

HARRISBURG CITY SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

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

WITH FINDINGS, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDINGS, OBSERVATION AND
RECOMMENDATIONS
THROUGH JULY 31, 2007



HARRISBURG CITY SCHOOL DISTRICT
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PERFORMANCE AUDIT REPORT

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HARRISBURG CITY SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Calobe Jackson, Jr., Board of Control Chairman
Harrisburg City School District
2101 North Front Street, Building 2
Harrisburg, Pennsylvania 17110

Dear Governor Rendell and Mr. Jackson:

We have conducted a performance audit of the Harrisburg City School District for the years ended June 30, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2005. 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 Harrisburg City 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 Harrisburg City School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report.

To plan and perform our audit of the Harrisburg City 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 Harrisburg City 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 findings, observation and recommendations contained in our prior audit report, except as noted in the following findings. We also identified internal control weaknesses as discussed in Finding No. 8 of Objective No. 1. The findings are discussed further in the Conclusions section of this report:

Objective No. 1

- Finding No. 1 – General Fund Deficit of \$2,960,656 as of June 30, 2006
- Finding No. 2 – Early Childhood Fund Deficit of \$3,093,804
- Finding No. 3 – Athletic Fund Deficit of \$944,883
- Finding No. 4 – Inaccurate Reporting of the Number of Nonpublic Pupils Transported Resulted in Transportation Subsidy Underpayments of \$46,970
- Finding No. 5 – Vehicle Mileage Allowances Violated Internal Revenue Service Regulations
- Finding No. 6 – Administrative Wage Errors
- Finding No. 7 – Failure to Obtain Memorandum of Understanding
- Finding No. 8 – Unmonitored Vendor System Access and Logical Access Control Weaknesses
- Finding No. 9 – Weak Internal Controls in Procedures Used to Process Requests for Reimbursement

Objective No. 2

- Finding – Social Security and Medicare Taxes Reimbursement Underpayments
- Finding – Certification Irregularities
- Finding – Inaccurate Reporting of Membership

Independent Auditor's Report (Continued)

- Finding – Inadequate Computer Controls
- Finding – Inability to Provide Complete and/or Accurate Data Supporting Reports Submitted to the Department of Education
- Finding – Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act

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.

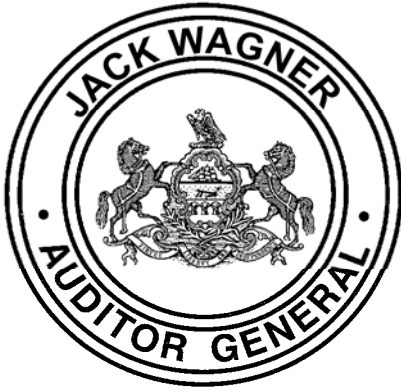
The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

July 31, 2007, except for
Finding No. 8, Objective No. 1,
and Finding No. 8, Objective No. 2,
for which the date was August 22, 2007

JACK WAGNER
Auditor General

cc: Mr. Trent Hargrove, Board of Control Vice-Chairperson
Mr. Brad Furey, Board of Control Vice-Chairperson
Ms. Clare L. Jones, Board of Control Vice-Chairperson
Ms. Julie Anne Mackey, Board of Control Secretary
Ms. Ester Edwards, Board of Control Member
Ms. Danielle Hairston-Green, Board of Control Member
Dr. Gerald Kohn, Superintendent



HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Harrisburg City School District is located in Dauphin County and encompasses an area of 11.7 square miles. The school district has a population of 48,950, according to the 2000 federal census. The administrative offices are located at 2101 North Front Street, Harrisburg, Pennsylvania.

According to school district administrative officials, during the 2004-05 school year, the district provided basic educational services to 8,312 pupils through the employment of 58 administrators, 761 teachers, and 493 full-time and part-time support personnel. Special education was provided by the district and the Capital Area Intermediate Unit #15. Occupational training in various vocational and technical fields were provided by the district.

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 61 through 64 of this report for a listing of the state revenue the district received during the 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.

On May 3, 2000, the Governor signed the Education Empowerment Act (EEA) to help struggling school districts make dramatic changes to give all Pennsylvania's children the education they deserve and to enable all school districts to seek mandate relief. Under the EEA, the Secretary of Education used the Pennsylvania System of School Assessment (PSSA) test to identify districts with a history of low-test performance—defined as districts that have a combined average of 50 percent or more students scoring in the bottom-measured group in the PSSA math and reading for the previous two years.

In a letter dated July 17, 2000, the Secretary of Education notified the superintendent that the district had been included on the Education Empowerment List. The district was included in this list because of the low-test performance of its students in math and reading for the previous two years. Specifically, the percentage of district students scoring in the bottom-measured group was 68.1 percent.

As a result of the district's placement on the list of empowerment districts, the district was required to appoint an 11 member empowerment team that was charged with developing a plan to improve the academic performance of students within the district, including schools within the district. The board of directors appointed the empowerment team on August 15, 2000.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background (Continued)

On December 4, 2000, the Secretary of Education notified the district that pursuant to Section 1707-B, as amended by Act 91 of 2000, the Harrisburg City School District was certified as an empowerment district. Under the provisions of Act 91, the Mayor of Harrisburg was to appoint a five-member board of control, which would assume the day-to-day operations of the Harrisburg City School District.

The board of control was appointed by the Mayor of Harrisburg and had its first meeting on December 20, 2000.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Harrisburg City 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 Harrisburg City School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report.

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

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 applicable 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.



HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Harrisburg City 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 Harrisburg City 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 the Conclusions-Objective No. 2 section of this report and the findings listed below. Additionally, we identified internal control weaknesses as noted in Finding No. 8 of Objective No. 1. The findings and recommendations were reviewed with representatives of Harrisburg City School District and their comments have been included in this report.

Finding No. 1 – General Fund Deficit of \$2,960,656 as of June 30, 2006

Our prior audit of the district’s annual financial reports (AFR), local auditor reports (LAR) and general fund budgets (GFB) for fiscal years ended June 30, 2003, 2002, 2001 and 2000, found that the balance in the district's general fund decreased from a \$17,461,266 surplus at June 30, 2000, to a \$352,921 deficit at June 30, 2003. Our current audit of the district’s AFRs, LARs and GFBs for fiscal years ended June 30, 2006, 2005 and 2004, found that the deficit in the district's general fund increased to \$2,960,656 at June 30, 2006. The board of control’s (BOC) failure to address our prior audit recommendations resulted in the failure to provide for a reduction of the general fund deficit and the continued use of unrealistic budgets.

The continuation of prior audit concerns, combined with current concerns regarding the early childhood fund deficit (addressed in Finding No. 2), the athletic fund deficit (addressed in Finding No. 3), increased debt obligations, and borrowing to finance current operations have further negatively impacted the district’s financial condition.

As disclosed in the LARs, the \$352,921 deficit at June 30, 2003, increased to a \$2,960,656 deficit at June 30, 2006, detailed as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Beginning</u> <u>Fund Balance</u>	<u>Restatement of</u> <u>Fund Balance</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending Fund</u> <u>Balance/(Deficit)</u>
2003	\$ -	\$ -	\$ -	\$ -	\$ (352,921)
2004	(352,921)	52,279	113,698,836	113,170,381	227,813
2005	227,813	-	120,961,581	123,185,497	(1,996,103)
2006	(1,996,103)	-	125,526,384	126,490,937	(2,960,656)

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

In addition to the general fund deficit of \$2,960,656 as of June 30, 2006, the early childhood and athletic funds also had deficits as of June 30, 2006 of \$3,093,804 and \$944,883, respectively. Expenditures in excess of revenues for the early childhood and athletic funds ultimately have to be covered with district monies, and contributed to a lack of cash flow.

Our audit found that the BOC:

- permitted expenditures to exceed revenues for two of three years, as illustrated in the chart on the previous page;
- increased debt obligations;
- borrowed to finance current operations; and
- prepared unrealistic budgets.

A lack of cash flow resulted in the district issuing Tax Revenue Anticipation Notes (TRAN) of \$6,000,000 to finance the 2006-07 fiscal operations and TRANs of \$7,000,000 to finance the 2005-06 fiscal operations. The district incurred \$50,944 and \$40,295 of interest charges for the 2006-07 and 2005-06 TRANs, respectively.

The BOC approved a \$9,000,000, 4.13 percent Series of 2007 School Revenue Note, maturing on May 15, 2010, with the Redevelopment Authority of the City of Harrisburg. This note was adopted May 15, 2007, and was used to payoff the 2006-07 \$6,000,000 TRANs on May 30, 2007.

The cost to issue this note was \$96,104, and an additional \$771,278 of interest will be incurred based on the scheduled principal payments. \$2,000,000 in principal payments required in both the 2007-08 and 2008-09 fiscal years, and \$5,000,000 in principal payments required in the 2009-10 fiscal year, are in addition to debt payments already required as a result of \$233,013,315 in general debt obligations incurred as of June 30, 2006.

The lack of cash flow has also resulted in vendor checks being generated and held four to six weeks until revenue is received to pay the outstanding bills. District personnel provided a partial listing of outstanding checks as of May 30, 2007, totaling \$4,227,327. The checks were processed between March 9, 2007 and May 25, 2007; the majority of these checks were being held until there was money to cover them. It was noted by district personnel that monies left over from the 2007 Revenue Note, after paying off \$6,000,000 in TRANs discussed above, were used to pay a portion of the outstanding checks.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

As was also discussed in our prior audit report, another factor contributing to the district's general fund deficit was the BOC's failure to use realistic beginning general fund balances in preparing the district's budgets. For each of the fiscal years ending June 30, 2003 through 2008, the district prepared budgets assuming beginning fund balances of \$0. As indicated by the actual fund balances shown in the chart on page 9, this was not a realistic assumption. By failing to take into account the actual fund balances, particularly the large deficits occurring in the fiscal years ending June 30, 2005 and 2006 (\$1,996,103 and \$2,960,656, respectively), the district significantly reduced the budgets' usefulness as a tool to help keep spending within the limits of available revenue.

