

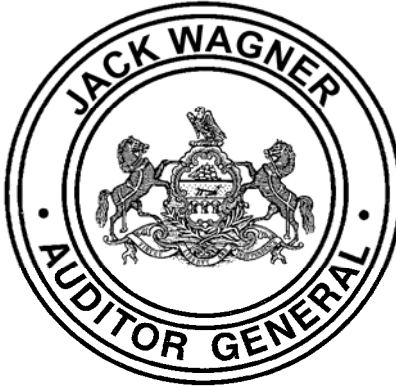
EVERETT AREA SCHOOL DISTRICT  
BEDFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

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

WITH FINDING AND RECOMMENDATIONS

THROUGH FEBURARY 9, 2006





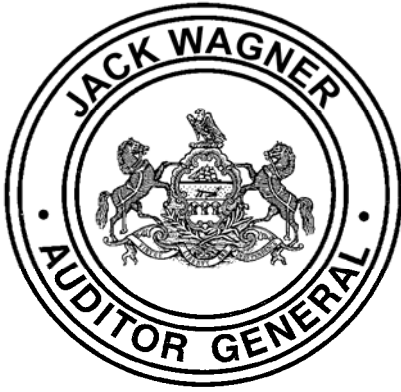
EVERETT AREA SCHOOL DISTRICT  
BEDFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004  
WITH FINDING AND RECOMMENDATIONS  
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EVERETT AREA SCHOOL DISTRICT  
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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

We have conducted a performance audit of the Everett Area School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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.

The objective of our audit was to determine if Everett Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

Solely to assist us in planning and performing our audit, we made a study and evaluation of the internal controls of the Everett Area School District to determine if internal controls were adequate to help ensure the district's compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit. Accordingly, we do not express any assurance on the internal controls.

The results of our tests identified indicated that, in all significant respects, the Everett Area School District was in compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit, except as noted in the following finding further discussed in the Conclusion section of this report:

Finding – Error in Nonresident Children Placed in Private Homes  
Membership Resulted in a Reimbursement Overpayment of  
\$8,493

We believe our recommendations, if implemented by the district, will help ensure compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

Independent Auditor's Report (Continued)

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.

February 9, 2006

/s/  
JACK WAGNER  
Auditor General



EVERETT AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

Information, as provided by school district officials, indicates that the Everett Area School District is located in Bedford County, and encompasses an area of 295.5 square miles. The school district has a population of 9,949, according to the 2000 federal census. The administrative offices are located at 427 East South Street, Everett, Pennsylvania.

According to school district administrative officials, during 2003-04, the district provided basic educational services to 1,545 pupils through the employment of 6 administrators, 110 teachers, and 82 full-time and part-time support personnel. Special education was provided by the district and the Appalachia Intermediate Unit #8. Occupational training and adult education in various vocational and technical fields were provided by the district and the Bedford County Technical Center.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year 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 7 through 10 of this report for a listing of the state revenue the district received during the 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July, the 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 31<sup>st</sup> of the following fiscal year.

EVERETT AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
OBJECTIVE, SCOPE AND METHODOLOGY

**OBJECTIVE AND SCOPE**

Our audit objective was to determine if the Everett Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

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

**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.

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 economic 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 applicable state laws, regulations, contracts, grants, 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 the district incurs the qualifying cost. Since 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.

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**CONCLUSION**

The objective of our audit was to determine if the Everett Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Everett Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit, except as noted in the finding listed below. The finding and recommendations were reviewed with representatives of Everett Area School District, and their comments have been included in this report.

**Finding – Error in Nonresident Children Placed in Private Homes Membership Resulted in a Reimbursement Overpayment of \$8,493**

Our review of the pupil membership data for the 2002-03 school year disclosed an error in membership reported to the Department of Education (DE) for nonresident children placed in private homes, resulting in a reimbursement overpayment of \$8,493.

Section 2503(c) of the Public School Code provides that the Commonwealth will pay tuition to districts providing education to nonresident children placed in private homes. The payments are based on the membership days reported for such children.

In the 2002-03 school year, membership for nonresident children placed in private homes was overstated by 178 days for a secondary student whose membership should have been classified as nonresident district-paid tuition membership. An overpayment of Commonwealth-paid tuition for children placed in private homes resulted from the misclassification.

Nonresident pupil membership data must be maintained and reported in accordance with DE guidelines and instructions, since it is a major factor in determining the district's receipt of tuition payments for children placed in private homes.

DE has been provided a report detailing the error for use in recalculating the district's tuition for children placed in private homes.

**Recommendations**

We recommend the board require district personnel:

- strengthen controls to ensure proper classification of all nonresident students so that the district receives the funds to which it is entitled;

EVERETT AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

- provide regular in-service training to staff responsible for recording and reporting membership. This training should emphasize the importance of maintaining accurate records and the relationship of membership data to state subsidies and reimbursements;
- perform an internal review of all membership reports prior to submission to DE; and
- review subsequent years' reports and, if errors are found, submit revised reports to DE.

DE should adjust the district's allocations to correct the reimbursement overpayment of \$8,493.

Response of Management

Management provided a written response agreeing with the finding and stating:

A reporting clerical error occurred for one student. The student was reported in the nonresident student in private homes category for 178 days. The student should have been entered in the district of residence paid tuition category. This resulted in an overpayment since we billed another district for the student's membership while counting his membership with our district's.

The corrective action planned includes the following:

- More and greater attention given to membership exceptionalities such as residency of students, foster care, etc.
- Periodic in-services on attendance and membership for administrative and clerical staff
- Procedural document posted for assistance
- A quarterly check and balance system for student attendance and membership reports

EVERETT AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

**Schedule of State Revenue Received**

The district reported it received state revenue of \$7,047,803 and \$6,890,149, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

<b>STATE REVENUE</b>	<u>2004</u>	<u>2003</u>
Basic Education	\$4,684,240	\$4,558,076
Read to Succeed	-	85,716
Charter Schools	4,260	4,261
Tuition for Orphans and Children		
Placed in Private Homes	63,190	24,256
Homebound Instruction	916	725
Alternative Education	45,008	71,271
Driver Education	2,730	2,415
Special Education	791,599	745,117
Transportation	698,450	679,441
Rental and Sinking Fund Payments	260,394	260,787
Health Services	28,312	28,633
Safe Schools		6,294
Social Security and Medicare Taxes	298,763	289,904
Retirement	124,698	54,102
Other Program Subsidies/Grants:		
Supplemental Reimbursement of Basic Education	5,243	-
Alternative Education for Disruptive Youth	40,000	79,151
<b><u>TOTAL STATE REVENUE</u></b>	<b><u>\$7,047,803</u></b>	<b><u>\$6,890,149</u></b>

EVERETT AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

*Description of State Revenue Received per the 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.

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.

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.

Driver Education

Revenue received from the Commonwealth as subsidy for conducting a standardized driver education program. Payments are made in accordance with Section 2504.1 of the Public School Code.

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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

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 Act 25 health services.

Safe Schools

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

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.

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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

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, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), 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 Harestown Building #2  
333 Market Street  
Harrisburg, PA 17126

Mr. John Godlewski, Director  
Department of Education  
Bureau of Budget and Fiscal Management  
4<sup>th</sup> Floor, 333 Market Street  
Harrisburg, PA 17126

The Honorable Robert P. Casey, Jr.  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Dr. David Wazeter, Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Ms. Ann Boyko, School Personnel Services Administrator  
Pennsylvania School Boards Association  
400 Bent Creek Boulevard  
Mechanicsburg, PA 17050

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).