

SCHOOL DISTRICT OF THE CITY OF DUQUESNE
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2011

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

Dr. Audrey Utley, Board of Control Chair
School District of the City of Duquesne
300 Kennedy Avenue
Duquesne, Pennsylvania 15110

Dear Governor Corbett and Dr. Utley:

We conducted a performance audit of the School District of the City of Duquesne (SDCD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 7, 2008 through December 8, 2010, 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 SDCD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 15, 2011

cc: **SCHOOL DISTRICT OF THE CITY OF DUQUESNE** Board Members

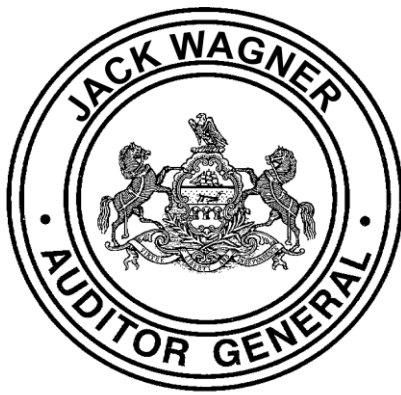
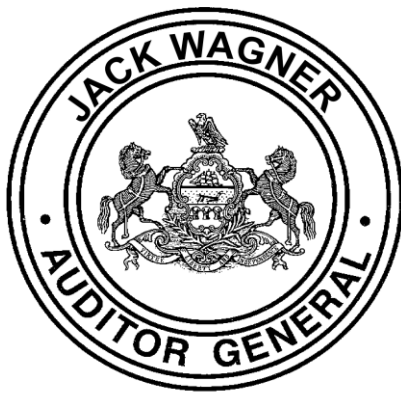


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the School District of the City of Duquesne (SDCD). 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 SDCD in response to our prior audit recommendations.

Our audit scope covered the period November 7, 2008 through December 8, 2010, 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 SDCD encompasses approximately 2 square miles. According to 2000 federal census data, it serves a resident population of 7,352. According to District officials, in school year 2007-08 the SDCD provided basic educational services to 467 pupils through the employment of 38 teachers, 32 full-time and part-time support personnel, and 3 administrators. Lastly, the SDCD received more than \$12.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SDCD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: Internal Control Weaknesses Noted in Reporting Membership Data.

Our audit of membership reports submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years found reporting errors for the second consecutive audit (see page 6).

Finding No. 2: Inadequate Documentation to Support Commonwealth-Paid Tuition for Orphans and Children Placed in Private Homes.

Our audit of pupil membership records for the 2007-08 and 2006-07 school years found that the SDCD did not maintain adequate documentation to support the students reported to DE as nonresident students placed in private homes (see page 8).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SDCD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SDCD had not taken appropriate corrective action to implement our recommendations pertaining to two findings: internal control weaknesses in reporting membership data (see page 10) and the lack of adequate documentation to support

Commonwealth-paid tuition for orphans and children placed in private homes (see page 11). We found the SDCD had taken appropriate corrective actions in implementing our recommendations pertaining to certification deficiencies (see page 9), weaknesses in administrative procedures regarding bus drivers' qualifications (see page 9), weaknesses in reporting reimbursable data for transportation (see page 11), and the Memorandum of Understanding not being available (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 November 7, 2008 through December 8, 2010, 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 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 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 SDCD'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?

- ✓ 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 and conclusions based on our audit objectives.

SDCD 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 SDCD operations.

Lastly, to determine the status of our audit recommendations made in the prior audit report released on October 29, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

DE guidelines and instructions require the maintenance and retention of adequate documentation to verify the District's entitlement to state payments.

Internal Control Weaknesses Noted in Reporting Membership Data

Our audit of pupil membership reports submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years found reporting errors for the second consecutive audit.

Computer printouts calculated all students' membership days for both the 2007-08 and 2006-07 school years based on a 181 day school year. However, in the reports submitted to DE, District personnel reported various school calendars of 178, 179 and 180 days.

Calculating membership data based on a 181 day school year and reporting 178, 179, and 180 day school years to DE results in the overstatement of average daily membership. Various subsidies and reimbursements received by the District are based on average daily membership.

The error was caused by the lack of centralized control of membership reporting, the failure to compare computer reports to the school calendar, and the absence of a proper review of membership reports prior to submission to DE.

The computer printouts provided to us were based on the reports of multiple individuals employed by the District and were found to be unreliable. We therefore could not perform a proper audit of membership data and could not calculate the effect on subsidies and reimbursements based on average daily membership.

Recommendations

The *School District of the City of Duquesne* should:

1. Ensure membership days for child accounting purposes are in agreement with the school calendar.
2. Review membership reports before submission to DE.
3. Centralize the child accounting function to ensure adequate recording and reporting of membership data.

Management Response

Management agreed with the finding, providing no further response at the time of our audit.

Finding No. 2

Inadequate Documentation to Support Commonwealth-Paid Tuition for Orphans and Children Placed in Private Homes

Criteria relevant to the finding:

Section 1305 of the Public School Code provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court, or by an arrangement with an association, agency or institution having the care of neglected and dependent children when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Our audit of pupil membership records for the 2007-08 and 2006-07 school years found that the District did not maintain adequate documentation to support the students reported to DE as nonresident students placed in private homes. As a result, we were unable to verify the correctness of Commonwealth-paid tuition of \$79,652 and \$183,475 for the respective school years.

The deficiencies occurred because the District failed to obtain confirmation letters from child placement agencies to verify the residences of natural parents and/or legal guardians of the students, and to verify that these foster parents were being compensated.