District personnel noted the beginning fund balance of \$0 was used for budgeting purposes because the district's budgets were created to address its current operations as the first priority and reducing the deficit was second priority. The BOC should use the administration's estimate of the actual ending balance for the current fiscal year as the estimated beginning balance for the next fiscal year. At the time of budget preparation, this figure would be an estimate, but it would be more realistic than budgeting \$0.

Furthermore, actual revenues were \$5,941,119 and \$3,594,449 less than budgeted revenues for the 2004-05 and 2003-04 fiscal years, respectively. District personnel noted that one of the major contributors to the revenue shortfall was a difficulty in budgeting grant monies due to the uniqueness of the district's programs and grant timelines. Instead of budgeting grants on a speculative basis, district personnel should use historical data or wait to budget the revenue and expenditures when the grants are approved, as allowed by Public School Code.

Recommendations

The BOC should:

- . continue to use monthly budget status reports to monitor expenditures;
- . continue to monitor general obligation debt to avoid financial burdens on future budgets;
- . adopt budgets which accurately estimate the beginning general fund balances in order to project the true financial condition of the district;
- . prepare realistic budgets based on historical data and verifiable revenue projections; and

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

- . provide for a systematic reduction of the general fund deficit.

Response of Management

Management provided us with the following response:

The Management agrees with the finding and continues to evaluate the budget process to address the deficits in the General Fund Budget. Although the approved budget has not been over-expended during these periods and expenditures and programs have been reduced or eliminated based upon the anticipated revenues, actual expenses, due to contributions to Early Childhood and Alternative Education programs, have exceeded the revenues received to accumulate this deficit.

This Administration inherited an under-funded budget of approximately \$12.2 million in the 2000-01 fiscal year and the programs causing this deficit were put in place by the previous Elected Board and Administration. Following the Mayor's takeover in mid-December 2000 the Board of Control and new Administration attempted to control costs. Under state law, no program, schools or employees can be eliminated for economic reasons once the school year has started. There was, therefore, no legal mechanism available to a new Board of Control and Administration to force major budgetary reductions after mid-December, 2000 in that school year. Nonetheless, by prudent action in the 2001-02 school year, this \$12.2 million deficit was reduced to \$2.8 million, which is no small feat under this statutory restriction and the sorely needed improvement programs of what was then listed as the most academically distressed school district in the Commonwealth. New budget procedures were instituted in the 2002-03 fiscal year, providing more accountability for revenues and expenditures. The Administration continues to evaluate the revenues received and to adjust the programs to be offered based upon these anticipated revenues. Personnel and program reductions have resulted in some savings in subsequent years from the original budgets.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Moreover, many of the revenue sources for the district are not known when the district is required by statute to have a completed budget by June 30th of each year. This is because the state Legislature has not, itself, finished the Commonwealth's budget for the period July 1 to June 30 until after July 1st, thus leaving the district in a position of predicting state revenues without the confirmation that a timely-adopted Commonwealth budget would allow. Due to the delay in Commonwealth budget adoption, programs and personnel included in the district's budget cannot be eliminated until the Commonwealth budget is finally passed and signed into law by the Governor. State entitlements are known at the time of budgeting, but additional state, federal and private grants are not certain at the budget deadline. This delay in information has resulted in differences between the actual and anticipated revenues.

The Administration continues to track the flow of revenues and expenses to assure that the expenditures do not exceed the budget and monitors the revenues in an attempt to control expenditures within the provided limits. The Administration also consistently evaluates and monitors the attrition of staff to determine if reductions can be made based upon student enrollment, even though successful programs have led to substantial increases in student enrollment from 2001 to present. The District has also evaluated the need to have contributions from the staff to support the cost of their medical benefits.

Finding No. 2 – Early Childhood Fund Deficit of \$3,093,804

Our review of the district's AFRs and LARs for the fiscal years ended June 30, 2006, 2005, 2004 and 2003, found that the early childhood fund had a deficit of \$3,093,804 as of June 30, 2006.

In the 2002-03 school year, the Harrisburg City School District (HCSD) established an Early Childhood Education pilot program. The long range goal of the program was to provide free, full-day, full-year preschool services to all of the HCSD's three and four year old children within three years. It was estimated at that time that there were between 1,000 to 1,200 preschool children within the district.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

The district’s vision was to provide a high quality preschool program by having a teaching team in every classroom consisting of a HCSD employed teacher who has public school kindergarten and/or early childhood certification and experience in early childhood education and a Capital Area Head Start teacher that meets Head Start qualifications. Other goals HCSD had for the program were a class size of 15 children; meeting the Head Start performance standards; securing Pennsylvania Department of Public Welfare Day Care licensing; and obtaining National Association for the Education of Young Children program accreditation.

The program was to be funded by grants, tax credit monies and donations collected over each school year, and the intent was that HCSD’s general fund balance would not be affected. After district personnel contacted with the Comptroller’s Office, Labor, Education and Community Services (LECS) to determine how to account for the program, it was decided that a special revenue fund would be set up for recording expenditures and revenue. Special revenue funds account for revenues that are restricted for specific expenditure purposes. In a letter dated October 23, 2002, the district received LECS approval to establish a special revenue fund for the district’s Early Childhood Education Program, since there were to be sources of revenue to be used exclusively for this program. The current accounting function 1800, which is now used to account for pre-kindergarten expenditures, was not established by LECS until the 2004-05 school year.

The special fund’s \$3,093,804 deficit as of June 30, 2006, is detailed as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Beginning</u> <u>Fund Balance</u>	<u>Revenue</u>	<u>Transfers from</u> <u>General Fund</u>	<u>Expenditures</u>	<u>Ending Fund</u> <u>Balance/(Deficit)</u>
2003	\$ -	\$1,281,302	\$ -	\$1,281,338	\$ (36)
2004	(36)	3,290,901	-	3,296,084	(5,219)
2005	(5,219)	3,382,723	102,800	4,350,041	(869,737)
2006	(869,737)	1,843,680	107,397	4,175,144	(3,093,804)

As indicated in the chart above, expenditures exceeded revenues for all four years audited.

Since all Early Childhood Education program expenditures were paid through the general fund, the general fund was to be reimbursed by the Early Childhood program when revenues were received. The deficit spending detailed in the above chart made this impossible.

Contrary to the district’s original intentions, the Early Childhood Program is not self-funded. Since this is the main criteria for establishing a special revenue fund, the district is not properly accounting for the program.

More importantly, since the program is operating at a deficit and is not mandated by DE, the BOC needs to evaluate the program to determine if and how the program is going to be funded, since current revenues are not adequate.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

The district indicated that the main cause of deficit spending was due to the program's expansion, as detailed below:

<u>School Year</u>	<u>Enrollment</u>	<u>Teachers</u>
2002-03	180	14
2003-04	360	28
2004-05	555	37
2005-06	555	33

Our review of revenues found a significant decline in the 2004-05 school year in local revenue from the foundation grant used to fund this program in its initial years of operation, as well as in donations and tax credit monies, yet the program's expenditures were the highest during that school year. Various other grants used to fund the program also declined in the 2005-06 school year. The BOC's approval of expenditures, despite the shortfall of revenues, allowed the Early Childhood Education program to operate with deficit spending.

Recommendations

The BOC should:

- evaluate the Early Childhood program to determine if and how the program will continue to operate given the fact that the program has not been self-funded since the 2003-04 school year; and
- use monthly budget status reports to monitor revenue and expenditure activity.

The business office should contact LECS to determine if the Early Childhood program should be budgeted and accounted for in the general fund, since the program is no longer self-funded.

Response of Management

Management provided us with the following response:

The Management agrees with the finding and has taken action to address the deficits in the Special Revenue Fund for the Early Childhood program.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

The deficits were incurred as the program was expanded to provide services for additional children with the anticipation that funding levels would continue and increase to fund the additional costs. The Harrisburg School District had secured adequate funding in the prior years of operation for this program through the Kellogg Grant, the Accountability Block Grant, the Safe School/Healthy Students Grant, the Spector Grant, and funds derived from private sources through the Act 4 Legislation providing tax advantages to donors. The General Fund of [the district] will continue to make contributions until the current recorded deficit is eliminated.

Funding under these programs failed to meet the expenditures in the expanded program and the deficit occurred due to the additional students served during this period. The District continued to provide this same level of service in 2006-07 and the deficits have expanded through this period.

The Administration has determined that should sufficient funding not be available for 2007-08 the current Early Childhood program will be reduced significantly and a major portion of the program will be under the direction of the Dauphin County Head Start program rather than provided through local School District funding. The Administration eliminated the summer program for Early Childhood provided in past years, and will implement only those portions of the program for which funding is available in 2007-08.

Finding No. 3 – Athletic Fund Deficit of \$944,883

Our review of the district's AFRs and LARs for the fiscal years ended June 30, 2006, 2005, 2004 and 2003, found that the athletic fund had a deficit of \$994,883 as of June 30, 2006.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Expenditures exceeded available revenues, including transfers from the general fund approved for support of the athletic fund, for all four years of our audit, resulting in deficits as follows:

<u>Fiscal Year Ending June 30</u>	<u>Beginning Fund Balance</u>	<u>Revenue</u>	<u>Transfers in from General Fund</u>	<u>Expenditures</u>	<u>Ending Fund Balance/(Deficit)</u>
2003	\$ 14,768	\$31,709	\$350,000	\$584,256	\$(187,779)
2004	(187,779)	61,584	380,000	608,075	(354,270)
2005	(354,270)	77,123	350,000	751,168	(678,315)
2006	(678,315)	66,351	400,000	732,919	(944,883)

The monies shown in the revenue column above are a combination of game receipts and the state reimbursements of Social Security and Medicare taxes and retirement contributions. District personnel noted these state reimbursements may not have been allocated to the athletic fund for the 2002-03 fiscal year.

