



JUNIATA VALLEY SCHOOL DISTRICT

HUNTINGDON COUNTY,
PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Dennis L. Allison, Board President
Juniata Valley School District
7775 Juniata Valley Pike
Alexandria, Pennsylvania 16611

Dear Governor Corbett and Mr. Allison:

We conducted a performance audit of the Juniata Valley School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 9, 2009 through March 7, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2011, 2010, and 2009. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

July 10, 2013

cc: JUNIATA VALLEY SCHOOL DISTRICT Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Juniata Valley School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period June 9, 2009 through March 7, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

District Background

The District encompasses approximately 134 square miles. According to 2010 federal census data, it serves a resident population of 5,162. According to District officials, the District provided basic educational services to 772 pupils through the employment of 58 teachers, 32 full-time and part-time support personnel, and 4 administrators during the 2011-12 school year. Lastly, the District received \$6,945,945 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: Errors in Reporting Pupil Membership Data Resulted in Reimbursement Underpayments Totaling \$36,889 for Wards of the State and Children Placed in Private Homes.

We found that an underpayment was caused by District personnel miscoding nonresident students as residents and incorrectly reporting the district of residence for several students (see page 5).

Finding No. 2: Certification Deficiency.

We found that a certification deficiency occurred because of an expansion of the duties of an individual initially hired to maintain the computer system. As the computer system evolved, so did the duties of that position. A formal job description was written in May 2011, which listed all of the employee's duties at that time, and the District had not realized that some of those duties required certification which the employee did not yet have (see page 9).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period June 9, 2009 through March 7, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2008 through February 15, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with applicable laws, contracts, grant requirements, and administrative procedures.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Findings and Observations

Finding No. 1

Errors in Reporting Pupil Membership Data Resulted in Reimbursement Underpayments Totaling \$36,889 for Wards of the State and Children Placed in Private Homes

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our audit of the Juniata Valley School District's (District) pupil membership reports submitted to PDE for the school years covering the period 2008-09 through 2011-12 found reporting errors. These errors resulted in an underpayment totaling \$36,889 for wards of the state and children placed in private homes (foster children).

2008-09

Our audit found that during the 2008-09 school year District personnel reported one secondary nonresident ward of the state student as a resident student for 75 days. This error resulted in a tuition reimbursement underpayment of \$3,435.

Additionally, according to the *Federal Information System Controls Audit Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Criteria relevant to the finding:

Membership data must be reported in accordance with PDE guidelines and instructions to ensure that the correct subsidies and reimbursements are received.

PDE provides regulations and guidelines governing the classification of nonresident children placed in private homes by the court.

24 P.S. § 25-2503 of the Public School Code provides for reimbursement on behalf of orphans and children placed in private homes.

This error was due to District personnel having used the incorrect residency code when reporting the district of residence for the nonresident ward of the state student. This error would have been identified had the District had the appropriate internal controls in place to verify these reports.

2009-10

We found that one elementary student was reported as a nonresident child placed in a private home (foster child) during the 2009-10 school year, when documentation showed that the student had withdrawn from the District after four days. Additionally, we noted one secondary out-of-state student who should have been reported as a ward of the state was reported as a resident student for 108 days.

Furthermore, we noted a 62 day difference between PDE's Summary of Child Accounting Report and the District's Instructional Time and Membership Report that shows the membership data that was uploaded to PDE through PIMS. Had District personnel performed a review of PDE's report, corrections could have been made prior to our audit.

These errors resulted in a net reimbursement underpayment of \$7,811.

Lastly, we found that District personnel used the incorrect residency code when reporting the district of residence for four secondary nonresident children placed in private homes. The appropriate residency code should have been the code that identifies the district of the student's parent or guardian. Although this reporting error did not affect the District's reimbursement, it does reflect the reporting weaknesses of the District.

2010-11

Our audit found one elementary and two secondary students were incorrectly reported as residents. Source documentation showed that these students should have been coded as nonresident children placed in private homes. As a result, membership days were underreported

by 177 and 354 days for elementary and secondary students, respectively.

The reporting errors resulted in a reimbursement underpayment of \$25,643.

2011-12

The auditors found that in the 2011-12 school year the district of residence for two secondary children placed in private homes was incorrectly reported. This error had no effect on the subsidy received by the District, but did affect the average daily membership of the students' districts of residence.

The errors were the result of a change in District personnel responsible for reporting pupil membership during the 2009-10 school year. The new personnel responsible for reporting membership were not familiar with all the PIMS requirements.

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

Recommendations

The *Juniata Valley School District* should:

1. Train individuals to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures in the event of a sudden change in personnel.
2. Put internal controls in place to ensure that students are classified correctly in the pupil membership reports prior to their submission to PDE.
3. Review subsequent years' reports for errors and resubmit to PDE, if necessary.

The *Pennsylvania Department of Education* should:

4. Adjust future District allocations to correct the underpayments of \$36,889.

Management Response

Management stated the following:

“The Juniata Valley School District intends to strengthen internal controls with regards to pupil reporting through PIMS. We have recently arranged trainings for our high school guidance secretary and our elementary secretary to assist them in learning more about enrolling students and coding them correctly using our student software package. This will set up an additional level of control that we did not have during the period of the audit when the findings occurred.

We are also planning on increasing training in this area for our PIMS administrator. We have already scheduled a training/conference for [the Director of Information Technology] which should also assist us in the area.”

Finding No. 2

Certification Deficiency

Criteria relevant to the finding:

24 P.S. § 12-1202 of the Public School Code (PSC) provides, in part:

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

24 PS § 25-2518 of the PSC provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in the 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.”

Our audit of the Juniata Valley School District’s (District) professional employees’ certification and assignments for the period July 1, 2008 to February 15, 2013, found one administrative employee was assigned to a position without possessing the proper certification.

Information pertaining to the position in question was submitted to the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality (BSLTQ), for its review. On March 28, 2013, BSLTQ provided written correspondence indicating that the position of Director of Information Technology requires specific certification.

As a result of this determination, the District is subject to subsidy forfeitures totaling \$7,913 for the 2011-12, 2010-11, 2009-10 and 2008-09 school years, or \$1,996, \$1,982, \$1,957, and \$1,978, respectively. The subsidy forfeiture for the 2012-13 school year could not be determined at the time of the audit because the market value personal income aid ratio was not yet available.

The certificate deficiency occurred because when the District initially hired the individual for his position, his duties were to maintain the computer system. The position did not have a formal job description, and as the computer system evolved, so did the position. A formal job description was written in May 2011 that listed all the employee’s duties as of the 2008-09 school year. The District did not realize that some of those duties required certification which the employee did not yet have.

Recommendations

The *Juniata Valley School District* should:

1. Put procedures in place to ensure all professional employees are properly certified for their assignments.
2. Reassign the individual, if necessary, to ensure the individual’s area of certification is proper for the position.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

Management Response

Management stated the following:

“The Juniata Valley School District is working to ensure that certification issues of this nature do not occur in the future. The district plans to change the job description of the position in question (Director of Information Technology) to ensure that there are no future issues with the certificate until a time when the individual . . . can complete the necessary coursework in that discipline to earn the certificate needed. (He has currently enrolled in a graduate program through Drexel University to complete the certificate.)

The district will use services provided at no cost to the district from the Tuscarora Intermediate Unit for staff technology training and will use a current member of the staff who is certified in Instructional Technology to assist with some of the duties that are being removed from the job description of the Director of IT.”

Status of Prior Audit Findings and Observations

Our prior audit of the Juniata Valley School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
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The Honorable William E. Harner
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