



**GREENVILLE AREA SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

APRIL 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Dennis Webber, Board President
Greenville Area School District
9 Donation Road
Greenville, Pennsylvania 16125

Dear Governor Corbett and Mr. Webber:

We conducted a performance audit of the Greenville Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period August 17, 2011 through August 23, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

April 10, 2014

cc: **GREENVILLE AREA SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Greenville Area School District (District) in Mercer County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period August 17, 2011 through August 23, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 29 square miles. According to 2010 federal census data, it serves a resident population of 10,631. According to District officials, the District provided basic educational services to 1,417 pupils through the employment of 95 teachers, 82 full-time and part-time support personnel, and seven (7) administrators during the 2011-12 school year. The District received \$9.79 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant 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 Greenville Area School District (District) from an audit released on January 20, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting pupil transportation data and documentation supporting the usage of tax exempt fuel (see page 6), errors in reporting pupil membership, charter school internal control weaknesses(see page 7), and school bus drivers' qualifications (see page 8).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 August 17, 2011 through August 23, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2011 through June 30, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

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 District's compliance with certain relevant 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 received state subsidies 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 received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on January 20, 2012, we reviewed the District's response to PDE March 26, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Greenville Area School District (District) released on January 20, 2012, resulted in four (4) findings. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings. As shown below, we found that the District did implement our recommendations related to errors in reporting pupil transportation data and documentation supporting the use of tax exempt fuel, errors in reporting pupil membership, charter school internal control weaknesses, and school bus drivers' qualifications.

Auditor General Performance Audit Report Released on January 20, 2012

Finding No. 1: Errors in Reporting Pupil Transportation Data Resulted in Reimbursement Underpayment of \$20,405 and Lack of Documentation Supporting Usage of Tax Exempt Fuel

Finding Summary: Our prior audit of the District found reporting errors, which resulted in transportation underpayments totaling \$20,405. Additionally, the audit found a lack of documentation supporting the usage of 96,400 gallons of tax exempt fuel.

Recommendations: Our audit finding recommended that the District should:

1. Ensure the accurate reporting of nonpublic and charter school pupils.
2. Establish procedures to monitor the fuel usage to ensure all tax exempt fuel purchased is used for school related purposes only.
3. Require the pupil transportation contractors to provide evidence of the actual usage of all tax exempt fuel purchased.

We also recommended that *PDE* should:

4. Adjust the District's allocations to correct the reimbursement underpayment of \$20,405.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As of the end of our fieldwork, PDE had not adjusted the District's allocation to correct the underpayment of \$20,405.

Finding No. 2: Errors in Reporting Pupil Membership Resulted in a Reimbursement Underpayment of \$16,287

Finding Summary: Our prior audit of the District found pupil membership errors for the 2009-10 school year. The errors resulted in a \$16,287 reimbursement underpayment of tuition for orphans and children placed in private homes.

Recommendations: Our audit finding recommended that the *District* should:

1. Reference the Pennsylvania Information Management System (PIMS) manual of reporting for proper instructions in reporting non-resident student membership days.
2. Strengthen internal controls to ensure adherence to PDE regulations when reporting non-resident students.
3. Review membership reports submitted to PDE for school years subsequent to the audit, and if reporting errors are found, contact PDE's PIMS help desk for guidance in changing coding, and submit revised reports to PDE.

We also recommended that *PDE* should:

4. Adjust the District's allocations to resolve the reimbursement underpayment.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As of the end of our fieldwork, PDE had not adjusted the District's allocation to correct the underpayment of \$16,287.

Finding No. 3: Internal Control Weaknesses Resulted in an Overpayment to a Charter School of \$13,609, and an Overpayment of Reimbursement to the District of \$3,098

Finding Summary: Our prior audit found the District's 2009-10 payments to charter schools and the District's charter school reimbursement application submitted to PDE did not correctly report the tuition for the school year. One (1) charter school incorrectly billed and received payment in the amount of \$13,609. Consequently, tuition reported to PDE for reimbursement was incorrect, resulting in a \$3,098 reimbursement overpayment to the District.

Recommendations:

Our audit finding recommended that the *District* should:

1. Require District personnel to establish internal review procedures to ensure students listed on the charter school tuition billing are the responsibility of the District.
2. Perform a review of subsequent years' data and applications for accuracy and, if necessary, resubmit reports to PDE.

We also recommended that *PDE* should:

3. Adjust the District's allocations to resolve the reimbursement overpayment of \$3,098.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. A full refund of \$13,609 was received from the charter school on August 5, 2011. As of August 23, 2013, PDE had not adjusted the overpayment of \$3,098 to the District.

Finding No. 4:

School Bus Drivers' Qualifications Deficiencies

Finding Summary:

Our prior audit of the District's school bus drivers' qualifications for the 2010-11 school year found that not all required records were on file at the District at the time of audit.

Recommendations:

Our audit finding recommended that the *District* should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all District drivers and work with the contractor to ensure that the District's files are up to date and complete.

Current Status:

During our current audit, we found that the District did implement our prior recommendations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
Governor
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Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
Acting Secretary of Education
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Harrisburg, PA 17126

The Honorable Robert M. McCord
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.