

CONESTOGA VALLEY SCHOOL DISTRICT

LANCASTER COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDINGS, OBSERVATION, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS

THROUGH JUNE 20, 2007

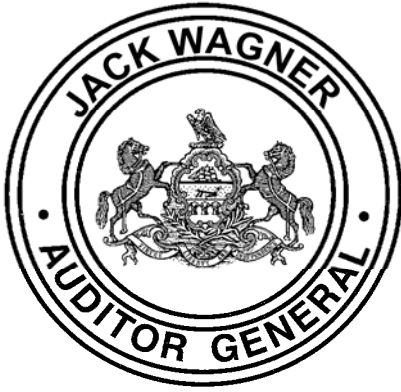


CONESTOGA VALLEY SCHOOL DISTRICT
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PERFORMANCE AUDIT REPORT

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CONESTOGA VALLEY SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Conestoga Valley School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit was limited to the following objectives:

- . Objective No. 1 - To determine if the Conestoga Valley School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Conestoga Valley School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Conestoga Valley School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Conestoga Valley School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the finding and recommendations contained in our prior audit report, except as noted in Finding Nos. 1 and 3 listed below. We also identified internal control weaknesses as discussed in Finding No. 2 and the observation. The findings and observation are further discussed in the Conclusions section of this report:

Objective No. 1

- Finding No. 1 – Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act
- Finding No. 2 – Unmonitored Vendor System Access and Logical Access Control Weaknesses
- Finding No. 3 – Failure to Obtain Memorandum of Understanding
- Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified and help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

June 20, 2007, except for Finding No. 2,
for which the date was July 18, 2007

/s/
JACK WAGNER
Auditor General

CONESTOGA VALLEY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Conestoga Valley School District is located in Lancaster County and encompasses an area of approximately 56 square miles. The school district has a population of 29,075, according to a 2005 local census. The administrative offices are located at 2110 Horseshoe Road, Lancaster, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 3,993 pupils through the employment of 27 administrators, 293 teachers, and 182 full-time and part-time support personnel. Special education was provided by the district and the Lancaster-Lebanon Intermediate Unit #13. Occupational training and adult education in various vocational and technical fields were provided by the district and the Lancaster County Career and Technology Center.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 17 through 20 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

CONESTOGA VALLEY SCHOOL DISTRICT
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OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Conestoga Valley School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Conestoga Valley School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

CONESTOGA VALLEY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Conestoga Valley School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Conestoga Valley School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in Finding Nos. 1 and 3 below. Additionally, we identified internal control weaknesses as noted in Finding No. 2 and the observation included in this report. The findings, observations and recommendations were reviewed with representatives of Conestoga Valley School District, and their comments have been included in this report.

Finding No. 1 – Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our audit of district records conducted March 28, 2007, found that three former board members failed to file their Statements of Financial Interests for the 2005 calendar year. As a result of our initial review, the superintendent's secretary requested the former board members to submit their missing Statements of Financial Interests. As of May 22, 2007, statements were received from all three members for the 2005 calendar year; the statements were dated April 3, 2007, April 30, 2007, and May 1, 2007. Since the forms should have been filed by May 1, 2006, this later submission of the Statements of Financial Interests was still untimely.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statements of Financial Interests constituted a violation of the Ethics Act.

CONESTOGA VALLEY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendation

The board should seek the advice of its solicitor in regard to the board's responsibility when elected board members fail to file their Statements of Financial Interests by the due date.

Response of Management

Management provided the following response agreeing with the finding:

We were missing financial statements from three board members whose terms ended in 2005. We did not think we needed statements of financial interest in the year they were leaving. We have since corrected that and have collected statements of financial interests from those three board members for the year they left.

Finding No. 2 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Conestoga Valley School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the district's network servers.

CONESTOGA VALLEY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the district's data could occur and not be detected because the district was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. Further, the district does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the district does not have adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes is increased.

Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the district's membership information and result in the district not receiving the funds to which it was entitled from the state.

During our review, we found the district had the following weaknesses as of July 18, 2007, over vendor access to the district's system:

- the district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system;
- the district does not have evidence to support that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;
- the district does not have a fully executed maintenance agreement on file;
- the vendor has unlimited remote access (24 hours a day/7 days a week) into the district's system;
- the contract with the vendor did not contain a non-disclosure agreement for the district's proprietary information and the contract was not reviewed by the district's legal counsel;
- the district does not require written authorization prior to the updating/upgrading of key applications or changing user data;

CONESTOGA VALLEY SCHOOL DISTRICT
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Finding No. 2 (Continued)

- the district does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy does not include provisions for authentication (e.g., password security and syntax requirements); and
- the district has certain weaknesses in logical access controls. We noted that the district's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Recommendations

We recommend the district implement the following to correct vulnerabilities identified in this finding:

- the district should generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The district should review these reports to determine that the access was appropriate and that data was not improperly altered. The district should also ensure it is maintaining evidence to support this monitoring and review;
- the district should maintain evidence that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;
- the district should keep a copy of the fully executed maintenance agreement, signed by both parties, on file;

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Finding No. 2 (Continued)

- the district should only allow remote access to their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes;
- the contract with the vendor should contain a non-disclosure agreement for the district's proprietary information and the district's legal counsel should review any major contract before the district enters into an agreement;
- the upgrades/updates to the district's system should be made only after receipt of written authorization from appropriate district officials;
- the district should establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements); and
- the district should implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the district should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

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Finding No. 2 (Continued)

Response of Management

Management's written response to our finding restated each of our recommendations above, and provided a response to each recommendation. To avoid repetition we have reproduced only management's responses below:

- We currently do not have the ability to monitor our firewall since that is supported by our local Intermediate Unit. We will ask what options we may have that will allow us to monitor those logs. We will be allowing access only to our SIS system when requested by the vendor to do so. We will need to keep a log of that activity and attempt to find a way to monitor/validate those logs if possible.
- We don't completely understand what you are looking for here. We keep all our membership information in our SIS [student information system]. If you have suggestions on what you want here, we will make every effort to insure compliance.
- We will be signing those maintenance agreements sometime this summer as they become due for payment.
- We will be making that change to remove 24/7 access by our vendors to only access as requested when needed.
- This [non-]disclosure agreement will be attached to all existing and future agreements.
- The Manager of Computer services or his assistant will approve all upgrades/updates to the district's SIS via a written form.
- We will have [vendors/consultants] sign an acceptable use policy and write a district IT policy this school year to address this issue.
- We will be adjusting our AUP [Acceptable Use Policy] for staff to include the password features.
- We will be implementing a password security policy for staff at the start of this school year in late August 2007. At this time our SIS requires a separate password. We will be investigating the possibility of using Active Directory to access the system.

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Finding No. 2 (Continued)

Auditor's Conclusion

In response to management's request for clarification of our recommendation to reconcile system generated and manual membership and attendance records, since all membership information is kept within the system and there are no manual records with which to make a comparison, we recommend periodically searching for unauthorized changes in the database using a "roll forward" technique. Using this methodology, district personnel would periodically roll the balance of student membership forward by taking the number of students at the beginning of the period, adding new students, and subtracting students leaving the district. The calculated ending balance would then be compared to the number of students in the database as of that date. Differences from the calculated balance would indicate possible unauthorized changes to the database and should be investigated.

Finding No. 3 – Failure to Obtain Memorandum of Understanding

Our review of the school's records found that the district does not have the required Memorandum of Understanding (MOU) with East Lampeter Township Police Department (ELTPD). The district and ELTPD have a document identified as an MOU; however, the contents of the document relate to the employment of a school resource officer and do not detail the responsibilities of each entity in the event of an emergency situation, as provided for in the MOU format contained in the Department of Education's (DE) Basic Education Circular, (BEC) addressing MOUs.

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.¹

Additionally, the BEC issued by the DE entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

¹24 P.S. § 13-1303-A(c).

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Finding No. 3(Continued)

The document identified as the MOU with ELTPD does not meet the requirements of Section 1303-A(c) and furthermore represents an internal control weakness that could result in a lack of cooperation, direction, and guidance between district employees and law enforcement agencies when an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to and from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The school board and district administrators, in consultation with the district's solicitor and the ELTPD, should develop and obtain a current MOU that fulfills the requirements of the Public School Code.

Additionally the district should adopt a policy requiring the administration to review and re-execute the MOU every two years.

Response of Management

Management provided the following response agreeing with the finding:

The MOU with East Lampeter Township, through the SRO program, does not cover actions to be taken by the district and East Lampeter Township Police Department in the event of any emergency situation. We will incorporate language that does address emergency situations into our current MOU.

Observation - Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Section 111 of the Public School Code requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.²

Similarly, Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.³

² 24 P.S. § 1-111.

³ 23 Pa.C.S. § 6355.

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Observation (Continued)

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our review of the personnel records of a random sample of 25 of 70 bus drivers currently employed by the district and its transportation contractors found that these individuals possessed the minimum requirements to be employed as bus drivers and that the Conestoga Valley School District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the Conestoga Valley School District from hiring any of the drivers. Therefore, we concluded that the Conestoga Valley School District has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicants' suitability to have direct contact with children.

