

YOUGH SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Ruth Bisko, Board President
Yough School District
915 Lowber Road
Herminie, Pennsylvania 15637

Dear Governor Rendell and Ms. Bisko:

We conducted a performance audit of the Yough School District (YSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 16, 2007 through June 29, 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 YSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 21, 2010

cc: **YOUGH 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 Yough School District (YSD). 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 YSD in response to our prior audit recommendations.

Our audit scope covered the period February 16, 2007 through June 29, 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 YSD encompasses approximately 77 square miles. According to 2000 federal census data it serves a resident population of 17,485. According to District officials, in school year 2007-08 the YSD provided basic educational services to 2,435 pupils through the employment of 156 teachers, 54 full-time and part-time support personnel, and 11 administrators. Lastly, the YSD received more than \$13.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the YSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the YSD 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 YSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the YSD had taken appropriate corrective action in implementing our recommendations pertaining to Statements of Financial Interests and a general fund deficit (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 February 16, 2007 through June 29, 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 (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 YSD'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:

- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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?

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.

- ✓ 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 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 and conclusions based on our audit objectives.

YSD 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 state ethics compliance, and financial stability.

- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 28, 2008, we reviewed the YSD's response to DE dated February 12, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Yough School District (YSD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to Statements of Financial Interest, and the second pertained to a general fund deficit. 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 YSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the YSD did implement recommendations related to Statements of Financial Interests and the general fund deficit.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Board Members Failed to File Required Statements of Financial Interests</i></u></p> <p>1. The administrative staff should adhere to the directives of the board and to board policy.</p>	<p>Background:</p> <p>Our prior audit of the District records for the 2004 and 2005 calendar years found that in each year one board member failed to file the required Statements of Financial Interests, in violation of the Public Official and Employee Ethics Act (Ethics Act).</p>	<p>Current Status:</p> <p>Our current audit of the 2006, 2007, and 2008 calendar years found that board members’ Statements of Financial Interests were filed in accordance with the Ethics Act.</p> <p>Based on our current audit, we concluded the District <u>did</u> take appropriate corrective action to address this finding.</p>
<p><u><i>II. Finding 2: General Fund Deficit</i></u></p> <p>1. Monitor and maintain budgetary control over expenditures in compliance with Section 609 of the Public School Code.</p> <p>2. Use monthly budget status reports to scrutinize proposed expenditure for the current operations and limit them to revenues received and the amount appropriated.</p> <p>3. Provide for the systematic reduction and elimination of the general fund deficit.</p>	<p>Background:</p> <p>Our prior audit of the District’s annual financial reports, local auditor’s reports and general fund budgets for the fiscal years ended June 30, 2005 and 2006, found that the District continued to report a general fund deficit.</p>	<p>Current Status:</p> <p>Our current audit found that as of June 30, 2008, the District had a general fund surplus of \$1,283,887.</p> <p>Additionally, for the 2006-07 and 2007-08 school years, the District’s actual expenditures did not exceed budgeted expenditures.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding</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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