

# PERFORMANCE AUDIT

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## Harbor Creek School District Erie County, Pennsylvania

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December 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • 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

Ms. Christina Mitchell, Board President  
Harbor Creek School District  
6375 Buffalo Road  
Harborcreek, Pennsylvania 16421

Dear Governor Corbett and Ms. Mitchell:

We conducted a performance audit of the Harbor Creek 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 July 27, 2012 through July 29, 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.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

December 11, 2014

cc: **HARBOR CREEK SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Harbor Creek School District (District) in Erie 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 July 27, 2012 through July 29, 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 34 square miles. According to 2010 federal census data, it serves a resident population of 17,234. According to District officials, the District provided basic educational services to 2,116 pupils through the employment of 156 teachers, 103 full-time and part-time support personnel, and thirteen (13) administrators during the 2011-12 school year. The District received \$12,834,572 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. Our audit 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 Harbor Creek School District (District) from an audit released on April 3, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to internal control weakness and reporting errors in pupil transportation (see page 6). In addition the District has taken corrective actions in implementing our recommendations regarding internal controls over its student record data (see page 7).

## 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 July 27, 2012 through July 29, 2014, except for the verification of professional employee certification, which was performed for the period July 27, 2012 through June 29, 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 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 April 3, 2013, we reviewed the District's response to PDE dated May 16, 2013. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Harbor Creek School District resulted in no findings or observations.



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

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Our prior audit of the Harbor Creek School District (District) released on April 3, 2013, resulted in one (1) finding and one (1) observation. The finding pertained to internal control weakness and reporting errors in pupil transportation. The observation pertained to the District's lack of sufficient internal controls over its student record data. 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 finding and observation. As shown below, we found that the District did implement our recommendations related to pupil transportation and internal controls over its student record data.

### **Auditor General Performance Audit Report Released on April 3, 2013**

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**Finding:** **Internal Control Weakness and Reporting Errors in Pupil Transportation**

Finding Summary: Our prior audit of the District found that for the 2008-09 school year, the District had an internal control weakness that resulted in the District being underpaid \$110,068 in transportation subsidy, which was adjusted during our previous audit. We also found reporting errors that resulted in additional subsidy overpayments of \$1,925 for the 2008-09 and \$4,392 for the 2009-10 school year.

Recommendations: Our audit finding recommended that the District should:

1. Review the preliminary transportation report in a timely fashion to ensure the correct subsidy is received.
2. Conduct an annual internal review to ensure all transportation data, including the daily mileage and the number of nonpublic and charter school pupils, are accurately recorded and reported to PDE.
3. Ensure nonpublic and charter school pupil summaries are prepared by knowledgeable personnel to ensure eligible pupils actually transported are reported for reimbursement.
4. Provide training for District pupil transportation personnel.
5. Perform a review of subsequent years' data for accuracy and resubmit data to PDE, if necessary.

We also recommended that PDE should:

6. Correct the overpayment of \$6,317.

Current Status:

During our current audit, we found that the District implemented our prior recommendations. Changes were made to improve accuracy of reporting and strengthen internal controls for the 2010-11 school year. Training has been provided to District personnel responsible for transportation, and subsequent years' data has been reviewed by District personnel.

As of July 29, 2014, PDE has deducted \$2,852, on February 27, 2014, of the \$6,317 overpayment.

**Observation:**

**Harbor Creek School District Lacks Sufficient Internal Controls Over Its Student Record Data**

Observation Summary:

Our prior audit found the District's control over data integrity internal controls needed to be improved. Specifically, our review found that the District does not have adequate procedures in place to ensure continuity over its Pennsylvania Information Management System (PIMS) data submission in the event of a sudden change in personnel or child accounting vendors.

Recommendations:

Our audit observation recommended that the District should:

1. Prepare documented procedures (e.g., procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
2. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students are classified correctly.
3. Contact the Center to ensure it also correctly reported membership days for the two (2) students identified by our audit.
4. Review reports for school years subsequent to our audit years for pupil classification accuracy, and revise them if necessary.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. The District has implemented a PIMS Duty Flow Chart to ensure continuity over PIMS data submission. The Child Accounting Coordinator performs an internal audit to double check student data prior to submission. The District now has the ability to view the Center's membership documentation and monitor

enrollment information, and suggest corrections. District personnel reviewed reports subsequent to the prior audit years for accuracy and do not need any further adjustments.

## **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  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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Harrisburg, PA 17120

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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).