

STEELTON-HIGHSPIRE SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Samuel Petrovich, Board President
Steelton-Highspire School District
P.O. Box 7645
Steelton, Pennsylvania 17113

Dear Governor Rendell and Mr. Petrovich:

We conducted a performance audit of the Steelton-Highspire School District (SHSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 7, 2005 through May 15, 2009, 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, 2007, 2006 and 2005. 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 SHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report

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

Sincerely,

/s/

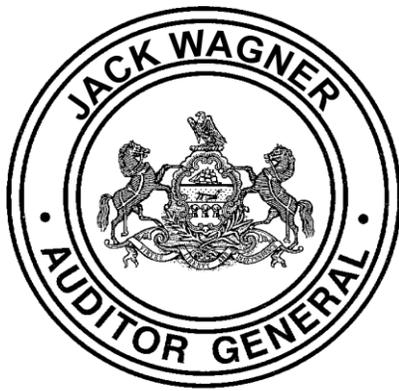
JACK WAGNER
Auditor General

January 26, 2010

cc: **STEELTON-HIGHSPIRE SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Steelton-Highspire School District (SHSD). 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 SHSD in response to our prior audit recommendations.

Our audit scope covered the period September 7, 2005 through May 15, 2009, 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, 2006-07, 2005-06 and 2004-05.

District Background

The SHSD encompasses approximately 2 square miles. According to 2005 local census data, it serves a resident population of 9,417. According to District officials, in school year 2007-08 the SHSD provided basic educational services to 1,321 pupils through the employment of 117 teachers, 47 full-time and part-time support personnel, and 12 administrators. Lastly, the SHSD received more than \$10.1 million in state funding in school year 2005-06.

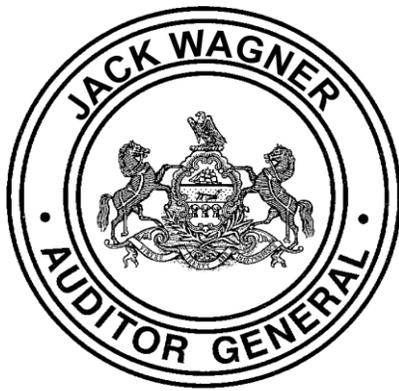
Audit Conclusion and Results

Our audit found that the SHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Certification Deficiencies. Our audit of the professional employees' certification found certification deficiencies in the 2008-09, 2007-08, 2006-07 and 2005-06 school years (see page 6).

Observation: Memoranda of Understanding Not Updated Timely. Our audit of the SHSD's records found that the Memoranda of Understanding between the SHSD and its law enforcement agencies (Steelton Borough, Highspire Borough and Swatara Township police departments) were not current (see page 9).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SHSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found that the SHSD did implement our recommendations regarding the Statements of Financial Interests (see page 11) and school violence data findings (see page 12); however, we found the SHSD did not implement all of our recommendations related to the certification finding (see page 13).



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 September 7, 2005 through May 15, 2009, except for the verification of professional employee certification which was performed for the period August 3, 2005 through May 15, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 (DE) 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 SHSD'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?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 take appropriate corrective action to address recommendations made in our prior audits?

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, regulations, 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 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.

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

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

Our audit examined the following:

- Records pertaining to 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 SHSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2006, we reviewed the SHSD's response to DE dated March 20, 2007. We then performed additional audit procedures targeting the previously reported matters.

Finding and Observation

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code provides, in part:

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

Section 2518 of the Public School Code 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.

Certification Deficiencies

Our audit of the professional employees' certification for the period August 3, 2005 through May 15, 2009, found the following deficiencies:

1. Twenty-five individuals either did not obtain an emergency permit or a valid Instructional I certificate at the time of hire, or remained employed with a lapsed emergency permit.
2. Four individuals were assigned to positions without holding proper certification, as follows:
 - One individual was assigned to the locally titled position of Assistant to the Superintendent with an Elementary Principal certificate.
 - One individual was assigned to an Assistant Principal position with a Social Studies certificate.
 - One individual was assigned to the locally titled supervisory position of Secondary Special Education Coordinator with a Mentally and/or Physically Handicapped teaching certificate.

