

CURWENSVILLE AREA SCHOOL DISTRICT
CLEARFIELD COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Kenneth Veihdeffer, Board President
Curwensville Area School District
650 Beech Street
Curwensville, Pennsylvania 16833

Dear Governor Rendell and Mr. Veihdeffer:

We conducted a performance audit of the Curwensville Area School District (CASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 27, 2009 through August 6, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 found that the CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

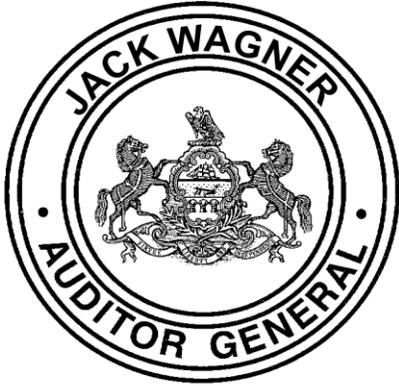
JACK WAGNER
Auditor General

December 23, 2010

cc: **CURWENSVILLE AREA SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Curwensville Area School District (CASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CASD in response to our prior audit recommendations.

Our audit scope covered the period April 27, 2009 through August 6, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

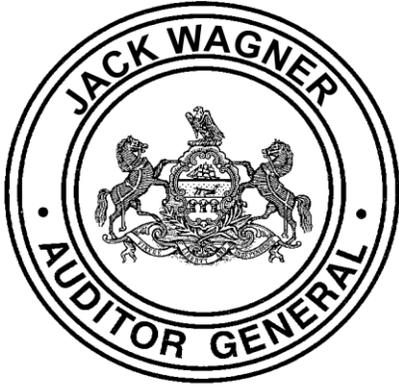
The CASD encompasses approximately 115 square miles. According to 2000 federal census data, it serves a resident population of 7,646. According to District officials, in school year 2007-08 the CASD provided basic educational services to 1,153 pupils through the employment of 96 teachers, 75 full-time and part-time support personnel, and 8 administrators. Lastly, the CASD received more than \$9.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Errors in Reporting Pupil Membership Resulted in Overpayments of \$83,680. Errors in pupil membership were due to CASD not reporting nonresident membership days properly. This resulted in overpayments of Commonwealth-paid tuition for children placed in private homes of \$83,680 (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the CASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the CASD had not taken appropriate corrective action in implementing our recommendations pertaining to pupil membership (see page 8). The CASD had taken appropriate corrective action in implementing our recommendations pertaining to the timeliness of the Memorandum of Understanding with local law enforcement agencies (see page 9).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the 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 PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 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 April 27, 2009 through August 6, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 Department of Education (DE) 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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the CASD's compliance with applicable 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:

- ✓ In areas where the District receives state subsidy 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 receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

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 applicable 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with CASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 15, 2010, we reviewed the CASD's response to DE dated March 15, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Errors in Reporting Pupil Membership Resulted in Overpayments of \$83,680

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with DE guidelines and instructions, since this is a major factor in determining the District's subsidies and reimbursement

Our audit found that the District's pupil membership reports submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years were inaccurate. Clerical errors resulted in an overpayment of \$45,885 in the 2007-08 school year and \$37,795 in the 2006-07 school year in Commonwealth-paid tuition for children placed in private homes.

District personnel over reported nonresident foster students by 983 days in the 2007-08 school year and by 895 days in the 2006-07 school year.

The errors were caused by incorrectly reporting resident students as nonresident foster students.

District personnel also failed to report membership for three district-paid tuition students on membership reports submitted to DE for the 2007-08 school year. The District did bill and receive tuition for these students from their home districts.

We have provided DE with reports detailing the errors for use in recalculating the District's tuition for children placed in private homes.

Recommendations

The *Curwensville Area School District* should:

1. Perform an internal review of all pupil membership reports and supporting documentation prior to submission to DE.
2. Ensure the District receives and retains placement letters from the placement agencies. These letters should include the district where the parents/guardians of children placed in private homes reside.
3. Review subsequent school years' membership reports submitted to DE for accuracy and resubmit if necessary.

The *Department of Education* should:

4. Adjust the District's future allocations to correct the overpayments of \$83,680.

Management Response

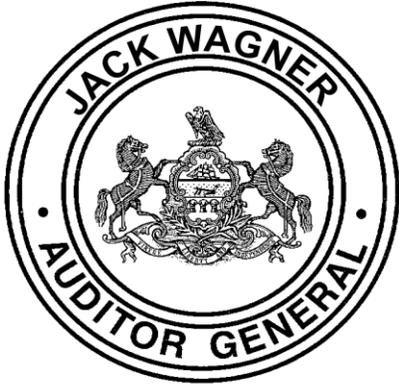
Management waived the opportunity to respond at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Curwensville Area School District (CASD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to errors in reporting pupil membership data, and the observation pertained to a Memorandum of Understanding (MOU) that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the CASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the CASD did not implement recommendations related to errors in reporting membership data finding but did implement recommendations related to the MOU.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Errors in Reporting Pupil Membership Data</i></u></p> <ol style="list-style-type: none"> 1. Perform an internal review of all pupil membership reports and supporting documentation prior to submission to DE. 2. Ensure the District does not report mainstream days for students attending another district. 3. Ensure that letters received from placement agencies include the district where the parents/guardians live. 4. Review subsequent school years’ membership reports submitted to DE for accuracy and resubmit accordingly. 5. DE should adjust the District’s future allocations to correct the net overpayment of \$59,141. 	<p>Background:</p> <p>Our prior audit found that the District’s pupil membership reports submitted to DE for the 2005-06 and 2004-05 school years were inaccurate, resulting in net overpayment of \$59,141.</p>	<p>Current Status:</p> <p>Our current audit of the 2007-08 and 2006-07 school years found significant errors in reporting pupil membership data (see page 6). Based on our current audit, we concluded the District did not take appropriate corrective action.</p> <p>As of August 6, 2010, DE had not adjusted the District’s allocations. We again recommend that DE correct the net overpayment of \$59,141.</p>

<p><u>II. Observation:</u> <u>Memorandum of</u> <u>Understanding Not</u> <u>Updated Timely</u></p> <p>1. Adhere to the provisions of the MOU requiring the administration to review and re-execute the MOU every two years.</p>	<p>Background:</p> <p>Our prior audit of the District's records found that the MOUs between the District and two law enforcement agencies had not been updated every two years.</p>	<p>Current Status:</p> <p>Our current audit of the 2007-08 and 2006-07 school years found the MOUs were updated on April 9, 2009. Based on our current audit, we concluded the District did take appropriate corrective action.</p>
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Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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