



**CARBON LEHIGH INTERMEDIATE UNIT 21**  
**LEHIGH COUNTY, PENNSYLVANIA**  
**PERFORMANCE AUDIT REPORT**

**DECEMBER 2013**

**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

Mr. Robert E. Bold, Board President  
Carbon Lehigh Intermediate Unit 21  
4210 Independence Drive  
Schnecksville, Pennsylvania 18078

Dear Governor Corbett and Mr. Bold:

We conducted a performance audit of the Carbon Lehigh Intermediate Unit 21 (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 February 22, 2011 through June 18, 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, 2012 and June 30, 2011. 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 and their willingness to implement our recommendations.

Sincerely,

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

EUGENE A. DEPASQUALE  
Auditor General

December 30, 2013

cc: **CARBON LEHIGH INTERMEDIATE UNIT 21** 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 Carbon Lehigh Intermediate Unit 21 (Intermediate Unit) in Lehigh 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 February 22, 2011 through June 18, 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 2011-12 and 2010-11 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 fourteen (14) participating school districts, nonpublic schools, and institutions in Carbon and Lehigh counties. The Intermediate Unit is governed by a fourteen (14) member board appointed by the participating school districts on a rotating basis. The administrative office is located at 4210 Independence Drive, Schnecksville, Pennsylvania.

The programs offered by the Intermediate Unit served 4,555 students in public and nonpublic schools during the 2011-12 school year. The staff consisted of 28 administrators, 220 teachers, and 467 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.

Lastly, the Intermediate Unit received \$3,589,301 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 a pupil who's 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.

Lastly, the Intermediate Unit received \$18,590,156 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 Carbon Lehigh Intermediate Unit 21 (Intermediate Unit) from an audit released on July 7, 2011, we found the Intermediate Unit had taken appropriate corrective action in implementing our recommendations pertaining to a Memorandum of Understanding that was not updated timely (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 February 22, 2011 through June 18, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2013 through March 18, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 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?

- ✓ 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 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 does the current employment contract(s) contain adequate termination provisions?
- ✓ 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

*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.

procedures (relevant requirements). In conducting our audit, we obtained an understanding of the Intermediate 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.

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.

Lastly, to determine in the status of our audit recommendations made in a prior audit report released on July 7, 2011, we 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 Carbon Lehigh Intermediate Unit 21 resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Carbon Lehigh Intermediate Unit 21 (Intermediate Unit) released on July 7, 2011, resulted in one (1) observation pertaining to a Memorandum of Understanding that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the Intermediate Unit and whether or not they implemented our prior audit recommendations. We performed audit procedures and interviewed Intermediate Unit personnel regarding the prior observation. As shown below, we found that the Intermediate Unit did implement our recommendations.

### Auditor General Performance Audit Report Released on July 7, 2011

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<b>Observation</b>	<b>Memorandum of Understanding Not Updated Timely</b>
<u>Observation Summary:</u>	Our prior audit of the Intermediate Unit records found that the Memorandum of Understanding (MOU) between the Intermediate Unit and one (1) local law enforcement agency had not been updated timely.
<u>Recommendations:</u>	Our audit observation recommended that the Intermediate Unit should: <ol style="list-style-type: none"><li>1. In consultation with the solicitor, continue to review the MOU between the Intermediate Unit and the local law enforcement agency, to ensure that the MOU remains current.</li><li>2. Adopt a policy requiring the administration to review and re-execute the MOU every two (2) years.</li></ol>
<u>Current Status:</u>	During our current audit, we found that the Intermediate Unit did implement our recommendations.

## **Distribution List**

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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](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  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Lori Graham  
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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).