



SOUTHERN TIoga SCHOOL DISTRICT
TIoga COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 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. Ivan J. Erway, Board President
Southern Tioga School District
241 Main Street
Blossburg, Pennsylvania 16912

Dear Governor Corbett and Mr. Erway:

We conducted a performance audit of the Southern Tioga School District (STSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 19, 2010, through June 21, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010, and June 30, 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 STSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

April 12, 2013

cc: **SOUTHERN TIOGA SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Certification Deficiencies	6
Status of Prior Audit Findings and Observations	8
Distribution List	9



Executive Summary

Audit Work

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

Our audit scope covered the period February 19, 2010, through June 21, 2012, 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 2009-10 and 2008-09.

District Background

The STSD encompasses approximately 485 square miles. According to 2010 federal census data, it serves a resident population of 15,551. According to District officials, in school year 2009-10 the STSD provided basic educational services to 2,078 pupils through the employment of 180 teachers, 114 full-time and part-time support personnel, and 12 administrators. Lastly, the STSD received more than \$13.3 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the STSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Certification Deficiencies. Our audit of the STSD's professional employees' certificates found two individuals with lapsed certificates (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the STSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the STSD had taken appropriate corrective action in implementing our recommendations pertaining to their Memorandum of Understanding (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 February 19, 2010, through June 21, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2010, through May 31, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 STSD'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?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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 does 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?
- ✓ 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 members free from apparent conflicts of interest?
- ✓ 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, observations, 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.

STSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the STSD 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 IT 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/reimbursement, pupil transportation, 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 pupil membership records.
- Tuition receipts.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 1, 2010, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Public School Code relevant to the finding:

Section 1202 provides, in part:

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

Section 2518 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 Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania 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.

Recommendations

Certification Deficiencies

Our audit of the Southern Tioga School District's (STSD) professional employees' certificates and assignments was conducted to determine compliance with the Public School Code, Bureau of School Leadership and Teacher Quality (BSLTQ), and the Pennsylvania Department of Education's (PDE) Certification and Staffing Policies and Guidelines.

Our audit found two individuals with lapsed certificates. One teacher was employed with a lapsed temporary certification in Music. The temporary certificate had expired at the end of the 2010-11 school year, and the individual had continued to teach for the entire 2011-12 school year. In addition, another teacher was employed with a lapsed temporary certification in Elementary K-6. The temporary certificate had expired at the end of the 2009-10 school year, and the individual had continued to teach for five months of the 2010-11 school year before applying for permanent certification. The permanent certificate was approved February 1, 2011.

On July 14, 2012, BSLTQ determined that the STSD was subject to \$1,199 subsidy forfeiture for the 2010-11 school year and \$2,352 for the 2011-12 school year.

The *Southern Tioga School District* should:

1. Assign employees to areas in which they have proper certification.
2. Before the start of each school year, verify that all teachers not permanently certified are qualified to teach and still have years remaining on their temporary certificates.

The *Pennsylvania Department of Education* should:

3. Adjust the STSD's allocations to recover any subsidy forfeiture deemed necessary.

Response of Management

Management stated the following:

The Administration will re-prioritize the annual temporary certification review and conduct the review by the end of February. This will provide an earlier notification to professional staff members whose temporary permits will be expiring before the next school year.

Status of Prior Audit Findings and Observations

Our prior audit of the Southern Tioga School District (STSD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to their Memorandums of Understanding (MOU). As part of our current audit, we determined the status of corrective action taken by the STSD to implement our prior recommendations. We performed audit procedures and questioned STSD personnel regarding the prior finding. As shown below, we found that the STSD did implement recommendations related to their MOUs.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Finding:	Continued Failure to Obtain and Update Memorandums of Understanding
<u>Finding Summary:</u>	Our prior audit of the STSD's records found that the STSD did not have a signed MOU with local law enforcement agencies and the Pennsylvania State Police.
<u>Recommendations:</u>	Our audit finding recommended that the STSD: <ol style="list-style-type: none">1. In consultation with their solicitor, continue to review, update and re-execute the current MOUs between the STSD and local law enforcement agencies and the Pennsylvania State Police.2. Adopt a policy requiring the administration to review, update and re-execute the MOUs every two years.
<u>Current Status:</u>	During our current audit procedures, we found that the STSD did implement our recommendations and received the signed MOUs on February 17, 2010.

Distribution List

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

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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, 231 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.

