



**MOSHANNON VALLEY SCHOOL DISTRICT  
CLEARFIELD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**JULY 2014**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

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

Ms. Cassandra Kitko, Board President  
Moshannon Valley School District  
4934 Green Acre Road  
Houtzdale, Pennsylvania 16651

Dear Governor Corbett and Ms. Kitko:

We conducted a performance audit of the Moshannon Valley 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 September 2, 2011 through February 12, 2014, 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, except as detailed in the one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

July 24, 2014

cc: **MOSHANNON VALLEY SCHOOL DISTRICT** Board of School Directors

## Table of Contents

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	2
Findings and Observations .....	6
Finding – Errors in Pupil Transportation Reports Resulted in an Underpayment of \$56,098 .....	6
Status of Prior Audit Findings and Observations .....	9
Distribution List .....	11

## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Moshannon Valley School District (District) in Clearfield 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 September 2, 2011 through February 12, 2014, 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 94 square miles. According to 2010 federal census data, it serves a resident population of 8,778. According to District officials, the District provided basic educational services to 968 pupils through the employment of 73 teachers, 41 full-time and part-time support personnel, and eight (8) administrators during the 2011-12 school year. The District received \$9 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, except for one (1) compliance related matter reported as a finding.

**Finding: Errors in Pupil Transportation Reports Resulted in an Underpayment of \$56,098.** Our audit of the Moshannon Valley School District's pupil transportation records and reports submitted to the Pennsylvania Department of Education for the 2010-11 and 2011-12 school years found reporting errors. These errors resulted in underpayments of \$26,238 and \$29,860 for the 2010-11 and 2011-12 school years, respectively (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the Moshannon Valley School District (District) from an audit released on June 19, 2012, we found that the District has not had the opportunity to take appropriate corrective action in implementing our recommendations pertaining to the termination provisions in the Superintendent's employment contract. This is due to the fact that the Superintendent is currently employed under the contract, which was in place at the time of our prior audit (see page 9). We found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the certification deficiency (see page 10).

## Audit Scope, Objectives, and Methodology

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### 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 September 2, 2011 through February 12, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through January 9, 2014.

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 pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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

### *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.

*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 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 June 19, 2012, we reviewed the District's response to PDE dated August 20, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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*Criteria relevant to the finding:*

Instructions for completing the Pennsylvania Department of Education's End-of-Year Pupil Transportation reports provides that the local agency must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle.

### Errors in Pupil Transportation Reports Resulted in an Underpayment of \$56,098

Our audit of the Moshannon Valley School District's (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2010-11 and 2011-12 school years found reporting errors. These errors resulted in underpayments of \$26,238 and \$29,860 for the 2010-11 and 2011-12 school years, respectively.

Our audit found the following reporting errors for the 2010-11 school year:

- Miles with pupils were reported incorrectly for sixteen (16) of eighteen (18) vehicles tested, resulting in a net understatement of 15.8 miles.
- Miles without pupils were reported incorrectly for sixteen (16) of eighteen (18) vehicles tested, resulting in a net understatement of 9.5 miles.
- The greatest number of pupils transported (GPUP) was reported incorrectly for sixteen (16) of eighteen (18) vehicles tested, resulting in a net understatement of 25.1 pupils.

Our audit found the following reporting errors for the 2011-12 school year:

- The number of days pupils were transported was over reported by eight (8) days for one (1) nonpublic bus run.
- Miles with pupils were reported incorrectly for sixteen (16) of seventeen (17) vehicles tested, resulting in a net understatement of 1.6 miles.
- Miles without pupils were reported incorrectly for sixteen (16) of seventeen (17) vehicles tested, resulting in a net overstatement of 8.9 miles.

- The GPUP was reported incorrectly for fifteen (15) of seventeen (17) vehicles tested, resulting in a net understatement of 131.5 pupils.

The errors were caused by a lack of internal review by District personnel in reviewing information provided by the bus contractor. In addition, we found that District personnel used an incorrect formula when calculating the weighting of mileage and pupils.