Our review of annual athletic fund budgets provided by the athletic department to the business office for the 2005-06, 2004-05 and 2002-03 fiscal years found that the budgets underestimated expenditures. The following chart compares the budgeted to actual expenditures:

<u>Fiscal Year Ending June 30</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Under-budgeted Expenditures</u>
2003	\$400,000	\$584,256	\$184,256
2004	^	608,075	NC
2005	493,350	751,168	257,818
2006	440,320	732,919	292,599

^ - District was unable to locate 2003-04 athletic fund budget.
NC – Not able to compute.

Furthermore, when we compared budgeted expenditures to actual available revenue, including the general fund transfers, budgeted expenditures exceeded actual revenue received for at least two of the years of review, as follows:

<u>Fiscal Year Ending June 30</u>	<u>Budgeted Expenditures</u>	<u>Actual Revenues</u>	<u>Revenue (Shortfall)/Surplus</u>
2003	\$400,000	\$381,709	\$(18,291)
2004	^	441,584	NC
2005	493,350	427,123	(66,227)
2006	440,320	466,351	26,031

^ - District was unable to locate 2003-04 budget.
NC - Not computable.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

The BOC's approval of expenditures in excess of both budgeted expenditures and actual revenues permitted the athletic program to operate with deficit spending.

The 2006-07 and 2007-08 budgeted expenditures were also provided for our review. Although actual expenditures were not available at the time of audit, based on historical expenditures for the athletic program, the budgeted expenditures again appear to be understated. District personnel could not provide budgeted athletic fund revenue projections for any of our years of audit.

All athletic program expenditures were paid through the general fund, and the general fund was reimbursed by the athletic program when revenues were received from game receipts. However, game receipts and other revenue were not sufficient to support athletic fund expenditures in excess of the approved general fund transfers.

A common procedure for districts that expend more in the athletic fund than the total revenue received for a given year is to transfer additional funds from the general fund to avoid having an athletic fund deficit. Given the current financial condition of the general fund, the district does not have the luxury of this option.

Recommendations

The BOC should:

- evaluate the athletic program to determine if revenue collection and reporting procedures are adequate, given the variances noted in the charts above;
- prepare realistic budgets based on historical data and verifiable revenue projections; and
- use monthly budget status reports to monitor revenue and expenditure activity.

Response of Management

Management provided the following response:

The Management acknowledges the over-expenditure of the established budget by the Athletic Department and has implemented budget procedures to assure corrective action.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Although the Athletic budget was entered into the system and monitored, the department initiated many transactions without the proper purchase orders and made payments based upon verbal commitments to vendors. In addition, costs of teams attending events that were not planned in the budget, many of them play-off events, required additional contributions from the General Fund. Revenues from these and the basic ticket sales have not provided sufficient revenue to maintain the program, and therefore, the General Fund was providing funds which were not originally budgeted. The 2007-08 Budget reflects a greater contribution that accounts for all anticipated expenditures based upon the submitted budget.

Meetings have been held with the Athletic Director and his staff and a budget has been established within the [district's financial software] system. We have agreed that all transactions would be initiated through the purchase order process and that the Athletic Department will not be compensated for expenses above the original budget.

Auditor's Conclusion

Although management agrees with the finding and noted that corrective action is currently in place for the 2007-08 fiscal year, the district still must address the existing deficit.

Finding No. 4 – Inaccurate Reporting of the Number of Nonpublic Pupils Transported Resulted in Transportation Subsidy Underpayments of \$46,970

Our review of the district's pupil transportation reports as submitted to DE for the school years of audit found errors in the number of nonpublic pupils transported in the 2003-04 and 2002-03 school years, resulting in underpayments of nonpublic pupil transportation subsidy, as follows:

<u>School Year</u>	<u>Number of Nonpublic Pupils</u>			<u>Rate</u>	<u>Underpayments</u>
	<u>Audited</u>	<u>Reported</u>	<u>Difference</u>		
2003-04	543	522	21	\$385	\$ 8,085
2002-03	700	599	101	385	<u>38,885</u>
					<u>\$46,970</u>

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 4 (Continued)

DE instructions for reporting end-of-year data state, in part:

Report the total number of resident, NONPUBLIC school pupils you transported to and from school.

The understatement of nonpublic pupils was caused by district personnel's failure to report the total number of nonpublic pupils in accordance with DE instructions. District personnel reported the number of nonpublic pupils at a given point in time, instead of the total number of nonpublic school pupils transported to and from school during the school year.

Upon being notified of the error, district personnel reviewed subsequent years reports and submitted revised reports to DE.

Recommendations

District personnel should prepare a complete list of nonpublic pupils each year that includes the name and bus number of each nonpublic pupil transported, in accordance with DE instructions.

DE should take action to resolve the underpayments of \$46,970.

Response of Management

Management provided us with the following response:

The Management acknowledges the failure to report non-public students throughout the school year. The original calculation was based upon the number of pupils enrolled on a certain date, rather than to track the students throughout the entire school year.

Record-keeping has been updated and subsequent reports corrected to indicate the number of students being serviced during each school year.

Finding No. 5 – Vehicle Mileage Allowances Violated Internal Revenue Service Regulations

Our audit of administrators' contracts for the 2006-07, 2005-06, 2004-05, 2003-04 and 2002-03 fiscal years found that the superintendent, deputy superintendent, and assistant superintendents were paid a mileage allowance each month for travel within a 50-mile radius of the district, in lieu of being paid based on actual miles traveled. The superintendent received \$500 a month between July 1, 2002 and June 15, 2007, and the deputy superintendent and assistant superintendents received \$400 a month during their employment periods between July 1, 2002 and June 15, 2007.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 5 (Continued)

District personnel processed these payments through accounts payable, instead of payroll, which resulted in no taxes being withheld. The failure to collect and remit the appropriate taxes may have violated Internal Revenue Service (IRS) regulations. District personnel stated that they were not aware of the IRS regulations regarding vehicle mileage allowances.

After reviewing IRS Publication 463 (Travel, Entertainment, Gift, and Car Expenses) and IRS Publication 15 (Employer's Tax Guide), we informed district personnel that these mileage allowances might be considered nonaccountable plans, since they are flat rates, no record of mileage driven is provided to the district, and funds in excess of the district's mileage reimbursement rate may be kept by the administrator without accountability.

IRS Publication 15, Employer's Tax Guide, item 7 (Supplemental Wages) states, in part:

Supplemental wages are compensation paid in addition to an employee's regular wages. . . . [P]ayments subject to the supplemental wage rules include . . . expense allowances paid under a nonaccountable plan.

IRS Publication 15, item 7 further states, in part:

Supplemental wages identified separately from regular wages. If you pay supplemental wages separately . . . the federal income tax withholding method depends partly on whether you withheld income tax from your employee's regular wages. . . . Regardless of the method that you use to withhold income tax on supplemental wages, they are subject to social security, Medicare, and FUTA [Federal Unemployment Tax Act] taxes.

Upon receiving notification of the possible violation of IRS regulations, district personnel began running the mileage allowances through payroll and withholding taxes for both the mileage allowance and regular wages, beginning with the June 15, 2007 payroll.

Recommendations

District personnel, in consultation with the district's solicitor, should contact the IRS regarding the proper handling of the vehicle mileage allowances which were paid through accounts payable from July 1, 2002 to June 15, 2007, and ensure that current procedures are in compliance with IRS, state and local regulations.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 5 (Continued)

Response of Management

Management provided us with the following response agreeing with the finding:

The Management acknowledges that based upon individual contracts certain persons were being paid for mileage allowances through the accounts payable system. Based upon contract it was listed as being provided without the recording of actual mileage, and this has been changed.

The Administration took immediate action upon notice of this filing and included this benefit for the calendar year on the payroll of each individual as a taxable benefit.

Finding No. 6 – Administrative Wage Errors

Our audit of the administrators' wages for the 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03 school years found errors in wages paid to four administrators, as follows:

- one administrator was underpaid \$6,459 for the 2005-06 school year; this was due to a clerical error whereby one pay period was included for two different contract years when dividing total salary by pay periods to determine salary per pay period;
- one administrator was overpaid \$3,756 and a second administrator was overpaid \$969 for the 2003-04 school year; these overpayments were due to clerical errors in calculating the number of pay periods over which the administrators retroactive salary increases would be paid; and
- one administrator was overpaid \$1,058 for the 2002-03 school year due to a pay increase being processed one pay period earlier than it should have been.

After confirming the underpayment and the three overpayments, district personnel took immediate action to correct these errors. The 2002-03 overpayment was recovered through a June 15, 2007 payroll deduction, and the 2005-06 underpayment was resolved on June 1, 2007. The 2003-04 overpayments were to be resolved through payroll deductions over 14 pays beginning with the June 15, 2007 pay.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 6 (Continued)

Recommendations

District personnel should review each contracted administrator's wages on an annual basis and reconcile the wages paid to the wages due to each individual. If errors are noted, the wages should be adjusted accordingly.

Response of Management

Management provided us with the following response:

The Management acknowledges that based upon individual contracts certain persons were either over-paid or under-paid during a period when wages were not adjusted for the remainder of the staff in a timely manner. This was an error in calculation by the Payroll Department based upon the number of payments made to each individual from the anniversary date of their contract. Depending upon the calculation, some administrators required additional compensation while other returned overpayments.

All adjustments will be reconciled and satisfied prior to the next contract period.

Finding No. 7 – Failure to Obtain Memorandum of Understanding

Our audit of the district's records found that the district did not have on file a properly signed Memorandum of Understanding (MOU) between itself and the City of Harrisburg Police Department.