The District identified the following causes:

- Teachers were late in turning in the required paperwork for reissuance or issuance of emergency certificates.
- There was a lack of administrative oversight by the District regarding various emergency certificate applications.
- Several locally titled positions were not submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ) for review and determination; other job descriptions were sent to the Department of Education (DE), but DE's determinations of the required certification were never provided to the District.

Information pertaining to the certificates and assignments was submitted to BSLTQ, DE, for its review. BSLTQ confirmed the deficiencies; therefore, the District is subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Subsidy Forfeiture</u>
2008-09	\$12,372
2007-08	12,634
2006-07	5,918
2005-06	<u>6,656</u>
Total Subsidy Forfeitures	<u>\$37,580</u>

Recommendations

The *Steelton-Highspire School District* should:

1. Require the individuals cited in this finding to immediately obtain proper certification for the positions assigned or reassign them to positions for which they are properly certified.
2. Establish procedures to ensure that emergency permits are obtained in a timely manner.
3. Require all individuals employed by the District to obtain the appropriate certificate prior to starting employment with the District.
4. Submit all locally titled positions to BSLTQ for review and determination of the appropriate certification required for the positions.

The *Department of Education* should:

5. Recover the subsidy forfeitures resulting from the deficiencies.

Management Response

Management provided a detailed response addressing each deficiency. The main points of management's response were:

- Various individuals were late in turning in the required paperwork for reissuance or initial issuance of an emergency permit. Several of these individuals are no

longer with the District, and others have since received their emergency or instructional certificates.

- An oversight by the District resulted in two individuals not obtaining emergency permits.
- The individual hired as assistant to the superintendent was hired under a previous superintendent. The job description may have been submitted to DE. His duties were that of an assistant to the superintendent. The individual was to retire as of June 30, 2009; management stated that his replacement will be certified to serve as an Assistant Superintendent.
- The job description for the individual currently working as the High School Special Education Coordinator will be submitted to DE for approval for the next school year. The individual is currently finishing his administrative degree.

In conclusion, management stated that certification deficiencies cited in our finding occurred prior to the tenure of the new superintendent, and that:

The [current superintendent] and the Steelton-Highspire School District have put into place safeguards that ensure timely paperwork for any emergency permit for the 2009-2010 school year. Any teacher or administrator who has any compliance issues will be given a written plan that must be followed prior to the start of the school year.

Observation →

Criteria relevant to the observation:

Section 1303-A(c) of the Public School Code provides, in part:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, a Basic Education Circular (BEC) issued by DE entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions, item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Memoranda of Understanding Not Updated Timely

Our audit of the District's records found that the Memoranda of Understanding (MOU) between the District and its law enforcement agencies (Steelton Borough, Highspire Borough, and Swatara Township police departments) were all signed on July 1, 2002, and thus were not updated timely. When this was brought to the District's attention during our review, the District obtained signed MOUs with all three police departments dated May 8, 2009.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or on any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Steelton-Highspire School District* should:

Follow the General Provisions of the District's current MOUs (Section VI, item B) signed May 8, 2009, which state "this Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter."

Management Response

Management stated they were unaware of the BEC's reference to re-execution of MOUs every two years and noted that, when we pointed this out during our current audit:

We immediately had new Memorandums of Understanding signed by each police chief and put them on [file]. We will now update them every two years as required.

