

MOUNT LEBANON SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Ms. Elaine Cappucci, Board President
Mt. Lebanon School District
7 Horsman Drive
Pittsburgh, Pennsylvania 15228

Dear Governor Corbett and Ms. Cappucci:

We conducted a performance audit of the Mt. Lebanon School District (MLSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 26, 2007, through October 14, 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, 2009, 2008, and 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 MLSD 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. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding, observation, and recommendations have been discussed with MLSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MLSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MLSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

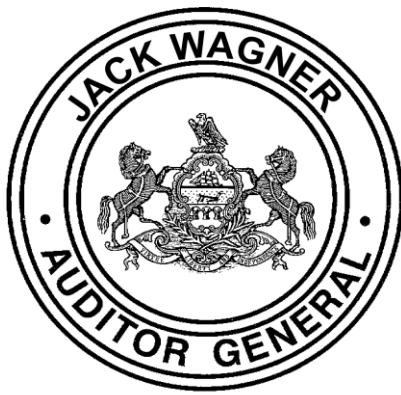
January 14, 2013

cc: **MT. LEBANON 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 Mt. Lebanon School District (MLSD). 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 MLSD in response to our prior audit recommendations.

Our audit scope covered the period October 26, 2007, through October 14, 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, 2008-09, 2007-08, and 2006-07.

District Background

The MLSD encompasses approximately 6 square miles. According to 2000 federal census data, it serves a resident population of 33,017. According to District officials, in school year 2009-10 the MLSD provided basic educational services to 5,302 pupils through the employment of 429 teachers, 239 full-time and part-time support personnel, and 31 administrators. Lastly, the MLSD received more than \$13.3 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the MLSD 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. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Memorandum of Understanding with Local Law Enforcement Not Updated Timely.

Our audit found that the Memorandum of Understanding between the MLSD and the police department with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property had not been updated since July 16, 1996 (see page 6).

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

Our audit found that the MLSD did not have written policies or procedures in place to inform them if drivers have been convicted of criminal offenses that would prohibit employment and ensure that they are notified if any drivers have been charged with crimes since their hire dates (see page 9).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the MLSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the MLSD had taken appropriate corrective action in implementing our recommendations pertaining to a board member failing to file a Statement of Financial Interests in a timely matter (see page 11). However, the MLSD had not taken appropriate corrective action towards the observations pertaining to updating their Memoranda of Understanding every two years, and weaknesses in administrative policies regarding bus drivers' qualifications (see page 12).

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 26, 2007, through October 14, 2011, 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 2009-10, 2008-09, 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 Pennsylvania Department of Education (PDE) 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 MLSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, health services), 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 buy-out 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 have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by District's board members free from apparent conflicts of interest?
- ✓ 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.

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.

MLSD 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.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, 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 MLSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 30, 2010, we reviewed the MLSD's response to PDE dated September 20, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Memorandum of Understanding with Local Law Enforcement Not Updated Timely

Criteria relevant to the finding:

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means “an event that occurs every two years.”

Our audit found that the Memorandum of Understanding (MOU) between the Mount Lebanon School District and the police department with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property has not been updated since July 16, 1996.

Our prior audit included an observation recommending the District update the MOU every two years (see page 11). The District did not implement our recommendation. As indicated in the text box to the left, the Public School Code has since been amended to require such biennial updates.

As a result of our current audit the District did update their MOU on September 20, 2011. However, it still missed the June 30, 2011, statutory deadline for submitting this document to the Pennsylvania Department of Education (PDE).

The failure to update MOUs with all pertinent police departments could result in a lack of cooperation, direction, and guidance between District employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Recommendations

The *Mount Lebanon School District* should:

1. In consultation with the District’s solicitor, review, update and re-execute the current MOU between the District and the police department having jurisdiction over school property.

2. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure future compliance with the amended provisions enacted November 17, 2010.
3. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the Pennsylvania Department of Education's Office of Safe Schools on a biennial basis, as now required by law.

Management Response

Management stated the following:

“The District does not concur with the finding concerning that it did not update the Memorandum of Understanding (MOU) with local law enforcement in a timely manner. The District has a signed agreement with the Mt. Lebanon Police Department (Police) since 1966 which had no end date. The District regularly meets with the Police to discuss safety issues of importance to both organizations. The portion of the Public School Code which required a newly signed MOU was known as the Safe Schools Act, 24 P.S.13-1301-A et seq., and was amended as Act 104 Of 2010, enacted on November 17, 2010. This legislation included a provision at Section 11 which provided that the State Board of Education had one year to promulgate final regulations, which regulations were to include a model MOU as well as certain specific protocols that were to be addressed in the model MOU. Many of these issues were not addressed in the old template agreement from 2002 that was developed by the State Police. We followed the progress of these regulations and none were issued prior to June 30, 2011. The regulations, including the required MOU, were not adopted until November 16, 2011, one year after the original act. The form of agreement that was executed by the District on September 20, 2011, was based on a document provided by the Auditor that had some problems with it that had to be eliminated, such as violating FERPA [Family Educational Rights and Privacy Act] and the like. The document provided by the auditor was not a final form of template agreement ultimately approved by PDE on November 16, 2011. In essence, the complaint is that the District did not adopt this MOU in June even

though it did not exist until November. No corrective action is necessary since a new MOU is now signed.”

