

LEECHBURG AREA SCHOOL DISTRICT
ARMSTRONG COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2011

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

Mr. Michael Cominos, Board President
Leechburg Area School District
210 Penn Avenue
Leechburg, Pennsylvania 15656

Dear Governor Corbett and Mr. Cominos:

We conducted a performance audit of the Leechburg Area School District (LASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period October 6, 2009 through June 24, 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 LASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

November 10, 2011

cc: **LEECHBURG 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 Leechburg Area School District (LASD). 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 LASD in response to our prior audit recommendations.

Our audit scope covered the period October 6, 2009 through June 24, 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 LASD encompasses approximately 20 square miles. According to 2000 federal census data, it serves a resident population of 6,263. According to District officials, in school year 2009-10 the LASD provided basic educational services to 826 pupils through the employment of 69 teachers, 32 full-time and part-time support personnel, and 9 administrators. Lastly, the LASD received more than \$5.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the LASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the LASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the LASD has taken appropriate corrective action in implementing our recommendations pertaining to the lack of documentation supporting pupil transportation reimbursement data (see page 7), school bus drivers' qualifications data (see page 8) and certification deficiencies (see page 9).



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 October 6, 2009 through June 24, 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 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 LASD'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?
- ✓ 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?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (Social Security), 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?
- ✓ 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.

LASD 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.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 25, 2010, we reviewed the LASD's response to DE dated April 22, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Leechburg Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Leechburg Area School District (LASD) for the school years 2007-08 and 2006-07 resulted in three reported findings. The first finding pertained to lack of documentation supporting pupil transportation reimbursement, the second pertained to failure to have all bus drivers' qualifications on file, and the third pertained to certification deficiencies. 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 LASD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the LASD did implement our recommendations related to the findings.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Finding No. 1: Internal Control Weaknesses and Lack of Documentation Supporting Pupil Transportation Reimbursement

Finding Summary: Our prior audit of the pupil transportation records and reports submitted to DE for the 2007-08 and 2006-07 school years found internal control weaknesses and a lack of supporting documentation for reimbursements of \$222,618 and \$248,911, respectively.

Recommendations: Our audit finding recommended that the LASD:

1. Conduct an internal review to ensure the daily mileage, pupil count, the amount paid to contractor, non-reimbursable pupils, hazardous pupils, and nonpublic pupils are accurately recorded and reported to DE.
2. Prepare and retain on file the source data used to report pupil transportation data to DE.
3. Prepare and maintain records on file of odometer readings between all bus stops and school, as required by Chapter 23 regulations.
4. Obtain and retain on file at the District documentation of routes having hazardous walking conditions as determined by the Pennsylvania Department of Transportation.
5. Perform a review of subsequent years' data for accuracy and resubmit reports, if necessary.

Current Status: During our current audit we found the District implemented our recommendations beginning with the 2009-10 school year. No supporting documentation could be provided to support pupil transportation data reported for the 2008-09 school year. Our audit of the 2009-10 pupil transportation data found only insignificant reporting errors.

Finding No. 2: Failure to Have All School Bus Drivers' Qualifications on File

Finding Summary: Our prior 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. Additionally, the documentation was not provided to the District by the contractor as required by the transportation contract.

Recommendations: Our audit finding recommended that the LASD:

1. Ensure that the District's system administrator reviews each driver's current qualifications prior to that person transporting students.
2. Maintain files at the District, separate from the transportation contractor, for all District drivers, and work with the contractor to ensure that the District's files are up-to-date and complete.
3. Require the transportation contractor to adhere to provisions of the pupil transportation contract and provide the District the documents identified in the contract prior to the commencement of the school year, and prior to the drivers having any contact with District students.
4. Ensure board approval of the bus drivers utilized by the contractors prior to the start of each school year and any changes throughout the school year.
5. Consider removing a driver lacking a child abuse clearance from driving until such time as a proper Act 151 child abuse clearance is reviewed by the District.

Current Status: During our current audit procedures we found that the LASD implemented the recommendations.

Finding No. 3: Certification Deficiencies

Finding Summary: Our prior audit of the professional employees' certificates and assignments for the period July 1, 2007 through September 8, 2009, found that two individuals were assigned to positions without possessing current certifications in the 2008-09 school year, and one in the 2007-08 school year.

Recommendations: Our audit finding recommended that the LASD:

1. Require District administrative personnel to put procedures in place to ensure professional employees are properly certified for the position assigned and the certificates have not lapsed.
2. Require the individuals to obtain current proper certification as required for the position or reassign the individuals to areas for which proper certification is held.

We also recommended that DE:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

Current Status: During our current audit procedures we found that the LASD implemented the recommendations and the teachers cited in the previous audit obtained proper certification.

As of June 24, 2011, DE had not adjusted the District's allocations to assess the subsidy forfeiture.



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Nichole Duffy
Director, Bureau of Budget and
Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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