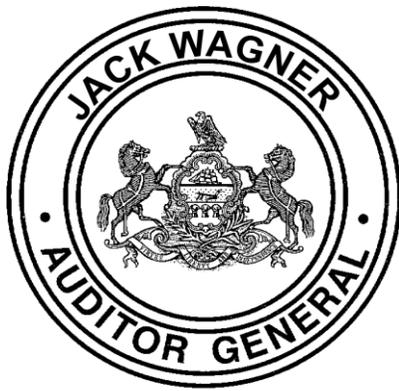
Status of Prior Audit Findings

Our prior audit of the Steelton-Highspire School District (SHSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in three reported findings. The first finding pertained to certification, the second finding pertained to Statements of Financial Interests, and the third finding pertained to school violence data. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the SHSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, the SHSD did not implement all of our recommendations related to the certification finding; however, we found that the SHSD did implement recommendations regarding the Statements of Financial Interests and school violence data.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>1. Finding No. 1: Board Members Failed to File Required Statements of Financial Interests</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District’s solicitor in regard to the board’s responsibility when an elected board member fails to file Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 3. Require the board secretary to review all Statements of Financial Interests for completeness. 	<p>Background:</p> <p>Our prior audit of the District’s Statements of Financial Interests found that one of the nine elected board members failed to file a statement for 2003; two board members failed to file statements for 2002 and 2001; and four board members failed to file statements for 2000.</p>	<p>Current Status:</p> <p>Our current audit found that as of March 2007, the board secretary had developed procedures to ensure all Statements of Financial Interests are filed timely and reviewed for accuracy. After discussion with the District’s solicitor and the State Ethics Commission, it was decided that the District would report those who do not file to the State Ethics Commission.</p> <p>Our audit of the 2007 calendar year noted that all members had filed their statements timely. Therefore, it was confirmed that the procedures implemented by the District during the 2007 calendar year were effective.</p> <p>We also followed up on the board members who failed to file statements in the prior audit, noting that all the members had retired or resigned from the board by the end of the 2003 calendar year.</p>

<p><u>II. Finding No. 2: District Underreported School Violence Data</u></p> <ol style="list-style-type: none"> 1. Accurately report incidents, calls and arrests on forms filed with DE. 2. Contact the two police departments that serve the District to establish a process by which school principals can obtain information regarding arrests, and develop consistent definitions of incidents, calls and arrests to ensure accurate reporting. 	<p>Background:</p> <p>Our prior audit of the District’s school violence reports for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found that the District underreported school violence figures for incidents, calls, and arrests in reports filed with DE.</p>	<p>Current Status:</p> <p>Our current audit found that, beginning with the 2005-06 school year, the District has employed a School Resource Officer (SRO) who is a full-time Swatara Township Police Officer. He is responsible for police coverage at the middle/high school and works on a daily basis with the individual responsible for reporting school violence data. The SRO and the individual who report school violence data reconcile their reports for accuracy prior to submission to DE. No significant variances or concerns were found during our review.</p> <p>Individuals who filed the school violence reports for the elementary school confirmed that beginning with the 2006-07 school year reconciliations were completed with the Steelton Borough Police Department. No significant variances or concerns were found during our review. With the completion of the new elementary school midway through the 2007-08 school year, all buildings are under the jurisdiction of the Swatara Township Police Department. Therefore, there is daily contact between the SRO and all District personnel responsible for reporting school violence data.</p> <p>District personnel noted that various actions, such as police officer presence, added cameras, one additional administrator, and stricter policy and procedures, have reduced the number of incidents since the 2005-06 school year.</p>
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<p><u>III. Finding No. 3:</u> <u>Certification Deficiencies</u></p> <ol style="list-style-type: none"> 1. Strengthen controls to ensure that all documentation necessary to obtain emergency certification is provided to DE in a timely manner. 2. Require individuals to present a valid Pennsylvania certificate prior to being hired. 3. DE should take action to recover the subsidy forfeitures of \$12,242. 	<p>Background:</p> <p>Our prior audit of professional employees certification for the period June 19, 2002 through August 2, 2005 found certification deficiencies involving ten individuals.</p>	<p>Current Status:</p> <p>Our current audit of the ten individuals cited in the prior audit confirmed that six either obtained proper certification or were no longer employed by the District.</p> <p>Four individuals were cited again for not having proper certification. Our current audit also found that several more individuals were again employed prior to obtaining an emergency certificate, continued to be employed with a lapsed emergency certificate, or were not properly certificated for their assignment. Refer to the current finding in this report (see page 6).</p> <p>Based on additional information, DE revised the subsidy forfeitures amount of \$12,242 to \$13,722. This amount was recovered on June 1, 2006.</p>
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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:

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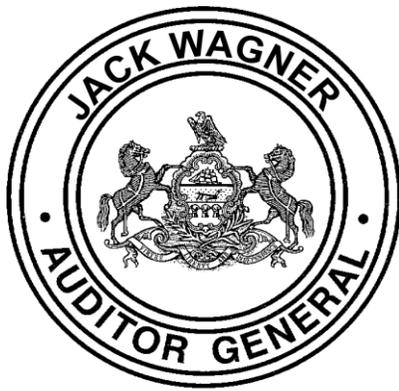
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