Auditor Conclusion

As noted previously in this finding, during our prior audit we recommended, as we had at many school districts that had failed to update their MOUs, that the District update the MOU and adopt a policy to continue updating it every two years. Our current finding is prompted, in part, by the District’s failure to implement our prior audit recommendations. Moreover, this issue was elevated to a finding because, the amendment to the Public School Code detailed in our criteria has since made the biennial update of an MOU a matter of law. We do not believe that the lack of a “model MOU” justifies failing to comply with the Public School Code’s June 30, 2011 deadline. In addition, even though a current MOU is signed the District should still take corrective action to adopt a process for updating its current MOU biennially. The finding will stand as written and we will follow up on the District’s continuing compliance during future audits of the District.

Observation

Continued Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

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

Similarly, Section 6355 of the Child Protective Services Law (CPSL), known as Act 151, requires prospective school employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by court to have committed child abuse.

Our audit found that while the MLSD did possess the necessary information for ensuring its bus drivers are properly qualified it did not have a written policy in place for the administration to be informed if a current employee was charged with a crime since their hire date.

Our audit of the personnel records of bus drivers employed by Mount Lebanon School District (MLSD) found that individuals possessed the minimum requirements to be employed as bus drivers and that the MLSD had on file the required report of criminal history record information and the official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited MLSD from hiring any of the drivers. Therefore, we concluded that the MLSD has satisfied the minimum legal requirements set forth in both the Public School Code and CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicants' suitability to have direct contact with children.

Like our prior audit, our current audit found that the District still did not have written policies or procedures in place to notify them if drivers have been convicted of criminal offenses that would prohibit employment or have been charged with crimes since their hire dates. This information should be considered for the purpose of determining an individual's suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the employment of individuals who may pose a risk if allowed to have direct contact with children.

Recommendations

The *Mount Lebanon School District* should:

1. Implement written policies and procedures to ensure the District is notified when current employees of the District are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children, and to ensure that the

District considers on a case by-case basis whether any conviction of a current employee should lead to an employment action.

2. Develop a process to determine, on a case-by-case basis, whether current employees of the District have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.

Management Response

Management stated the following:

“We agree with the observation and have taken corrective action – In the prior audit report, there was an observation which required the District to develop written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children. The District received written guidelines from the contracted carriers we use concerning these issues as well as all documentation of licenses and clearances. We believe the guidelines from the contracted carriers as well as our annual review of all documents met the intent of the observation. As a result of the audit, we were told that the practices we follow should be written in formal guidelines. We have now done this and believe we are in full compliance with the observation.”

Status of Prior Audit Findings and Observations

Our prior audit of the Mt. Lebanon School District (MLSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and two observations. The finding pertained to a board member failing to file a Statement of Financial Interest in a timely manner. The observations pertained to not updating their Memorandum of Understanding in a timely manner and weaknesses in administrative policies for bus drivers' qualifications. 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 MLSD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned MLSD personnel regarding the prior finding and observation. As shown below, we found that the MLSD did implement recommendations related to Statements of Financial Interests. However, we found that the MLSD did not implement recommendations related to the failure to update the Memorandum of Understanding and the internal control weaknesses regarding bus drivers' qualifications.

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

Finding:	Board Member Failed to File Statement of Financial Interests Timely in Violation of the Ethics Act
<u>Finding Summary:</u>	Our prior audit of the MLSD records found that one school director failed to file a Statement of Financial Interests for both the 2005 and 2006 calendar years.
<u>Recommendations:</u>	Our audit finding recommended that the MLSD: <ol style="list-style-type: none">1. Seek the advice of its solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests.2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.
<u>Current Status:</u>	During our current audit procedures we found that the MLSD did implement the recommendations. Every board member had Statements of Financial Interests on file. The business manager has implemented procedures to remind board members to file their Statements of Financial Interests before May 1 st .

Observation No. 1: Memorandum of Understanding Not Updated Timely

Observation

Summary:

Our prior audit of the MLSD's records found that the District had on file a properly signed Memorandum of Understanding (MOU) between itself and the local law enforcement agency; however, the MOU had not been updated since July 16, 1996.

Recommendations:

Our audit observation recommended that the MLSD:

In consultation with the District's solicitor, review and update the current MOU between itself and its local law enforcement agency.

Current Status:

During our current audit procedures we found that the MLSD had not implemented the recommendation (see the current finding, page 6). The District updated its MOU on September 20, 2011, as a result of our current audit.

Observation No 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation

Summary:

Our prior audit found that neither the MLSD nor its contracted transportation provider had any written policies or procedures in place to notify them if current employees were charged with or convicted of criminal offenses including those which, although they would not legally prohibit the District from continuing to employ the individual, nonetheless should be considered for the purpose of determining the individual's continued suitability to be in direct contact with children.

Recommendations:

Our audit observation recommended that the MLSD:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure the district is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Current Status:

During our current audit we found the District did not implement our recommendations (see the current observation, page 9).

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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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.