However, our review found that neither the district nor its contractors, except for one, have written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses, which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations

The school board and district administrators should consider, in consultation with the district's solicitor:

- developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district or the district's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children; and

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Observation (Continued)

- implementing written policies and procedures to ensure the district is notified when current employees of the district or the district's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the district considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Response of Management

Management provided the following response agreeing with the observation:

The observation from the Auditor General's Office is stating that, except for [one contractor], none of our contractors, nor the district has a policy or procedure, to obtain updated criminal/child abuse clearances for current employees nor requires reporting of criminal offenses except for DUI or drug offenses (Policy #451). We will consider this suggestion for periodic updates.

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CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Conestoga Valley School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of this finding, was determined by one or both of the following procedures:

- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding the prior years' finding and recommendations.

Finding – Certification Irregularity

Our prior audit of the professional employees' certification and assignments for the period of February 8, 2003 through January 10, 2005, was performed to determine compliance with the Public School Code and the Bureau of Teacher Certification and Preparation (BTCPP), Department of Education's (DE) Certification and Staffing Policies and Guidelines (CSPG).

Our prior audit found that one administrator was employed in the locally titled position of coordinator of special services for the school years 2003-04 and 2004-05, which may have required a principal K-12 certificate. The administrator held an elementary principal and school psychologist certificate, and did not hold a principal K-12 certificate. We determined that if BTCPP confirmed the irregularity the school would be subject to a subsidy forfeiture of \$4,485 for the 2003-04 school year. Data necessary to determine the subsidy forfeiture for the 2004-05 school year was not yet available from DE at the time of our prior audit.

We recommended that the superintendent review any locally titled positions and job descriptions with BTCPP prior to establishing such positions and appointing staff.

We also recommended that, if BTCPP confirmed the irregularity, DE adjust the district's allocations to recover any subsidy forfeitures that may be levied.

After completion of fieldwork for our prior audit, BTCPP issued its final audit review, dated March 18, 2005, and confirmed the irregularity. As a result of BTCPP's determination, DE computed that the district was subject to subsidy forfeitures totaling \$6,705. DE deducted \$6,705 from the district's December 24, 2005 basic education funding payment to assess the subsidy forfeitures.

Our current audit found that the individual cited in the finding obtained emergency principal K-12 certification dated January 2005, and has renewed it each year to current, to comply with the CSPG requirement.

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Finding (Continued)

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$6,817,076, \$6,557,401, \$6,114,239 and \$5,741,492, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
STATE REVENUE				
Basic Education	\$2,266,620	\$2,199,424	\$2,125,388	\$2,107,128
Read to Succeed	-	-	-	72,933
Charter Schools	54,946	34,034	23,818	39,812
School Performance Incentives	-	-	-	3,313
Tuition for Orphans and Children				
Placed in Private Homes	129,021	96,161	108,146	86,629
Homebound Instruction	390	402	279	170
Vocational Education	2,082	2,120	3,867	3,281
Alternative Education	4,672	9,386	6,657	9,204
Migratory Children	320	305	-	400
Special Education	1,488,040	1,454,728	1,418,243	1,382,814
Transportation	553,857	600,550	560,085	498,724
Rental and Sinking Fund Payments	834,086	722,844	657,635	585,625
Health Services	105,005	105,657	105,550	105,388
Safe Schools	-	-	9,550	13,215
Social Security and Medicare Taxes	745,496	759,510	741,030	711,294
Retirement	465,241	408,640	353,991	121,562
Other Program Subsidies/Grants:				
PA Accountability	159,905	159,905	-	-
Dual Enrollment	5,410	-	-	-
Keystone Healthy Zone	1,985	-	-	-
Barrier Elimination Project	-	2,935	-	-
Lancaster Conservancy	-	800	-	-
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<u>TOTAL STATE REVENUE</u>	<u>\$6,817,076</u>	<u>\$6,557,401</u>	<u>\$6,114,239</u>	<u>\$5,741,492</u>

CONESTOGA VALLEY SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Read to Succeed

Revenue received from the Commonwealth to ensure that all students learn to read and write by the end of the third grade.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Migratory Children

Revenue received from the Commonwealth as subsidy for the attendance of migratory children in accordance with Sections 2502 and 2509.2 of the Public School Code.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Safe Schools

Revenue received from the Commonwealth as subsidy for Safe School programs.

CONESTOGA VALLEY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the superintendent of the school district, the board members, and the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

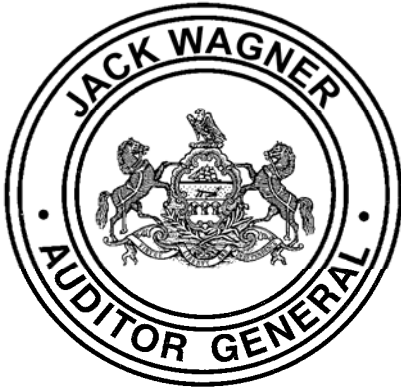
The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mr. John Godlewski
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BUREAU OF SCHOOL AUDITS

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Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

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