

PERFORMANCE AUDIT

Pleasant Valley School District Monroe County, Pennsylvania

January 2015



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

Mr. Russ Gould, Board President
Pleasant Valley School District
2233 Route 115, Suite 100
Brodheads ville, Pennsylvania 18322

Dear Governor Corbett and Mr. Gould:

We conducted a performance audit of the Pleasant 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 March 15, 2012 through October 16, 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 black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

January 15, 2015

cc: **PLEASANT VALLEY 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 Pleasant Valley School District (District) in Monroe 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 March 15, 2012 through October 16, 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 114 square miles. According to 2010 federal census data, it serves a resident population of 33,880. According to District officials, the District provided basic educational services to 5,636 pupils through the employment of 468 teachers, 389 full-time and part-time support personnel, and 32 administrators during the 2011-12 school year. The District received \$37,133,564 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 Pleasant Valley School District (District) from an audit released on January 30, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to errors in reported non-resident membership (see page 6), a certification deficiency (see page 7), and a questionable sabbatical exchange escrow account (see page 7).

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 March 15, 2012 through October 16, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2014 through September 11, 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 membership, bus driver qualifications and professional employee certification.
- 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 30, 2013, we reviewed the District's response to PDE dated March 28, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Pleasant Valley School District (District) released on January 30, 2013, resulted in two (2) findings and one (1) observation. 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 and observation. As shown below, we found that the District did implement our recommendations related to errors in reported nonresident membership, a certification deficiency, and a questionable sabbatical exchange escrow account.

Auditor General Performance Audit Report Released on January 30, 2013

Finding No. 1: Errors in Reported Non-Resident Membership Resulted in a Reimbursement Underpayment of \$55,567

Finding Summary: Our prior audit of pupil membership reports submitted to PDE found errors in reporting non-resident membership for children placed in private homes (foster children) and institutions during the 2009-10 school year. These errors resulted in a reimbursement underpayment of \$55,567.

Recommendations: Our audit finding recommended that the District should:

1. Establish internal controls that include reconciliations of the data that is uploaded into the Pennsylvania Information Management System.
2. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
3. Implement controls to verify actual membership days to computer generated reports.
4. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
5. Review subsequent year reports and if errors are found, submit revised reports to PDE.
6. Adjust pupil membership data in a timely manner, prior to the audit.

We also recommended that PDE should:

7. Adjust the District's allocations to resolve the underpayment in the amount of \$55,567 for the 2009-10 school year.

Current Status: During our current audit, we found that the District did implement our recommendations. We also found that PDE adjusted the District's allocations to resolve the underpayment on June 28, 2012.

Finding No. 2: Certification Deficiency

Finding Summary: Our prior audit of the District found that one (1) individual was teaching with a lapsed Level I certificate from July 1, 2010 to the completion of our fieldwork for the prior audit.

Recommendations: Our audit finding recommended that the District should:
Ensure that employees' certificates do not lapse.

We also recommended that PDE should:

Adjust the District's allocation to recover any subsidy forfeiture deemed necessary.

Current Status: During our current audit, we found that the District did implement our recommendation. In addition, PDE adjusted the District's allocations on December 26, 2013, to assess a subsidy forfeiture in the amount of \$3,275.

Observation: Questionable Sabbatical Exchange Escrow Account

Observation Summary: Our prior audit found that on March 12, 2009, the District's Board of School Directors entered into separate employment agreements (agreements) with all of the District's administrative employees. The agreements stated that employees eligible for a paid sabbatical who did not take a sabbatical may be eligible for a sabbatical exchange escrow account to be used for health or long-term care insurance at retirement. We observed that there is no provision in the Public School Code to be compensated for sabbaticals that are not taken.

Recommendations:

Our audit observation recommended that the District should:

1. When negotiating employee agreements, consider the taxpayers' expectation that their money will be used for the education of the District's children.
2. All of the District's employment agreements should be as transparent as possible, so that the District's taxpayers can evaluate their appropriateness.

Current Status:

During our current audit, we found that the District stated it would address this issue in the next Commissioned Officers Contract beginning with the 2015-16 school year. They stated current employees will be grandfathered into the sabbatical exchange escrow account, but it will not be offered to employees that are hired after July 1, 2015.

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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The Honorable Carolyn Dumaesq
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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.