Our review found that the City of Harrisburg Police Department provides fully trained and certified police officers to act as Student Resource Officers (SROs) in the schools. The district does have policies and guidelines for these SROs; however, these policies and guidelines, unlike properly executed MOUs, do not specifically address incidents regarding possession of a weapon by any person on school property, nor do they address the duties of the City of Harrisburg Police Department. The copy of the agreement provided to us discussed the employment of the SROs as it related to a grant for the period between July 1, 2004 and December 31, 2005. Our review found that the SROs continued to be employed through the 2006-07 school year; however, no new agreements were signed after December 31, 2005.

District personnel incorrectly believed that their agreement with the City of Harrisburg Police Department was an adequate substitute for the MOU.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 7 (Continued)

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 Basic Education Circular issued by 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)

The failure to develop a MOU with the local law enforcement agency 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 or 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 district administration, in consultation with the solicitor, should execute a MOU between the district and the City of Harrisburg Police Department.

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

¹24 P.S. § 13-1303-A(c).

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 7 (Continued)

Response of Management

Management provided the following response:

The Harrisburg School District has a unique agreement with the City of Harrisburg, which provides the District with a team of School Resource Officers (SRO's), who are fully trained and certified police officers. As a result, the Memorandum of Understanding (MOU), related to the chain of reporting of incidents, has been understood between the parties based upon the annual agreement between the parties. It was not the understanding of the School District that a separate MOU would be necessary between the City of Harrisburg and the Harrisburg School District.

The SRO's assigned by the City of Harrisburg have a fully established procedure which outlines the procedures to be used in all instances, especially those involving the suspicion of weapon possession and any form of violent acts. The attached [see Auditor's Conclusion below] is more responsive than the prior MOU's adopted by the District and more directly relevant to the established procedures.

The prior MOU between the City of Harrisburg and the Harrisburg School District will be reviewed and placed before the Board of Control for approval. The procedures for action and levels of responsibility outlined for the SRO's will continue to be utilized by the City and District based upon the prior understandings.

Auditor's Conclusion

The attachment referred to in the response of management is an agreement between the school district and the City of Harrisburg to secure the services of police officers on a periodic temporary basis. This agreement still does not set 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. Accordingly, we reiterate our recommendation that the district execute a proper MOU with the City of Harrisburg Police Department.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 8 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

Our audit found that HCSD 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.

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 have evidence to support that they perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the district does not have evidence to support that they 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 August 22, 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 vendor uses a group userID rather than requiring that each employee has a unique userID and password;
- . 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;

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 8 (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 use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., last 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 that 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 require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the district system. Further, the district should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives;

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 8 (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;
- 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; and
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements).

The district should implement a security policy and system parameter settings to require all users, including the vendor, to ensure passwords are 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

Response of Management

Management provided the following response:

The District acknowledges this access weakness and is attempting to address the need for vendors to access the data systems during maintenance and upgrade of software. When any information is entered into the database a user's login is date/time stamp and coded into the database, which provides a record of the stages of change. The database will only store the last change made to the records, and the recorded history of transactions is limited to the last access to the records.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 8 (Continued)

The District is reviewing software to monitor users and contact Network and Database Administrators when users log into the network. The software being considered is “Userlock” which monitors all session activities and provides times for connections within the system, sets up popup or e-mail alerts for specific events per user group (i.e. monitors, and ensures that users are authorized and not concealing any false identification. This software will control remotely all sessions and not allow users to log on to more than one workstation simultaneously. We anticipate purchase of this software during the next fiscal year.

The District has secured and is in the process of implementing within the vendor contract a “non-disclosure” agreement for the district’s proprietary information. All vendors will be required to sign and approve these documents prior to approval of the contract.

The District provided compliance on the prior recommendation to utilize a six-character password, and will expand that to an eight-character password as recommended.

Finding No. 9 - Weak Internal Controls in Procedures Used to Process Requests for Reimbursement

Our audit of the Harrisburg School District (District) found internal control deficiencies in the processing of travel and other employee expenses that were incurred within the superintendent’s office. Deficiencies existed because the district did not adequately obtain or maintain necessary documents to support the legitimacy of expenses. We discovered the deficiencies during our review of the district’s documentation of 153 transactions totaling \$42,873 in expenses. The expenses were incurred by district personnel for meals, lodging, airfare, rental fees, mileage and books. They were reimbursed during the 2006-07 fiscal year.

During the initial phase of our field work, the district provided the audit team with a minimal amount of documentation to support the legitimacy of the 153 expenses. The documentation did not enable the audit team to determine whether the expenses were directly related to school district business. Upon our review of the issue with district management, it was ultimately able to provide additional documentation to enable the audit team to determine that the expenses appeared to be for legitimate district purposes. Even so, the process of how the district documents employee travel and other employee expenses needs to be significantly improved.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 9 (Continued)

The following summarizes the deficiencies we found during our review of the documents provided by management:

- Travel expense vouchers were not used for 39 of the transactions reviewed. Travel expense vouchers contain an itemization of most, if not all, necessary expenses incurred to attend a conference or meeting. It also includes the signature of the person who incurred the expenses.
- No vendor invoice was provided for 43 of the transactions tested. A personal credit card receipt was the only documentation provided to support the cost incurred in those transactions.
- Documentation to support 130 of the 153 transactions tested did not include the signature of the employee who incurred the expense.
- Documents submitted for reimbursement were not adequately marked as paid. This is important to ensure that duplicate payments are not made.

The Public School Code, 24 P.S. § 5-516.1, which pertains to “Expenses for attendance at meetings of educational or financial advantage to the district,” states, in pertinent part:

Each person authorized to attend and attending shall be reimbursed for all expenses actually and necessarily incurred, . . . , including travel, . . . , lodging, meals, . . . and other incidental expenses necessarily incurred. . . . All such expenses shall be itemized and made public at the next meeting of the board. Such expenses shall be paid by the treasurer of the school district . . . upon presentation of an itemized verified statement of such expenses . . .

Similarly, the Public School Code, 24 P.S. § 5-517, which pertains to attendance of superintendents, etc., at educational conferences states, in pertinent part:

Each person so authorized to attend and attending shall be reimbursed for all necessary travelling and hotel expense actually incurred. . . . Such expenses shall be paid by the treasurer of the school district . . . upon the presentation of an itemized, verified statement of such expenses.

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Finding No. 9 (Continued)

Discussions with management, a review of minutes of the meetings of the district's board of control, and our review of the documents that were provided did not appear to reveal any costs incurred that were not directly related to school district business. However, the disorganization of the district's records and the failure to require adequate documentation could result in payment of expenses that are not directly related to district business and also increases the potential that abuse could occur in the future.

Recommendations

District management should take the necessary steps to ensure that adequate documentation is submitted to support employee travel and other expenses. This includes, but is not limited to, the following.

- Require that the purpose of expenses incurred is documented in adequate detail to show the purpose of the expenditure and how it directly relates to school district business.
- Require that the signatures of individuals who incurred the expense are included on appropriate documents.
- Complete travel expense vouchers.
- Maintain documentation in an organized fashion to allow review by management for approval.

Response of Management

Management provided the following response:

The Harrisburg School District (District) is in agreement with the finding of internal control deficiencies in the processing of certain travel and employee expense reimbursements with the following qualifiers:

Prior audits did not identify the requirement for the exclusive use of vouchers for reimbursements;

Prior audits did not identify the requirement for the signature of the employee incurring the expense to be affixed on the expense voucher; and

The review has determined the expenses in question were fully district-related and legitimate. No duplicate payments were made.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 9 (Continued)

Additionally, the District will implement the recommendations made in the audit finding in conjunction with the development of a new expenses reimbursement request form and a review and update of the reimbursement request process.

Auditor's Conclusion

We are pleased the district will implement our recommendations and take additional steps to address the deficiencies described in the finding.

Although we concluded that the expenses appear to be for legitimate district purposes, their legitimacy was not readily apparent from the documentation the district obtained or maintained. This was only determined after a painstaking collection and review of additional documentation, a process which should be avoidable if the district implements our recommendations.

During prior audit periods the district obtained and maintained documentation differently than it did during this audit period. As a result, our prior reports identify different deficiencies and make other recommendations.

Ultimately, the district is responsible to recognize the need for internal controls, to design them and put them in place.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Harrisburg City School District took appropriate corrective action to address the findings, observation 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 these findings and observation, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board of control's written response, dated March 21, 2005, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding specific prior years' findings, observation and recommendations.

Finding No. 1 – Social Security and Medicare Taxes Reimbursement Underpayments

Our prior audit of the district's 2001-02 and 2000-01 Reconciliation of Social Security and Medicare Tax Contributions (PDE-2105) found errors in total taxable Social Security, Medicare and federal wages reported for reimbursement. These errors resulted in reimbursement underpayments of \$217,114.

We recommended that district personnel:

- review reports submitted for years subsequent to the audit, and if similar errors occurred, submit revised reports to the Department of Education (DE); and
- establish reconciliation procedures for verification of total eligible Social Security and Medicare wages, as well as Social Security and Medicare wages paid from federal funds.

We further recommended that DE adjust the district's future allocations to resolve the Social Security and Medicare taxes reimbursement underpayments of \$217,114.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

The board of control (BOC), in its written response, restated the response provided by management at the time of the prior audit, as follows:

The Administration acknowledges this oversight and has corrected the errors. The prior administration failed to reconcile the Form 2105 with the IRS 941 [Internal Revenue Service Employees Quarterly Federal Tax Return] and report federal wages as a separate item. During 2001-02 the errors were noted in the quarters prior to the current administration.

Since the fourth quarter, 2001 the current administration has provided reconciliation between the Form 2105 and the IRS 941 and reported the federal wages as a separate item.