Pupil membership must be maintained in accordance with DE guidelines and instructions, since this data is a major factor in determining the District's receipt of tuition for children placed in private homes.

Recommendations

The *School District of the City of Duquesne* should:

1. Provide regular in-service training to administrative and clerical personnel responsible for recording and reporting membership data. This training should stress the importance of maintaining accurate and complete records, and the relationship of membership data to state subsidies and reimbursements.
2. Develop procedures to ensure proper classification of students enrolling in the District as resident or nonresident students, and document the district of residence of the natural parent or guardian.

Management Response

Management agreed with the finding, providing no further comment at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the School District of the City of Duquesne (SDCD) for the school years 2005-06 and 2004-05 resulted in five reported findings and one observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that SDCCD did implement our recommendations for two findings and the observation, partially implemented our recommendations for one finding, and failed to implement our recommendations for two findings.

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

Finding No. 1: Certification Deficiencies

Finding Summary: Our prior audit of the professional employees' certificates for the period August 1, 2005 through June 30, 2008, found that two employees had been assigned to teaching positions for which their provisional certifications had expired.

Recommendations: Our audit finding recommended that the SDCCD:

1. Strengthen the review process for tracking and monitoring the years of service of certified staff with temporary certification to ensure certificates do not lapse.

We also recommended that the Department of Education:

2. Adjust the District's allocations to recover subsidy forfeitures of \$2,533.

Current Status: During our current audit procedures we found that the SDCCD did implement our recommendations.

On June 1, 2010, the Department of Education (DE) adjusted the District's allocations to assess the subsidy forfeitures of \$2,533.

Finding No. 2: Internal Control Weaknesses in Administrative Procedures Regarding Bus Drivers Qualifications

Finding Summary: Our prior audit of the 2007-08 transportation operations found a lack of internal controls regarding bus drivers' qualifications.

The District did not maintain files documenting that bus drivers had all qualifications and clearances needed to transport students. The District's transportation contractor assumed all responsibility for determining drivers' qualifications. District administrators were unable to provide a list of drivers used to transport students.

Recommendations:

Our audit finding recommended that the SDCD:

1. Ensure that the board annually approves the bus drivers used to transport District students.
2. Maintain files, separate from the transportation contractor's, for all District drivers and work with the contractor to ensure that the District's files are up-to-date and complete.
3. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
4. 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 procedures we found that the District does review all bus drivers and maintains bus driver documents at the District.

The District still has not implemented a policy regarding being notified if a driver is charged with a crime. We therefore again recommend the District implement such a written policy.

Finding No. 3:

Internal Control Weaknesses Noted in Reporting Membership Data

Finding Summary:

Our prior audit of membership records for the 2005-06 and 2004-05 school years found internal control weaknesses in reporting membership data to DE.

District personnel did not adjust computer programs for authorized changes made to the original school calendar. Computer printouts provided to us did not agree with membership data submitted to DE.

Recommendations:

Our audit finding recommended that the SDCD:

1. Ensure membership days for child accounting purposes are in

agreement with the school calendar.

2. Maintain original computer printouts supporting reports submitted to DE for audit purposes.

Current Status: Our current audit found that the District did not implement our recommendations. (See Finding No. 1 of the current audit.)

Finding No. 4: Inadequate Documentation to Support Commonwealth-Paid Tuition for Orphans and Children Placed in Private Homes

Finding Summary: Our prior audit of pupil membership records for the 2005-06 school year found that the District did not maintain adequate documentation to support the students reported to DE as nonresident students placed in private homes.

The deficiencies occurred because the District failed to obtain confirmation letters from child placement agencies to verify residency of natural parents and/or legal guardians of the students, and to verify that these foster parents were being compensated.

Recommendations: Our audit finding recommended that the SDCD:

1. Provide regular in-service training to administrative and clerical personnel responsible for recording and reporting membership data. This training should stress the importance of maintaining accurate records and relationship of membership data to state subsidies and reimbursements.
2. Develop procedures to ensure proper classification of students enrolling in the District as resident or nonresident students, and document the District of residence of the natural parent or guardian.

Current Status: Our current audit revealed found the District did not implement our recommendations. (See Finding No. 2 of the current audit.)

Finding No. 5: Internal Control Weaknesses Noted in Reporting Reimbursable Data for Transportation

Finding Summary: Our prior audit of transportation data for the 2005-06 and 2004-05 school years found that pupil transportation reports were not in compliance with DE instructions and guidelines, and the District did not maintain adequate documentation. We were unable to verify

transportation subsidies of \$147,413 and \$110,745 received for the respective school years.

Recommendations:

Our audit finding recommended that the SDCD:

1. Ensure the number the number of days transportation is provided is accurately reported.
2. Maintain all supporting documentation for transportation data that is reported to DE for the calculation of the transportation subsidy.

Current Status:

During our current audit procedures we found that the SDCD did implement the recommendations.

Observation:

Memorandum of Understanding Not Available

Observation Summary:

Our prior audit of the District's records found that the District could not locate the Memorandum of Understanding (MOU) between the District and the local law enforcement agency.

Recommendations:

Our audit observation recommended that the SDCD:

1. In consultation with the District's solicitor, execute a current MOU between the District and the local law enforcement agency.
2. Adopt a policy requiring the administration to renew and re-execute the MOU every two years.

Current Status:

During our current audit procedures we found that the SDCD did implement the recommendations. An MOU between the District and the local law enforcement agency was signed on August 11, 2010.

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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