

MONACA 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 Monaca School District (MSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 23, 2008 through November 10, 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 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 MSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/
JACK WAGNER
Auditor General

March 4, 2011

cc: **MONACA SCHOOL DISTRICT** Board Members



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Executive Summary

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. However, since the new district, Central Valley, became operational during our fieldwork, there was some overlap in our audit between the activities of the new district, and those of the old. For example, when following up on the status of a prior observation at the MSD related to unmonitored vendor access to membership data, we found that the student accounting systems of the old districts had been merged. Under the new Central Valley School District, membership data is handled in-house; therefore, the finding for the MSD became moot. As a result of these complications, 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 MSD. 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 MSD in response to our prior audit recommendations.

Our audit scope covered the period June 23, 2008 through November 10, 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 and 2006-07.

District Background

The MSD encompassed approximately 2 square miles. According to 2000 federal census data, it served a resident population of 6,286. According to District officials, in school year 2007-08 the MSD provided basic educational services to 774 pupils through the employment of 58 teachers, 53 full-time and part-time support personnel, and 3 administrators. Lastly, the MSD received more than \$5.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the MSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found that our recommendations pertaining to unmonitored vendor system access were no longer applicable because the newly formed Central Valley School District does not use an outside vendor for its student accounting applications (see page 7).

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 June 23, 2008 through November 10, 2009, except for:

- The verification of professional employee certification which was performed for the period July 1, 2008 to June 30, 2009.
- The review of outside vendor access to the District's student accounting applications which was completed on September 11, 2009.

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

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 MSD'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?

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.

- ✓ 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 (e.g. Social Security and retirement), 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?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 audit?

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.

MSD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 26, 2009, we reviewed the MSD's response to DE dated May 21, 2009. We then performed additional audit procedures targeting the previously reported matters.

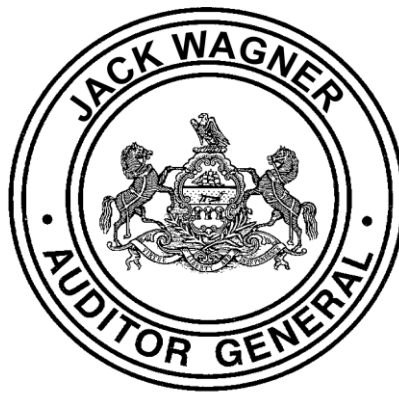
Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Monaca School District (MSD) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to unmonitored vendor access. 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 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 due to changes in District operations, the conditions cited in the observation no longer exist.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation:</i></u> <u><i>Unmonitored Vendor System Access and Logical Control Weaknesses</i></u></p> <p>1. Eleven recommendations were made to correct the weaknesses cited in the observation.</p>	<p>Background:</p> <p>Our prior audit found that the District used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the District’s network servers. Unmonitored system access and logical access controls regarding this remote access were noted.</p>	<p>Current Status:</p> <p>Beginning with the 2009-10 school year, the MSD and the Center Area School District merged to become the Central Valley School District. Student accounting applications for the new District do not use an outside vendor.</p>



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:

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