DE resolved the reimbursement underpayments of \$217,114 on June 1, 2006.

Based on the results of our current audit, we concluded that the district did not correct the 2002-03 school year report, but did take appropriate corrective action to address this finding beginning with the 2003-04 school year.

Our current audit of the district's 2004-05, 2003-04, and 2002-03 PDE-2105s found errors in total taxable Social Security, Medicare and federal wages reported to DE for reimbursement for the 2002-03 school year. This error resulted in reimbursement underpayments of \$47,759, as follows:

	<u>Total Taxable Wages</u>		<u>Understated</u>	<u>Reimbursement</u>	<u>Reimbursement</u>
	<u>Audited</u>	<u>Reported</u>	<u>Wages</u>	<u>Rate</u>	<u>Underpayment</u>
(SE)	\$26,285,229	\$25,689,438	\$595,791	0.03100	\$18,470
(ME)	26,387,966	25,792,175	595,791	0.00725	4,319
(SN)	16,665,370	16,213,092	452,278	0.04475	20,239
(MN)	16,814,696	16,362,417	452,279	0.01046	<u>4,731</u>
				Total	<u>\$47,759</u>

(S) = Social Security Wages
(M) = Medicare Wages

(E) = Existing employees
(N) = New employees

The wage differences resulted from the failure of district personnel to reconcile the Social Security and Medicare wage amounts reported on the PDE-2105 to the wages reported on the Form 941, and the failure to reconcile the federal wages to revised supplementary federal wages schedules prepared by district personnel. The lack of reconciliation resulted in federal wage totals shown on wage printouts not being included in the total wages reported to DE, and differences in federal wages not being detected for the fourth quarter of 2002.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

The audited wages were determined by our review of payroll registers and federal wage summaries for the 2002-03 school year provided by the payroll supervisor.

Recommendations

District personnel should continue to review reports prior to submitting them to DE.

DE should adjust the district's allocations to resolve the \$47,759 Social Security and Medicare taxes reimbursement underpayment.

Response of Management

Management provided the following response agreeing with the finding:

The Management acknowledges the understatement of wages based upon the reports generated to calculate the Social Security and Medicare payment wages. The report is designed with two elements, with the sum of the two resulting in the eligible wages. The individuals submitting the report did not know that the greater of two sub-totals was not a grand total and failed to add the two sub-totals to provide a grand total. The difference being refunded is the amount based upon the one sub-total.

Subsequent reports have been filed accurately and the correction has been made to submit reports based upon the two subtotals.

Finding No. 2 – Certification Irregularities

Our prior audit of the professional employees' certification records for the period November 22, 2002 through September 1, 2004, found 48 irregularities.

We recommended that the superintendent require the individuals cited in the finding to obtain proper certification or reassign them to positions for which they were properly certified.

We further recommended that the director of human resources:

- implement all procedures identified in the Harrisburg City School District Procedures Manual issued December 2, 1999;
- ensure staff involved with the certification function are properly trained in the implementation of the procedures identified above;

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

- require district personnel to submit job descriptions to DE's Bureau of Teacher Certification and Preparation (BTCP) for locally titled positions to ensure the individuals are properly certified for these positions;
- ensure a properly completed professional personnel listing is prepared and updated for each school year; and
- ensure copies of all professional employees' Pennsylvania teaching certifications are obtained and maintained in a current, updated certification log.

Finally, we recommended that DE adjust the district's allocations and recover the subsidy forfeitures of \$66,679 resulting from the irregularities.

The BOC, in its written response, restated the response provided by management at the time of the prior audit, as follows:

The Human Resources Office continues to work towards compliance in the area of certification. The number of persons out of compliance has been reduced significantly and the number of certified personnel has increased.

Understanding the role of the Auditor General, the District accepts the report as prepared and presented. However, the District will be issuing a challenge through PDE in regards to several positions for which the District believes that certification is not required.

Our current audit found that on March 23, 2006, the subsidy forfeiture relating to these irregularities was waived by DE.

Based on the results of our current audit, we have concluded that the district did not take appropriate corrective action to address this finding.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Our current audit of the professional employees' certification and assignments for the period from September 2, 2004 through May 3, 2007, was performed to determine compliance with the Public School Code and BTCP's Certification and Staffing Policies and Guidelines. Our review found 103 irregularities. Seventeen of these irregularities were continuations of irregularities noted in our prior audit report, and 86 were new irregularities. These irregularities are detailed as follows:

- nine continuing and 24 new irregularities were for individuals who did not hold any certification but for whom BTCP had determined certification was required; 11 of the 24 new irregularities were for individuals in locally titled positions;
- six continuing and 44 new irregularities were for individuals who held certification but for whom BTCP determined that the individuals did not hold the appropriate certificate for their assignments;
- two continuing and 17 new irregularities were for individuals who held lapsed provisional or emergency certificates; and
- one new irregularity was for an individual who was employed on an inactive certificate as a Chemistry teacher.

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.²

Section 2518 of the Public School Code provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.³

² 24 P.S. § 12-1202.

³ 24 P.S. § 25-2518.

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Finding No. 2 (Continued)

Information pertaining to the irregularities was submitted to BTCP, DE, for its review. BTCP confirmed the irregularities on June 10, 2007. As a result, we computed that the district is subject to subsidy forfeitures of \$52,174, \$55,251, and \$50,626 for the 2006-07, 2005-06, and 2004-05 school years, respectively.

The certification irregularities resulted from the district's continuing failure to implement its own procedures as detailed in its Procedures Manual issued December 2, 1999, and from its failure to implement recommendations made in our three prior audit reports.

Recommendations

We recommend that the superintendent require the individuals cited in this finding to obtain the proper certification or reassign them to positions for which they are properly certified.

We again recommend that the director of human resources:

- implement all procedures identified in the district's Procedures Manual issued December 2, 1999;
- ensure staff involved with the certification function are properly trained in the implementation of the procedures identified above;
- require district personnel to submit job descriptions to BTCP for locally titled positions to ensure the individuals are properly certified for these positions;
- ensure a properly completed professional personnel listing is prepared and updated for each school year; and
- ensure copies of all professional employees' Pennsylvania teaching certifications are obtained and maintained in a current, updated certification log.

We further recommend that the director of human resources review work histories for individuals who hold temporary certificates and take appropriate action to ensure that temporary certificates do not lapse prior to the individuals obtaining permanent certification.

DE should adjust the district's allocations and recover the subsidy forfeitures of \$158,051.

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PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Response of Management

Management provided us with the following response while waiving the opportunity to reply to the specific certification issues:

The Harrisburg School District acknowledges the requirement to thoroughly review certification eligibility and understands that specific guidelines must be utilized to review individual credentials. . . . The District understands that the questions and/or appeals will be directed to the Department of Education to clarify the duplications, locally developed positions and other variances listed in the Audit Findings. The District will take to the opportunity to respond to the findings of the audit with the Department of Education, which will have the ability to resolve disputed issues that have arisen during the term of the audit.

An urban District like Harrisburg typically is not the first choice for many candidates and the District has a difficult time attracting and retaining certificated teachers. The search for certificated teachers has been further complicated during the past few years as potential candidates have been made aware of the financial difficulties of the District. The District was forced to send furlough notices to more than 200 employees, many of whom left the District after a short notice, forcing the District to start the school year with many emergency certified staff members. Currently, faced with the same financial shortfalls, many of our younger certified staff members have sought employment elsewhere understanding that there may be reductions in staff.

The Harrisburg School District has a very strong tradition of attending job fairs throughout the region, seeking both in-state and out-of-state qualified and certified candidates. The majority of these job fairs occur between November and March. Because of concerns about the financial affairs of the District, the District has been unable to commit to new staff until July 1st, a time when most qualified staff have committed to other positions. In addition, area school districts have learned that Harrisburg staff receive quality training, and therefore, seek these individuals for their available positions.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 2 (Continued)

The Harrisburg School District understands the importance of compliance with certification regulations and to the No Child Left Behind legislation, and diligent attempts have been made towards reaching compliance. However, the choice is to have a person appointed with an emergency certificate or have a classroom without a teacher. The School District has implemented a tracking system to notify personnel of their status toward earning their regular teacher certification status. This process involves the Human Resources Office, the Principal of the Building, and the staff member involved. Through this process the District has held the individual accountable relative to their emergency certificate. As a result, the District has terminated more than fifteen (15) teachers this year for their failure to fulfill their obligation. We have also worked diligently to get emergency certified teachers to take their praxis tests in order to move from the emergency to an intern status.

Finding No. 3 – Inaccurate Reporting of Membership

Our prior audit of documentation supporting pupil membership reports submitted to DE for the 2001-02 and 2000-01 school years found errors in resident, nonresident and instructional days data. The errors resulted in a net subsidy and reimbursement underpayment of \$71,405.

We recommended that district personnel:

- establish reconciliation procedures to ensure the district's membership summary reports agree with the computer detail membership reports;
- ensure all nonresident membership is accurately reported to DE;
- ensure instructional days are accurately computed and reported to DE; and
- review reports submitted to DE subsequent to the audit period, and if errors are found, submit revised reports to DE.

We further recommended that DE adjust the district's allocations to resolve the net subsidy and reimbursement underpayment of \$71,405.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

The BOC, in its written response, restated the response provided by management at the time of the prior audit, as follows:

The Administration acknowledges this oversight and has corrected the errors. The prior administration failed to report non-public students and there were errors in the resident status of some students. Complete records were not available for the 2000-01 school year to review and the [PDE] 4062 [membership report] filed did not include all students. The current administration reviewed records in April, 2001 and provided the corrections available at that time. Errors in calendars, out of district placements, and Vocational Education students have been corrected and reviewed.

