



**CENTRAL SUSQUEHANNA INTERMEDIATE UNIT 16
NORTHUMBERLAND 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. Larry Breech, Board President
Central Susquehanna Intermediate Unit 16
90 Lawton Lane
Milton, Pennsylvania 17847

Dear Governor Corbett and Mr. Breech:

We conducted a performance audit of the Central Susquehanna Intermediate Unit 16 (Intermediate Unit) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period March 11, 2011 through June 5, 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 Intermediate Unit complied, in all significant respects, with relevant requirements.

We appreciate the Intermediate Unit'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 15, 2014

cc: **CENTRAL SUSQUEHANNA INTERMEDIATE UNIT 16** 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 Central Susquehanna Intermediate Unit 16 (Intermediate Unit) in Northumberland County. Our audit sought to answer certain questions regarding the Intermediate Unit'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 Intermediate Unit in response to our prior audit recommendations.

Our audit scope covered the period March 11, 2011 through June 5, 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.

Intermediate Unit Background

The Intermediate Unit is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the seventeen (17) participating school districts, nonpublic schools, and institutions in Columbia, Northumberland, Montour, Snyder, and Union counties. The Intermediate Unit is governed by a seventeen (17) member board appointed by the participating school districts on a rotating basis. The administrative office is located at 90 Lawton Lane, Milton, Pennsylvania.

The programs offered by the Intermediate Unit served 34,497 students in public schools and 3,716 students in nonpublic schools. The staff consisted of 92 administrators, 169 teachers, and 921 full-time and part-time support personnel.

The accounts of the Intermediate Unit are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. Intermediate Unit resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs which receive Commonwealth funds are accounted for in the following:

General Fund

The general fund is the primary operating fund of the Intermediate Unit. It is used to account for all financial resources and accounts for the general governmental activities of the Intermediate Unit.

Services provided to participating school districts through the general fund included:

- . administration.
- . curriculum development and instructional improvement.
- . educational planning.
- . instructional materials.

- . management services.
- . continuing professional education.
- . pupil personnel.
- . state and federal liaison.
- . nonpublic program subsidy - Act 89.

The Intermediate Unit received \$7 million from the Commonwealth in general operating funds in the 2011-12 school year.

Special Revenue Fund

The special revenue fund accounts for the financial resources received to provide, maintain, administer, supervise and operate schools, classes, service programs, and transportation for exceptional children in accordance with the school laws of Pennsylvania and the approved Intermediate Unit plan for special education. The special revenue fund accounts for financial resources available for programs and services for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The special education program offered services at all grade levels for pupils whose physical, mental, or emotional needs required such services. If appropriate facilities were not available in a neighborhood school, the Intermediate Unit provided the necessary transportation.

Special education programs included:

- . gifted support.
- . learning support.
- . life skilled support.

- . emotional support.
- . deaf or hearing impaired support.
- . blind or visually impaired support.
- . speech and language support.
- . physical support.
- . autistic support.
- . multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. Intermediate Units received direct funding for certain institutionalized children programs, CORE services, special payments to certain Intermediate Units, and a contingency fund.

The Intermediate Unit received \$6.9 million from the Commonwealth in special revenue funds in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the Intermediate Unit 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 Central Susquehanna Intermediate Unit 16 (Intermediate Unit) from an audit released on March 29, 2012, we found the Intermediate Unit had taken appropriate corrective action in implementing our recommendations pertaining to the lack of Memorandums of Understanding (MOU)

with local law enforcement but had not fully implemented our recommendations regarding the updating of the MOUs in a timely manner (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 72 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 March 11, 2011 through June 5, 2013, except for the verification of professional employee certification, which was performed for the period February 22, 2011 through May 20, 2013.

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

While all LEAs have the same school years, some LEAs 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 Intermediate Unit'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Did the Intermediate Unit 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?

- ✓ In areas where the Intermediate Unit received transportation subsidies, was the Intermediate Unit and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the Intermediate Unit, 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?
- ✓ Were there any declining fund balances that may pose a risk to the Intermediate Unit's fiscal viability?
- ✓ Did the Intermediate Unit take appropriate steps to ensure school safety?
- ✓ Did the Intermediate Unit have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the Intermediate Unit's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the Intermediate Unit 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 Intermediate Unit's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Intermediate Unit 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 Intermediate

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.

Unit's internal controls, including any information technology controls, as they relate to the Intermediate Unit'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 Intermediate Unit's operations.

To determine the status of our audit recommendations made in a prior audit report released on March 29, 2012, we reviewed the Intermediate Unit's response to PDE dated September 19, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Central Susquehanna Intermediate Unit 16 resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Central Susquehanna Intermediate Unit 16 (Intermediate Unit) released on March 29, 2012, resulted in one (1) reported finding. The finding pertained to the lack of some Memorandums of Understanding (MOU) and timely updating of other MOUs. As part of our current audit, we determined the status of corrective action taken by the Intermediate Unit to implement our prior recommendations. We analyzed the Intermediate Unit's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed Intermediate Unit personnel regarding the prior finding. As shown below, we found that the Intermediate Unit did implement recommendations related to the lack of some MOUs but did not fully implement our recommendations regarding the timely updating of MOUs.

Auditor General Performance Audit Report Released on March 29, 2012

Finding:	Lack of Memorandums of Understanding and Memorandums of Understanding Not Updated Timely
<u>Finding Summary:</u>	Our prior audit of the Intermediate Unit's records found that the Intermediate Unit did not have a signed MOU from every local law enforcement agency. Furthermore, we found that the current MOUs with two (2) other local law enforcement agencies were signed July 11, 2008 and December 10, 2007, respectively, and had not been updated.
<u>Recommendations:</u>	Our audit finding recommended that the Intermediate Unit should: <ol style="list-style-type: none">1. In consultation with the solicitor, develop and implement a MOU between the Intermediate Unit and the local law enforcement agencies.2. Review, update, and re-execute the current MOU between the Intermediate Unit and the two (2) local law enforcement agencies to ensure that the MOU remains current.3. Adopt a policy requiring the administration to review and re-execute all MOUs every two (2) years.
<u>Current Status:</u>	During our current audit, we found that the Intermediate Unit did not implement all of the recommendations. MOUs were implemented between the Intermediate Unit and all local law enforcement agencies. However, it could not be determined if the MOUs were re-executed within two (2) years of the date of their original execution.

Distribution List

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

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

The Honorable Carolyn Dumaresq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
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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.