



**RINGGOLD SCHOOL DISTRICT
WASHINGTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

SEPTEMBER 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

Ms. Mariann Bulko, Board President
Ringgold School District
400 Main Street
New Eagle, Pennsylvania 15067

Dear Governor Corbett and Ms. Bulko:

We conducted a performance audit of the Ringgold School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 17, 2010 through April 15, 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, 2010 and June 30, 2009. 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 applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of the 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,

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

EUGENE A. DEPASQUALE
Auditor General

September 3, 2013

cc: **RINGGOLD 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 Ringgold 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 September 17, 2010 through April 15, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 58 square miles. According to 2010 federal census data, it serves a resident population of 26,279. According to District officials, the District provided basic educational services to 3,153 pupils through the employment of 237 teachers, 175 full-time and part-time support personnel, and 19 administrators during the 2009-10 school year. Lastly, the District received \$18.7 million in state funding in the 2009-10 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: Pupil Transportation Reporting Errors Resulted in

Overpayments of \$80,850. Our audit of the Ringgold School District's (District) transportation records for the 2009-10 and 2008-09 school year found that the nonpublic pupil data that the District reported to the Pennsylvania Department of Education contained errors that resulted in an \$80,850 overpayment in the District's state transportation reimbursement (see page 5).

Finding No. 2: Certification Deficiency.

Our audit of the Ringgold School District's professional employees certifications found one individual was hired prior to being issued a nursing certificate from the Pennsylvania Department of Education (see page 7).

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 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 September 17, 2010 through April 15, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through January 31, 2013.

Regarding state subsidies and reimbursements, our audit covered the 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?
- ✓ 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 transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

Methodology

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.

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 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, regulations, 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, professional employee certification, state ethics compliance, and financial stability.
- 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

Pupil Transportation Reporting Errors Resulted in Overpayments of \$80,850

Criteria relevant to the finding:

The Pennsylvania Department of Education (PDE) instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, number of days the vehicle provided to and from school transportation, and pupils transported to and from school be based on actual data using the district's daily records and weighted averaging of mileage and pupils.

PDE instructions for entering the number of nonpublic school pupils transported note:

“Any child your district is financially responsible to educate a PUBLIC pupil.”

According to the federal Government Accountability Office's (GAO) (formerly the General Accounting Office) *Standards for Internal Control in the Federal Government*, internal controls are key factors in an agency's ability to meet its mission, improve performance, and “minimize operational problems.”

In addition, this guidebook states that an “Internal control is not an event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis.”

U.S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg 1.

Our audit of the Ringgold School District's (District) transportation records for the 2009-10 and 2008-09 school years found that the nonpublic pupil data that the District reported to the Pennsylvania Department of Education (PDE) contained errors that resulted in a \$80,850 overpayment in the District's state transportation reimbursement.

We found that the District overstated its nonpublic school pupils by 119 for the 2009-10 school year and by 91 for the 2008-09 school year.

The inaccurate reporting of nonpublic pupils was due to District personnel including students who attended special needs schools in its nonpublic pupil counts. The District pays for the education of the students who attended these special needs schools. Therefore, those students should not have been included in the District's nonpublic pupil counts.

The reporting errors resulted in overpayments of \$45,815 and \$35,035 in nonpublic transportation subsidy received for the 2010-11 and 2009-10 school years, respectively.

It is the responsibility of District management to have appropriate policies and procedures in place to ensure that transportation data is properly collected and submitted. Without these internal controls, the District cannot be assured that the data it is submitting to PDE for transportation reimbursements is accurate.

We have provided PDE with a report detailing the errors for the 2009-10 and 2008-09 school years for use in recalculating the District's transportation reimbursements.

Recommendations

The *Ringgold School District* should:

1. Develop and maintain internal policies and procedures to ensure that student transportation data is collected and reported accurately and timely. For example, once the District's transportation data has been collected, a different member of the District's staff should review it for accuracy before it is reported to PDE.
2. Ensure summaries are prepared and reviewed to identify all nonpublic pupils that are reported for reimbursement.
3. Review transportation reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's subsidy to recover the \$80,850 overpayment.

Management Response

Management stated the following:

“The Transportation Department personnel responsible for transportation reporting incorrectly included students who attended special needs schools as nonpublic students resulting in overpayments.”

Auditor Conclusion

Although we are encouraged that District management was able to identify the cause of the reporting error, if the District had the proper internal controls in place, it could have prevented the incorrect data report from being submitted to PDE.

Finding No. 2

Certification Deficiency

Criteria relevant to the finding:

Section 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.

Section 2518 of the PSC 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.

Our audit of the Ringgold School District's (District) professional employees' certification for the period July 1, 2012 to January 31, 2013, found one individual was hired prior to being issued a nursing certificate from the Pennsylvania Department of Education (PDE).

The deficiency occurred because District personnel responsible for hiring the individual did not verify the employee's certification either through the Teacher Information Management System (TIMS) or through an examination of her actual certificate before hiring her.

Information pertaining to the certification deficiency was submitted to PDE's Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. BSLTQ subsequently determined that the individual was employed by the District without the proper certification for a period of four months, until the certification was awarded. The District is therefore subject to a subsidy forfeiture of \$1,042.54.

The District could have prevented this error if it had appropriate internal policies and procedures in place for verifying the credentials and required certification of its employees and prospective employees. It is management's responsibility to ensure that such policies are maintained and that they are effective.

Recommendations

The *Ringgold School District* should:

1. Hire professional personnel who have obtained proper certification to qualify for the assignments.
2. Develop effective policies and procedures for verifying that prospective employees are properly certified for their positions.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover the subsidy forfeiture resulting from the deficiency.

Management Response

Management stated the following:

1. “In March 2012 the candidate applied for a PA certificate through TIMS. She was previously on our substitute list and was employed as a Nurse Assistant . . . [The] application was successfully submitted and paid on March 21, 2012.
2. In September 2012 a position became available, the candidate applied and we believed her certificate would be forthcoming since she applied for it in March. Also since TIMS was a new application we thought it may have caused a delay.
3. The candidate was hired in October and again we believed the certificate would be forthcoming.
4. It wasn’t until January 2013 we became aware of a problem that educational or work experience was needed. The employee was unaware that the educational or work experience had not been verified previously. She contacted Slippery Rock University and her educational experience was verified. She paid a second application fee and the process finally concluded. . . . [The] application was successfully submitted and paid for a second time on January 16, 2013.”

Auditor Conclusion

The District’s anticipation of the employee’s certification does not satisfy the Public School Code’s certification requirement. If the District had appropriate internal controls in place, it would not have been over three months before it realized that there was issue. Our finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Ringgold 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
Governor
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The Honorable Carolyn Dumaesq
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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.