The Administration has trained the school staff to properly enroll students and to review the reports on each student quarterly. Central Office staff reviews the enrollment and attendance reports periodically and makes the corrections prior to filing.

On June 1, 2007, DE resolved the basic education funding (BEF) underpayment due the district by paying the district an additional \$97,942. Of the \$97,942 paid to the district, \$33,349 was due to additional data obtained by DE subsequent to our prior audit calculations and for BEF underpayments for the 2005-06, 2004-05 and 2003-04 school years which occurred as a result of untimely resolution by DE. DE also resolved the \$8,445 overpayment for tuition for children placed in private homes through a BEF deduction on June 1, 2007.

DE has not yet adjusted the district's special education subsidy payments as recommended in our two previous audits. Payments to the district for the 2005-06, 2004-05, 2003-04, and 2002-03 school years were paid using a guarantee of the prior years' funding as part of the formula. Because DE has not acted in a timely manner to adjust the district's special education subsidy payments as recommended, additional underpayments have occurred. Data provided by DE subsequent to our prior audit, combined with the effect of the guarantees, resulted in additional special education subsidy underpayments of \$8,133, \$7,905, \$7,905, \$7,906 for the 2005-06, 2004-05, 2003-04, and 2002-03 school years, respectively, based on our 2001-02 and 2000-01 membership audit. Furthermore, special education subsidy underpayments of \$81,412, \$80,593, \$80,593, and \$80,594 have accrued for the 2005-06, 2004-05, 2003-04, and 2002-03 school years, respectively, based on our 1999-2000 and 1998-99 membership audit, resulting in total additional underpayments of \$355,041 in special education subsidy.

This \$355,041, combined with the \$15,257 and \$80,478 of underpayments reported in our prior audit report for the years ended June 30, 2002 and 2001, means that the district is due \$450,776 in special education subsidy for school years 2000-01 through 2005-06, in large part due to DE's failure to act on our prior audit recommendations.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Therefore, we again recommend that DE expedite the resolution of the special education subsidy underpayments of \$450,776 relating to our audits for the years ending June 30, 2002 and 2001, and June 30, 2000 and 1999.

Our current audit again found errors in membership reporting for the 2004-05, 2003-04 and 2002-03 school years, as discussed below. The BOC's corrective actions were not effective in ensuring accurate data reporting. District personnel noted that a new child accounting coordinator was hired during the 2004-05 school year, which they stated should result in more accurate reporting of child accounting data for the 2005-06 and subsequent school years.

Our current audit of documentation supporting pupil membership reports submitted to DE for the 2004-05, 2003-04 and 2002-03 school years found errors in resident and nonresident membership and in instructional days reported. The errors resulted in a subsidy and reimbursement net overpayment of \$234,513, as follows:

<u>Description</u>	<u>(Over)/Underpayments</u>				<u>Totals</u>
	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	
BEF	\$(70,056)	\$(81,163)	\$(121,194)	\$(12,174)	\$(284,587)
Tuition for Children Placed in Private Homes	-	(83)	(7,573)	45,532	37,876
Special Education Subsidy	<u>3,749</u>	<u>3,430</u>	<u>2,686</u>	<u>2,333</u>	<u>12,198</u>
Totals	<u>\$(66,307)</u>	<u>\$(77,816)</u>	<u>\$(126,081)</u>	<u>\$35,691</u>	<u>\$(234,513)</u>

We have provided DE with reports detailing the errors for use in adjusting the district's subsidies and reimbursements. When DE revises the 2004-05, 2003-04, and 2002-03 membership, the revisions will change the 2006-07, 2005-06, and 2004-05 market value/personal income aid ratios from .7375 to .7392, from .7416 to .7415 and from .7297 to .7325, respectively.

Child accounting guidelines and instructions require the accurate reporting of pupil membership days and student classifications, since these are major factors used by DE to calculate various subsidies and reimbursements, including but not limited to BEF, tuition for children placed in private homes and special education subsidy.

When preparing membership data files for testing, district personnel determined that there had been changes to the computerized data subsequent to the submission of membership reports, and that consequently the membership days reported to DE were inaccurate for the 2004-05, 2003-04, and 2002-03 school years. District personnel provided us with revised reports, and the changes in these reports are included in the errors noted in this finding.

Additionally, when reviewing membership data, district personnel realized that due to a clerical oversight they had failed to report the membership for certain eligible students.

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PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

District personnel were able to provide both the original and revised detailed membership printouts for the 2003-04 and 2004-05 school years; however, due to a changeover in staff, they were not able to provide all of the original detailed membership printouts for the 2002-03 school year.

Resident Membership

The changes made to membership data, the unreported membership, errors in instructional days, clerical errors, staff turnover, and a lack of knowledge of district personnel involved in the child accounting process, combined with inadequate review and reconciliation of data reported on summary reports to the detailed membership printouts, resulted in errors in the membership data submitted to DE for the 2004-05, 2003-04 and 2002-03 school years.

Our review of the detailed resident membership printouts and supporting documentation found that district personnel:

- reported membership for 12th grade students under an incorrect term in 2004-05, 2003-04, and 2002-03, as detailed below under “Instructional Days”;
- made changes to computer calendars and other computerized data, which resulted in changes in membership for the 2004-05, 2003-04 and 2002-03 school years, including changes in grade levels, changes in membership days, and unexplained differences;
- failed to report membership for certain eligible students during the 2004-05 and 2002-03 school years;
- incorrectly reported membership for institutionalized children educated by the Lincoln Intermediate Unit #12 (LIU) to DE for the 2003-04 school year, resulting in a duplication of membership that was also reported by the LIU to DE;
- incorrectly reported membership for residents of the district as membership for nonresident children placed in private homes, when agency placement letters indicated that they were pre-adoptive for the 2003-04 school year;
- failed to report membership for one elementary student educated through the LIU in 2002-03;

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Finding No. 3 (Continued)

- made clerical errors when determining the term under which nonresident students should be reported, which also resulted in differences in resident membership days in 2002-03;
- incorrectly reported a student as both a resident and a nonresident child placed by court in 2002-03;
- incorrectly reported membership for an institutionalized nonresident child and for an institutionalized ward of state as resident membership for the 2002-03 school year; and
- incorrectly reported membership for nonresident children placed in private homes as resident membership for the 2002-03 school year.

These errors resulted in the following resident membership errors:

<u>Description</u>	<u>Membership Days</u> <u>(Over)/understated</u>		
	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Full-time Kindergarten	-	-	(180)
Elementary	2,300	(513)	4,896
Secondary	6,085	(2,267)	7,619

Nonresident Membership

Our review of the 2004-05, 2003-04 and 2002-03 school years' nonresident membership reports found errors. District personnel:

- reported membership for 12th grade nonresident students under an incorrect term in 2004-05, 2003-04, and 2002-03, as detailed below under "Instructional Days";
- made changes to computer calendars and other computerized data, which resulted in changes in membership for the 2004-05, 2003-04 and 2002-03 school years, including changes in grade levels, changes in membership days, and unexplained differences;
- failed to report membership for one nonresident child placed in a private home for the 2004-05 school year;

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Finding No. 3 (Continued)

- failed to report membership for children placed in private homes who were being educated through the Capital Area Intermediate Unit #15 (CAIU) for the 2003-04 and 2002-03 school years and through the LIU for the 2002-03 school year;
- incorrectly reported membership some students as membership for nonresident children placed in private homes, when agency placement letters indicated that they were pre-adoptive for the 2003-04 school year, and therefore should have been reported as residents;
- made clerical errors in 2002-03 when determining the term under which nonresident membership should be reported;
- incorrectly reported membership for an institutionalized nonresident child and an institutionalized ward of state as resident membership for the 2002-03 school year;
- incorrectly reported membership for nonresident children placed in private homes as membership for residents of the district for the 2002-03 school year; and
- incorrectly maintained a child placed by court in a private home in district membership while he was being educated by the CAIU for the 2002-03 school year.

These errors resulted in the following nonresident membership days being (over)/understated:

<u>Description</u>	<u>Days (Over)/understated</u>		
	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Nonresident Children Placed in Private Homes:			
Full-time Kindergarten	-	-	180
Elementary	-	(431)	196
Secondary	(4)	258	589
Secondary Nonresident Institutionalized:			
State Wards	-	-	8
Not Wards of the State	-	-	25
Secondary Nonresident District-Paid Tuition Students	-	(5)	-

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Finding No. 3 (Continued)

Instructional Days

For the 2004-05, 2003-04, and 2002-03 school years, district personnel incorrectly reported the days in session for grade 12 students as follows:

- for 2004-05, district personnel reported the school term as 179 days; however, students actually had 178 days in session;
- for 2003-04, district personnel reported the school term as 180 days; however, students actually had 175 days in session; and
- for 2002-03, district personnel reported the school term as 180 days; however, students actually had 173 days in session.

These errors were due to clerical errors in calculating days in session for seniors. As a result, students in grade 12 did not meet the minimum mandated days in session, and a reduced average daily membership (ADM) calculation was applied accordingly.

The errors in resident, nonresident, and instructional days resulted in the net subsidy and reimbursement overpayment of \$234,513.

Recommendations

District personnel should:

- password protect computer files so they cannot be changed, except by authorized personnel, and revise child accounting reports if changes need to be made to computerized child accounting data;
- reconcile final membership reports sent to DE to computer membership files;
- ensure all child accounting personnel are adequately trained in nonresident classifications;
- ensure all nonresident membership is accurately reported to DE;
- ensure instructional days are accurately computed and reported to DE; and
- review reports submitted to DE subsequent to the audit period, and if errors are found, submit revised reports to DE.

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Finding No. 3 (Continued)

DE should adjust the district's allocations to resolve the net subsidy and reimbursement overpayment of \$234,513.

