



**RIVERVIEW INTERMEDIATE UNIT 6  
CLARION 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

Ms. Julie Hartley, Board President  
Riverview Intermediate Unit 6  
270 Mayfield Road  
Clarion, Pennsylvania 16214

Dear Governor Corbett and Ms. Hartley:

We conducted a performance audit of the Riverview Intermediate Unit 6 (IU) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period January 28, 2011 through December 21, 2012, 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 and June 30, 2011. 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 IU complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

We appreciate the IU's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

July 1, 2013

cc: **RIVERVIEW INTERMEDIATE UNIT 6** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Riverview Intermediate Unit 6 (IU). Our audit sought to answer certain questions regarding the Intermediate Unit's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period January 28, 2011 through December 21, 2012, 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 and 2010-11 school years.

### **Intermediate Unit Background**

The IU is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the 17 participating school districts, nonpublic schools, and institutions in Clarion, Jefferson, and Venango counties. The IU is governed by a 17-member board appointed by the participating school districts on a rotating basis.

The programs offered by the IU served 4,355 students in public schools and 716 students in nonpublic schools. The staff consisted of 18 administrators, 115 teachers, and 81 full-time and part-time support personnel.

The accounts of the IU are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. IU resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs which receive Commonwealth funds are accounted for in the following:

### **General Fund**

The general fund is the primary operating fund of the IU. It is used to account for all financial resources and to account for the general governmental activities of the IU.

Services provided to participating school districts through the general fund included:

- . administration.
- . curriculum development and instructional improvement.
- . educational planning.
- . instructional materials.
- . management services.
- . continuing professional education.
- . pupil personnel.
- . state and federal liaison.
- . nonpublic program subsidy - Act 89.

Lastly, the IU received \$6.1 million from the Commonwealth in general operating funds in the 2011-12 school year.

### **Special Revenue Fund**

The special revenue fund is used to account for the financial resources received to provide, maintain, administer, supervise, and operate schools, classes, service programs, and transportation for exceptional children. The special revenue fund accounts for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The IU's special education program offered services at all grade levels for pupils with extraordinary physical, mental, or emotional needs. If appropriate facilities were not available in a neighborhood school, the IU provided the necessary transportation.

Special education programs included:

- gifted support.
- learning support.
- life skills support.
- emotional support.
- deaf or hearing impaired support.
- blind or visually impaired support.
- speech and language support.
- physical support.
- autistic support.
- multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. IUs received direct funding for certain institutionalized children programs, CORE services, special payments to certain IUs, and a contingency fund.

Lastly, the IU received \$1.5 million from the Commonwealth in special revenue funds in the 2011-12 school year.

### **Audit Conclusion and Results**

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

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

## Audit Scope, Objectives, and Methodology

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### 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 January 28, 2012 through December 21, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2012 through December 1, 2012.

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

While all LEAs have the same school years, some LEAs 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 IU'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the IU received state subsidies and reimbursements based on pupil membership, did it follow applicable laws and procedures?

- ✓ Did the IU 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 IU 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 IU received transportation subsidies, were the IU and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the IU, and any contracted vendors, ensure that their current bus drivers are properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a risk to the IU's fiscal viability?
- ✓ Did the IU 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 IU take appropriate steps to ensure school safety?
- ✓ Did the IU have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the IU'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 IU's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Intermediate Unit is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the IU's internal controls, including any information technology controls, as they relate to the IU'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 bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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



## **Findings and Observations**

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**F**or the audited period, our audit of the Riverview Intermediate Unit 6 resulted in no findings or observations.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Riverview Intermediate Unit 6 resulted in no findings or observations.

## **Distribution List**

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This report was initially distributed to the Executive Director of the Intermediate Unit, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable William E. Harner  
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