

MEYERSDALE AREA SCHOOL DISTRICT
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2011

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

Mr. Jeffrey Moser, Board President
Meyersdale Area School District
309 Industrial Park Road
Meyersdale, Pennsylvania 15552

Dear Governor Corbett and Mr. Moser:

We conducted a performance audit of the Meyersdale Area School District (MASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 9, 2009 through November 5, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER
Auditor General

April 13, 2011

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

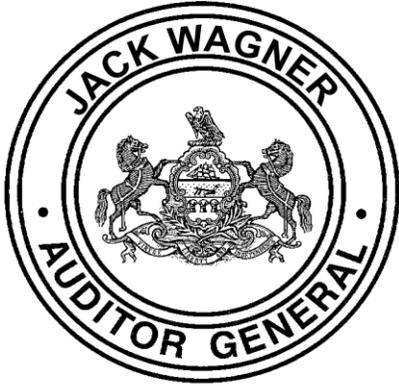
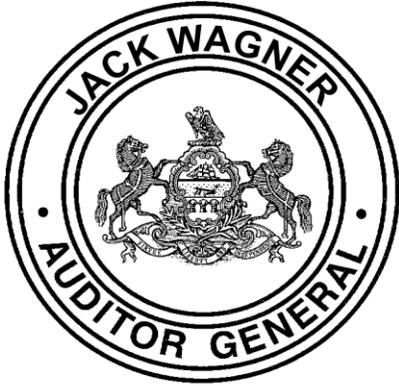


Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Status of Prior Audit Findings and Observations	7
Distribution List	9



Executive Summary

Audit Work

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

Our audit scope covered the period January 9, 2009 through November 5, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

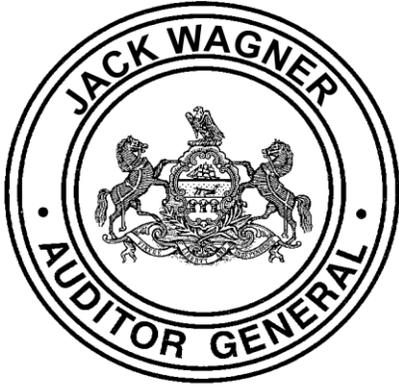
District Background

The MASD encompasses approximately 121 square miles. According to 2000 federal census data, it serves a resident population of 7,480. According to District officials, in school year 2007-08 the MASD provided basic educational services to 935 pupils through the employment of 78 teachers, 55 full-time and part-time support personnel, and 4 administrators. Lastly, the MASD received more than \$9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the MASD resulted in no findings or observations.

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the MASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the MASD had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation reporting errors (see page 7) and nonresident membership errors (see page 8).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

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

Our audit covered the period January 9, 2009 through November 5, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2010 through September 30, 2010 for the 2010-11 school year.

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

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

Objectives

What is the difference between a finding and an observation?

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

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

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

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

Methodology

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

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

What are internal controls?

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

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

controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

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

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 13, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Meyersdale Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Meyersdale Area School District (MASD) for the school years 2005-06 and 2004-05 resulted in two reported findings. The first finding pertained to pupil transportation reporting errors, and the second finding pertained to nonresident membership errors. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the MASD did implement recommendations related to pupil transportation reporting errors and nonresidents membership errors.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Pupil Transportation Reporting Errors Resulted in Overpayments of \$7,106</i></u></p> <ol style="list-style-type: none"> 1. Become more cognizant of the Department of Education's (DE) instructions for reporting transportation data. 2. Ensure that summer school and extended school year transportation data is not reported for reimbursement. 3. Review transportation reports submitted to DE subsequent to the years audited and submit revised reports if errors are found. 4. DE should adjust the District's future allocations to recover the reimbursement overpayments of \$7,106. 	<p>Background:</p> <p>Our prior audit of pupil transportation reports found that inaccurate data was submitted to DE, resulting in overpayments of \$7,106.</p>	<p>Current Status:</p> <p>Our audit of pupil transportation reports and other financial related records for the 2007-08 and 2006-07 school years found that District personnel again incorrectly reported ineligible costs for the audited years; however, these reporting errors did not result in significant overpayments to the District.</p> <p>We found that beginning with the 2008-09 school year the District no longer includes summer school and extended school years costs in the amount paid to the contractors. We therefore concluded that the District did take corrective action to address this finding.</p> <p>As of November 5, 2010, DE had not yet adjusted the District's allocations to recover the reimbursement overpayments of \$7,106. We again recommend that DE do so.</p>

<p><u>II. Finding No. 2:</u> <u>Nonresident Membership</u> <u>Error Resulted in an</u> <u>Overpayment of \$3,618</u></p> <ol style="list-style-type: none">1. Become more cognizant of DE guidelines pertaining to the classification of all students, including pre-adoptive students.2. Review membership data thoroughly to ensure students are properly classified prior to submitting reports to DE.3. Review membership reports submitted to DE subsequent to the years audited and submit revised reports if errors are found.4. Adjust the District's allocations to recover the \$3,618 overpayment in tuition for children placed in private homes.	<p>Background:</p> <p>Our prior audit of pupil membership reports submitted to DE for the 2005-06 school year found, that membership for nonresident children placed in private homes was overstated, resulting in an overpayment of \$3,618.</p>	<p>Current Status:</p> <p>Our audit of pupil membership reports for the 2007-08 school year found only insignificant errors in membership reported for nonresident students.</p> <p>We concluded that the District did take corrective action to address this finding.</p> <p>As of November 5, 2010, DE had not yet adjusted the District's allocations to recover the overpayment of \$3,618. We again recommend that DE do so.</p>
--	--	--

Distribution List

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

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

The Honorable Ronald J. Tomalis
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

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

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

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

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

