 1,850 pupils through the employment of 131 teachers, 117 full-time and part-time support personnel, and 3 administrators. Lastly, the CASD received more than \$7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the CASD resulted in no findings or observations.

**Status of Prior Audit Findings and Observations.** Our prior audit of the CASD for school years 2003-04 and 2002-03 resulted in no findings or observations.





## 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 June 16, 2006 through November 9, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2006 through June 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 CASD'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?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?

## 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.

CASD 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.

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

## **Findings and Observations**

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**F**or the audited period, our audit of the Center Area School District resulted in no findings or observations.

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

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**O**ur prior audit of the Center Area School District for the school years 2003-04 and 2002-03 resulted in no findings or observations.



## **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:

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