



**PURCHASE LINE SCHOOL DISTRICT
INDIANA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MARCH 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mrs. Mary Ann Pittman, Board President
Purchase Line School District
16559 Route 286 Highway East
Commodore, Pennsylvania 15729

Dear Governor Corbett and Mrs. Pittman:

We conducted a performance audit of the Purchase Line School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period May 13, 2011 through April 16, 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, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

March 4, 2014

cc: **PURCHASE LINE 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 Purchase Line School District (District) in Indiana County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period May 13, 2011 through April 16, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 144 square miles. According to 2010 federal census data, it serves a resident population of 7,096. According to District officials, the District provided basic educational services to 1,014 pupils through the employment of 88 teachers, 70 full-time and part-time support personnel, and seven (7) administrators during the 2011-12 school year. The District received \$12,286,331 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

Finding: Errors in Pupil Transportation Reports Resulted in a Net Underpayment to the District of \$22,317. Our audit of the Purchase Line School District's pupil transportation records and reports submitted to the Pennsylvania Department of Education for the 2010-11 school year found reporting errors, which resulted in a net underpayment of \$22,317 (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations 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 Section 403 of The Fiscal Code, 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 May 13, 2011 through April 16, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ In areas where the District 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?
- ✓ 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, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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 there any other areas of concern reported by independent auditors, citizens, or other interested parties?

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.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

any information technology controls, as they relate to the District's compliance with relevant requirements 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 controls 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.

To determine the status of our audit recommendations made in a prior audit report released on October 11, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Instructions for completing the Pennsylvania Department of Education's End-of-Year Pupil Transportation reports provides that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle.

Specifically, the instructions state that if the number of pupils, miles with pupils, or miles without pupils, change during the year, LEAs should calculate a weighted or a sample average.

Errors in Pupil Transportation Reports Resulted in a Net Underpayment to the District of \$22,317

Our audit of the Purchase Line School District's (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2010-11 school year found reporting errors, which resulted in a net underpayment of \$22,317.

Our audit found the following reporting errors for the 2010-11 school year:

- Contractor cost was understated by \$22,317.
- The number of days pupils were transported was reported incorrectly for one (1) regular bus run and fifteen (15) late activity runs.
- Miles with pupils were reported incorrectly for 27 vehicles resulting in a net understatement of 118 miles.
- Miles without pupils were reported incorrectly for 25 vehicles resulting in a net understatement of 57.6 miles.
- The greatest number of pupils transported was reported incorrectly for 23 vehicles resulting in a net understatement of 39.7 pupils.

Errors for the 2010-11 school year were caused by the following:

- The District was using a combination of the sample average weighting method and the daily weighted average method for reporting mileage. PDE instructions require the use of one (1) method or the other.
- The District incorrectly counted days the activity busses did not pick up students but still went to the school.

- The District did not properly review two (2) vans to verify totals were accurately reported.
- The District did not include in contractor cost the cost of monitors that are required to accompany students whose Individualized Education Plan (IEP) states they require assistance while being transported.

Daily miles with and without pupils, the greatest number of pupils transported, the number of days of service, and the amount paid to the contractor are all integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with the State Board of Education regulations and guidelines.

It is the responsibility of District management to have appropriate internal policies and procedures in place to ensure that transportation data is accurately collected and timely reported to PDE. Without such internal controls, the District cannot be assured that it is reporting accurate data or is received the correct subsidy reimbursement.

Recommendations

The *Purchase Line School District* should:

1. Conduct an annual internal review to ensure the number of days of service, daily mileage, pupil counts, and the amount paid to the contractor are accurately recorded and reported to PDE.
2. Perform a review of subsequent years' data to ensure accurate data was reported and resubmit, if necessary, to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future allocations to correct the net underpayment of \$22,317.

Management Response

Management stated the following:

“There were no changes in the methods and procedures used in reporting transportation for these audit years as compared to the prior audited years. This is the first time that it was brought to our attention that the cost for a transportation monitor for students with an IEP was an allowable cost, even though it was clearly documented for prior audits that this was being removed from the cost reported.

This is not documented in the instructions, especially the fact that you can claim cost for monitors that are paid to others besides the contractor.

Although the instructions show both a weighted method and a sample method, the instructions do not state that you cannot use a combination of the two methods as we have done in prior audits. It was brought to our attention this audit that we need to use only one method per bus/van.

It is noted that the wheel chair capacity can be reported as four (4), however the number of students can only be reported as one (1). Procedures have been changed to reflect this as well.

Clearer documented instructions would be helpful.”

Auditor Conclusion

We agree that PDE should include clearer guidelines to the Commonwealth’s school districts regarding the submission of the costs for aides that are required to ride with exceptional students when they are indicated as part of a student’s IEP. In the *frequently asked questions* portion of PDE’s website, the answer provided to the question whether transportation must be provided for exceptional children states, in part, “Transportation must be provided as required by a child’s individualized education program (IEP). . . .” It does not indicate that the costs are reportable.

It should be noted; however, that PDE's instructions, regarding the reporting of changes to Pupils Assigned, Daily Miles With Pupils, and Daily Miles Without Pupils, states that if these figures change "calculate a weighted average **or** [emphasis added] a sample average."

The finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Purchase Line 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.auditorgen.state.pa.us, and the following stakeholders:

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

The Honorable Carolyn Dumaesq
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. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania 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

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.