Response of Management

Management provided the following response agreeing with the finding. In its response, management chose to address only the special education subsidy underpayments noted in our finding:

Based upon pupil accounting data and special education reimbursements received, the District acknowledges that an underpayment is still outstanding based upon reporting of data in years prior to the current audit.

The District has improved the accounting for students and has put into place procedures to check data provided to the Commonwealth. The accuracy of that data is reviewed prior to submission, and the representatives of the Auditor General's Office have verified the additional accuracy of this information. The prior errors were due to underreporting of students along with inaccurate data being generated at the buildings. Training and verification of data has taken place during the past several years, resulting in more accuracy in the final data.

The District acknowledges that the resultant Special Education calculations resulted in an underpayment and the District would expect the refund payment to be made in a timely basis.

Finding No. 4 – Health Services Reimbursement Net Underpayment of \$17,705

Our prior audit of the district's health services reimbursement applications for the 2001-02 and 2000-01 school years found errors in the reporting of ADM to the Department of Health (DH), resulting in a net reimbursement underpayment of \$17,705.

We recommended that the business manager:

- provide training to personnel responsible for the reporting of health services ADM. The training should explain how the ADM for health services is to be computed from the child accounting reports; and

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Finding No. 4 (Continued)

- review applications submitted subsequent to the prior audit period, and if errors were noted, send revised reports to DH.

We further recommended that DH adjust the district's allocations to resolve the net reimbursement underpayment of \$17,705.

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges this error as a factor of the pupil membership issues and the failure to report nonpublic students properly.

Currently the Administration has trained Central Office personnel to track the nonpublic, resident students of the School District to provide the information required for proper Health Reimbursement.

DH issued a check to the district on May 8, 2006, to resolve the net underpayment of \$17,705.

Our review of health services ADM for the current audit period did not disclose any significant errors.

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

Finding No. 5 – Vocational Education Membership Errors

Our prior audit of district-operated vocational education membership reported to DE for the 2001-02 and 2000-01 school years found errors for the 2001-02 school year only. The errors resulted in a \$16,199 vocational education subsidy (VES) overpayment for the 2001-02 school year.

We recommended that district personnel:

- establish reconciliation procedures to ensure the district's membership summary reports are based on the actual and accurate number of instructional days;
- ensure reported school terms are based on actual instructional days; and

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Finding No. 5 (Continued)

- review reports submitted to DE subsequent to the audit period and, if errors were found, submit revised reports to DE.

We also recommended that DE adjust the district's allocations to recover the VES overpayment of \$16,199.

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges this error as a factor of pupil membership issues and the miscalculation of the numbers used for Vo-Tech enrollment during a specific period.

Currently the Administration has trained School and Central Office personnel to properly track the students as Vo-Tech eligible students and to properly maintain the roles for this program. A cross-check with the Secondary Career and Technical Education Individual Student Data System will be done to insure that all vocational students are properly reported.

Our current audit found that as of July 31, 2007, DE had not yet resolved the VES overpayment. Therefore, we again recommended that DE adjust the district's allocations to recover the \$16,199 overpayment.

Our current audit of district-operated vocational education membership reported to DE for the 2003-04 and 2002-03 school years found similar errors. We determined that these errors did not have a significant effect on the district's VES, but nevertheless indicate that the district did not take appropriate corrective action to address this finding. Therefore, we again recommend that district personnel:

- establish reconciliation procedures to ensure the district's detail membership summary reports are based on the actual and accurate number of instructional days;
- ensure reported school terms are based on actual instructional days; and
- review reports submitted to DE subsequent to the audit period, and if errors are found, submit revised reports to DE.

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Finding No. 6 – Possible School Improvement Grant Underpayments of \$12,648

Our prior audit of the 2002-03 and 2001-02 school years' School Improvement Grant entitlement found that the 2001-02 and 2000-01 ADM used by DE to calculate the entitlement for both years was incorrect, and may have resulted in underpayments of \$12,648.

We recommended that DE review the propriety of the district's School Improvement Grant payments received for the 2001-02 and 2000-01 school years and make adjustments as it deemed necessary.

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges this underpayment as a factor of the pupil membership utilized by the Commonwealth to determine the grant award.

The Administration has established Student Accounting policies and procedures to insure accurate reporting of student membership that is utilized in the allocation of grant monies.

The current audit found that as of July 31, 2007, DE had not yet resolved the possible \$12,648 underpayments. Therefore, we again recommended that DE determine if adjustments to the district's School Improvement Grant are required.

The ADM errors noted in Objective No. 2, Finding No. 3 did not result in significant effects on the district's School Improvement Grant for the 2004-05, 2003-04, or 2002-03 school years; we accordingly concluded that a continuation finding regarding the grant was not warranted.

Finding No. 7 – Deteriorating Financial Condition Resulted in a General Fund Deficit Balance of \$352,921 as of June 30, 2003

Our prior audit of the district's annual financial reports (AFR), local auditor's reports (LAR) and general fund budgets for the fiscal years ended June 30 2003, 2002, 2001 and 2000, found that the balance in the district's general fund decreased during the review period from a \$17,461,266 surplus at June 30, 2000 to a \$352,921 deficit at June 30, 2003.

We recommended that the BOC:

- prepare realistic budgets based on historical data and verifiable revenue projections;
- use monthly budget status reports to control budgetary activity;

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 7 (Continued)

- approve expenditures only when assured budgetary limitations will not be exceeded; and
- provide for a systematic reduction of the deficit general fund balance.

The BOC, in its written response, restated the response provided by management at the time of our prior audit agreeing with the finding.

Our current audit again found a general fund deficit, as detailed in Objective No. 1, Finding No. 1 of this audit report. Significant concerns in addition to those identified in our prior audit report are detailed in our current finding.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to adequately address this finding.

Finding No. 8 - Inadequate Computer Controls

The Bureau of Technical Audit Services performed a review of internal controls relevant to the district's computer-controls environment in conjunction with the Bureau of School Audits prior audit of the district's operations for the years ended June 30, 2002 and 2001.

We recommended that district personnel:

- require that each vendor employee have a unique userID and password, enabling specific accountability of each technician;
- log and review the activity of all remote-access users. Evidence of all logging and review should be documented;
- set system parameters to enforce the change of remote-access passwords every 30 to 60 days;
- set system parameters to enforce the network password to be a minimum of six alpha-numeric characters;
- set system parameters to log users off the system after 60 minutes of inactivity;

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PERFORMANCE AUDIT REPORT

Finding No. 8 (Continued)

- develop formal procedures to notify the information technology (IT) staff when an employee is on extended leave or employment is terminated, so that users' computer and building access privileges can be revoked timely;
- test upgrades and changes prior to placing the updated programs into production and require an authorizing signature before a production change occurs;
- install water detection devices under the raised floor in the server room. Remodel the server room to remove overhead water pipes or air conditioning units, or move the server room to a location where it is not readily susceptible to water damage;
- continue to secure wiring closets in conjunction with building renovations;
- increase the security in the administration building, requiring all visitors to sign in and out, and to display a visitor's badge;
- set the failed-login-attempts setting to three for all the district's passwords, including the Pentamation Student Records System (i.e. membership); and
- develop a current disaster recovery plan.

The BOC, in its written response, restated the response provided by management at the time of our prior audit, agreeing with the finding. The BOC's response detailed corrective actions to implement all of our recommendations.

During our prior audit, we performed a review of the internal controls relevant to the district's Office of Information Technology general computer control environment in conjunction with our audit of the years ended June 30, 2002 and 2001.

Our current year procedures consisted of inquiries of district personnel. The district developed procedures to notify IT staff when an employee is on extended leave or has been terminated. The district also has documentation to prove that production changes are being authorized and approved. The district servers were moved to a technology center with sufficient environmental controls. Finally, the district finished securing the wiring closets at the Harrisburg City School District administration building as well as requiring all visitors to obtain a visitor badge and sign in/out. However, the district was unable to provide sufficient evidence that they addressed the remaining prior audit recommendations as of our review on August 22, 2007. We will therefore re-issue these recommendations.

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Finding No. 8 (Continued)

Recommendations

We again recommend that the district implement the following to correct vulnerabilities identified in prior audits:

- . 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 require the vendor to assign unique user IDs and passwords to vendor employees authorized to access the district system. Further, the district should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives;
- . 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); and
- . the district should develop a current disaster recovery plan.

Further, the 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. Our current year procedures identified additional weaknesses that are reported in Objective No. 1, Finding No. 8, "Unmonitored Vendor System Access and Logical Access Control Weaknesses."

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this finding.

HARRISBURG CITY SCHOOL DISTRICT
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Finding No. 8 (Continued)

Response of Management

Management provided the following response agreeing with the finding:

The District acknowledges this access weakness and is attempting to address the need for vendors to access the data systems during maintenance and upgrade of software. When any information is entered into the database a user's login is date/time stamp and coded into the database, which provides a record of the person making the change. The database will only store the last change made to the records, and the recorded history of transactions is limited to the last access to the records.

The District is reviewing software to monitor users and contact Network and Database Administrators when users log into the network. The software being considered is "Userlock" which monitors all session activities and provides times for connections within the system, sets up popup or e-mail alerts for specific events per user group (i.e. monitors, and ensures that users are authorized and not concealing any false identification). This software will control remotely all sessions and not allow users to log on to more than one workstation simultaneously. We started using this software in August of 2007.

The District has secured and is in the process of implementing within the vendor contract a "non-disclosure" agreement for the district's proprietary information. All vendors will be required to sign and approve these documents prior to approval of the contract.

The District provided compliance on the prior recommendation to utilize a six-character password, and will expand that to an eight-character password as recommended.

Finding No. 9 - Inability to Provide Complete and/or Accurate Data Supporting Reports Submitted to the Department of Education

DE calculates a school district's subsidies based on reports prepared and submitted by each district. One of the reports submitted by each district is the "Annual Attendance and Membership Report" (PDE-4062). This report is based, in part, on membership and attendance data.