Daily miles with and without pupils, the greatest number of pupils transported, and the number of days of service are all integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with the instructions for completing PDE's end-of-year pupil transportation reports.

It is the responsibility of District management to have in place the proper internal policies and procedures to ensure that transportation data is accurate and reported correctly to PDE. With such internal controls, the District cannot be assured that it is receiving the appropriate state transportation subsidy payment.

### **Recommendations**

The *Moshannon Valley School District* should:

1. Conduct an annual internal review to ensure the number of days of service, daily mileage, and pupil counts are accurately recorded and reported to PDE.
2. Perform a review of subsequent years' data to ensure supporting documentation was prepared, ensure accurate data was reported, and resubmit, if necessary, to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future allocations to correct the underpayment of \$56,098.

## **Management Response**

Management stated the following:

“The following corrective actions have been put into place:

- New mileage collection form used by [the bus contractor] drivers to collect mileage on a monthly basis.
- Data from driver sheets will be entered onto spreadsheet to confirm miles with and miles without.
- Discussion with [the bus contractor] garage manager on required monthly documentation.
- Pupil rosters for both high school and elementary AM and PM runs will be downloaded from [the transportation software] on a monthly basis, same date as mileage rosters.
- Highest pupil roster will be added to same spreadsheet as monthly mileage.
- Double check entries on spreadsheet with original mileage and pupil rosters.
- Average of miles with pupils and average miles without pupils will be used for state report.
- 2012-13 weighted average will be reviewed to follow same format as auditor.
- 2012-13 pupil rosters will be rerun to match dates of mileage logs.
- Contact private school for enrollment list of non-public students transported by [the District].
- Keep track of numbers of days non public students are transported by [the District].”

## **Auditor Conclusion**

We are encouraged that the District has put corrective actions in place. We will follow up on the status of our recommendations during our next cyclical audit of the District.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Moshannon Valley School District (District) released on June 19, 2012, resulted in two (2) findings. The first finding pertained to the District again failing to provide adequate termination provisions in the Superintendent's employment contract, and the second finding pertained to a certification deficiency. 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, 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 certification deficiency, but did not implement our recommendations related to the Superintendent's employment contract.

### **Auditor General Performance Audit Report Released on June 19, 2012**

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<b>Finding No. 1:</b>	<b>The District Again Failed to Provide Adequate Termination Provisions in the Superintendent's Employment Contract</b>
<u>Finding Summary:</u>	The District failed to implement our prior audit recommendations regarding termination provisions in the Superintendent's contract.
<u>Recommendations:</u>	Our audit finding recommended that the District should: <ol style="list-style-type: none"><li>1. Ensure that future employment contracts contain adequate termination provisions sufficient to protect the interests of the District's taxpayers in the event that the employment ends prematurely for any reason.</li><li>2. In the event that contract buy-outs occur in the future, provide as much information as possible to the taxpayers of the District explaining the reasons for buy-outs.</li></ol>
<u>Current Status:</u>	During our current audit, we found that the District has not had the opportunity to implement our prior recommendations due to the Superintendent being on the same contract. Our recommendations should be included in a renewal of the current Superintendent's contract or at the time of hiring a new superintendent as required by Section 1073 of the Public School Code.

**Finding No. 2: Certification Deficiency**

Finding Summary: Our prior audit of the District's professional employees' certification and assignments found one (1) professional employee's teaching certification was lapsed. This resulted in subsidy forfeitures of \$764 and \$1,534 for the 2009-10 and 2010-11 school years.

Recommendations: Our audit finding recommended that the District should:

Put procedures in place to ensure all professional employees with provisional certificates obtain permanent certification before their certificate lapses.

We also recommended that PDE should:

Adjust the District's allocation to recover the subsidy forfeiture of \$2,298.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As of February 12, 2014, PDE has not adjusted the District's allocations to correct the subsidy forfeiture of \$2,298.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://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  
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333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
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