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Finding No. 9 (Continued)

As part of our prior audit procedures, we requested the membership and attendance data from the district used to create the PDE-4062 submitted to DE for the 2001-02 and 2000-01 school years. For the 2001-02 school year, the district provided membership data; however, they were unable to provide attendance data. Instead, they provided a file of absences for this year, which we subtracted from the membership data to compute attendance for the 2001-02 school year. Neither membership nor attendance data relating to the 2000-01 school year could be provided.

We recommended that the district address the above mentioned input and programming weaknesses in order to ensure that it can provide data that supports the final version of the PDE-4062 and substantiates the calculations of its subsidies. Furthermore, we recommended that this data be backed up and maintained in a manner that is readily retrievable and available for use by the district and its auditors.

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges that records were not available for attendance data for 2000-01 due to the failure of the back-up records and the PDE-4062's were utilized to report the data. It is acknowledged that the 2001-02 data was also inaccurate and the PDE-4062 was the most reliable report available.

The Administration has provided training sessions to staff to clarify input procedures and initiated a process to verify the information on a regular basis. Resident and non-resident membership is also confirmed with each location providing back-up information on students. Separate calendars are established for each unique group of students based upon the attendance days, and the attendance is analyzed periodically to note any variations in the data. Individual staff members are being relied upon to enter the daily attendance data, and this information is evaluated by the building administrators and central administration at least quarterly.

The current practice includes the verification and back-up of all data that are utilized to substantiate the PDE-4062 information. The District has successfully submitted the 2002-03 and 2003-04 PDE-4062 information in a timely manner and has the back-up information to verify attendance data.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this finding.

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Finding No. 9 (Continued)

As stated previously, DE calculates a school district's subsidies based on reports prepared and submitted by each district. The information used to prepare these reports is stored and maintained on the Harrisburg City School District's computer system.

As part of our current year audit procedures, we requested the membership and attendance data from the district used to create the PDE-4062 submitted to DE for the 2004-05, 2003-04, and 2002-03 school years. For each of these school years, the district provided membership data; however, they were unable to provide attendance data and instead they provided a file of absences for each year.

We evaluated data integrity by attempting to reconcile the 2004-05, 2003-04, and 2002-03 school year data to the PDE-4062 reports.

Our current year procedures consisted of inquiries of district personnel, as well as reconciling the provided membership data for the 2004-05, 2003-04, and 2002-03 school years to the PDE-4062 reports that the district provided to DE. The data provided for the 2003-04 school year reconciled to the submitted reports; however, the data provided for the 2004-05 and 2002-03 school years did not reconcile to the submitted reports.

District management informed us that the submitted reports for these two school years were incorrect. There were pencil revisions on many of the reports and the membership data provided did in fact reconcile to the pencil revisions. We inquired about the revisions and were told that there was an incorrect calendar for 12th grade, one of the schools was not included on the reports, and an audit of the charter schools was not completed. Therefore, any revisions were not included in the reports. While the membership data for the 2004-05 and 2002-03 school years reconciled to the pencil changes on the reports, these revised reports were not submitted to DE.

Recommendations

The district should establish reconciliation and quality control procedures to ensure that the information provided to DE on the PDE-4062 reports is final and representative of the activities of the district. Furthermore, the data should be backed up and maintained in a manner that is readily retrievable and available for use by the district and its auditors.

Response of Management

Management provided the following response agreeing with the finding:

In order to provide the data files required by the auditors, the district needs to have a program written that will convert all attendance data into text format for uploading to the Auditors files.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 9 (Continued)

The Child Accounting Supervisor will establish reconciliation procedures to ensure that the information provided to PDE is accurate. The IT Department will develop procedures for backing up and storing data so that it can be retrieved for use by the District and the Auditors.

Finding No. 10 – Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act

Our prior audit of district records found five of nine elected board members and two of five appointed BOC members failed to file Statements of Financial Interests for the year ended December 31, 2003.

We recommended that the BOC:

- seek the advice of its solicitor in regard to the board's responsibility when an elected board member or BOC member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the State Public Official and Employee Ethics Act (Ethics Act).

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges this oversight by the Board of Control Members and the Elected Board Members.

The Administration has encouraged the members of the Board of Control and Elected Board to file the required forms in a timely manner. The forms were provided to all members by the Secretary to the Boards and as a result we have failed to receive responses from five (5) of the Elected Board Members and two (2) of the Members of the Board of Control. The Secretary of the Boards has sent out two reminders concerning these forms and has informed the Board Members that this is a violation of the Ethics Commission Act which could generate penalties against those not in compliance.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this finding.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 10 (Continued)

Our current audit found that five of the nine elected board members and one of five appointed BOC members failed to file Statements of Financial Interests for the year ended December 31, 2005, and all nine elected board members and one of five BOC members failed to file Statements of Financial Interests for the year ended December 31, 2004.

District personnel made two attempts to obtain the missing Statements of Financial Interests. However, the board members still failed to file them.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the 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 required Statements of Financial Interests constituted a violation of the Ethics Act.

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.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 10 (Continued)

Recommendations

We again recommend that the BOC:

- seek the advice of its solicitor in regard to the board's responsibility when an elected board member or BOC member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided us with the following response agreeing with the finding:

The Secretary to the Board of Control of the Harrisburg School District receives the Ethics Statements and distributes the forms to all individuals required to submit the forms. If the form has not been returned after a period of thirty (30) days, a letter is sent along with an additional copy of the form indicating that the information is required of their position and should be completed to retain on file. The individuals [cited] have not responded to these notices and have failed to file forms for the years listed.

The Secretary, in the future, will submit all names of those who have failed to file by the appropriate deadline to the attention of the Pennsylvania Ethics Commission for further action.

Observation – District Pays Internal Revenue Service Penalties of \$300,000 for Arbitrage

On October 31, 2000, the Harrisburg City School District sold \$9,995,000 in General Obligation Notes (GON), Series 2000. The proceeds were invested from October 31, 2000 to October 15, 2003. The GON had a yield of 4.770 percent, but the investment interest was 6.401 percent. The Internal Revenue Service and the Harrisburg City School District entered into an agreement dated August 26, 2003, as a settlement of arbitrage issues raised in an examination of the Harrisburg City School District's GON, Series 2000.

We recommended, in the future, when borrowing money for construction, the BOC consider contacting bond and tax counsel before pursuing a transaction in which it can earn "free" money.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

The BOC, in its written response, restated the response provided by management at the time of our prior audit, as follows:

The Administration acknowledges this [observation] and has paid the obligations created by the [observation].

The District had obligations to pay arbitrage reimbursement to the Internal Revenue Service based upon the borrowing arranged in 1999 and again in 2000. Calculation by a Financial Advisor determined that the sum of \$686,700 was due to the IRS for the 1999 obligation and this was filed and paid on June 25, 2004. A separate agreement was reached with the IRS to pay the sum of \$300,000 for Arbitrage realized on the issue of 2000 and the agreement finalizes all payment required of this action. The District was pro-active in pursuing the resolution of each of these issues to assure that the obligation was met in a timely manner.

Our current audit did not disclose any additional issues of arbitrage.

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

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$60,632,678, \$49,343,662 and \$46,662,271, respectively, for the years ended June 30, 2005, 2004 and 2003, as detailed in the following schedule:

STATE REVENUE	<u>2005</u>	<u>2004</u>	<u>2003</u>
Basic Education	\$34,187,152	\$32,639,374	\$31,738,691
Read to Succeed	-	9,363	107,384
Charter Schools	1,115,317	1,452,758	1,488,855
School Performance Incentives	-	20,930	41,386
Tuition for Orphans and Children Placed in Private Homes	215,313	249,394	285,174
Educational Empowerment/School Improvement	1,083,397	1,060,329	1,073,793
Homebound Instruction	1,892	1,816	1,653
Vocational Education	184,753	201,058	151,955
Alternative Education	8,674,552	58,740	609,890
Migratory Children	3,325	-	2,720
Special Education	4,501,505	4,365,680	4,126,497
Transportation	1,356,866	1,287,974	1,296,462
Rental and Sinking Fund Payments	1,416,548	3,088,324	2,108,576
Health Services	181,868	183,062	167,083
Vocational Training of the Unemployed	-	16,838	3,839
Social Security and Medicare Taxes	2,136,175	2,044,563	1,675,710
Retirement	1,249,860	934,249	277,456
Technology Grants	-	-	19,082
Other Program Subsidies/Grants:			
Educational Assistance Program	945,039	35,839	-
Pregnant and Parenting Teen	14,700	14,700	14,700
Private Residential Rehabilitative Institution	1,653,003	1,582,652	1,390,235
Pennsylvania Accountability	1,627,515	-	-
Education Leading to Employment and Career Training (ELECT) Fatherhood Initiative	13,120	13,120	13,226
ELECT	70,778	82,899	67,904
<u>TOTAL STATE REVENUE</u>	<u>\$60,632,678</u>	<u>\$49,343,662</u>	<u>\$46,662,271</u>

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

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.

Educational Empowerment/School Improvement

Grants distributed to school districts on the Education Empowerment List or certified as Education Empowerment Districts to assist in the implementation of their school district improvement plans. These grants are authorized by Act 16 of 2000 and Section 1709-B 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.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

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.

HARRISBURG CITY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Vocational Training of the Unemployed

Revenue received from the Commonwealth as subsidy for expenditures for projects for vocational training of the unemployed. Payments are made in accordance with Section 2508.3 of the Public School Code.

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.

Technology Grants

Revenue received for technology initiatives that allow the schools to develop new information technology projects, such as upgrade of networks or improved computer hardware and software.

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,
Director, Bureau of Budget and Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
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Harrisburg, PA 17105

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Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

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

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