

# PERFORMANCE AUDIT

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## Cranberry Area School District Venango County, Pennsylvania

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September 2014



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

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

Ms. Sue Clarke, Board President  
Cranberry Area School District  
3 Education Drive  
Seneca, Pennsylvania 16346

Dear Governor Corbett and Ms. Clarke:

We conducted a performance audit of the Cranberry Area 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 5, 2011 through June 19, 2014, 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 significant noncompliance with relevant requirements, as detailed in the three (3) audit findings within this report. In addition, we identified two (2) matters unrelated to compliance that are reported as observations. A summary of the results is presented in the Executive Summary section of the audit report. These findings and observations include recommendations aimed at the District and a number of different government entities, including the Pennsylvania Department of Education.

Our audit findings, observations, 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 4, 2014

cc: **CRANBERRY AREA SCHOOL DISTRICT** 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 Cranberry Area School District (District) in Venango 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 and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period May 5, 2011 through June 19, 2014, 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 158 square miles. According to 2010 federal census data, it serves a resident population of 9,495. According to District officials, the District provided basic educational services to 1,127 pupils through the employment of 111 teachers, 68 full-time and part-time support personnel, and seven (7) administrators during the 2011-12 school year. The District received \$9,958,445 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 three (3) compliance related matters reported as findings. In addition, we identified two (2) matters unrelated to compliance that are reported as observations.

#### **Finding No. 1: The District's Former Superintendent Failed to Follow Board Policies Resulting in Questionable Purchases and Misused District Resources.**

Our audit of the Cranberry Area School District's financial records, board policy manual, administrator's contract, and board meeting minutes for the 2010-11 and 2011-12 school years found a lack of oversight by the Board of School Directors and weak administrative internal controls, which resulted in questionable use of taxpayers' funds (see page 6).

#### **Finding No. 2: Certification Deficiencies.**

Our audit of the Cranberry Area School District's professional employees' certification for the 2011-12 and 2012-13 school years found one (1) professional employee held a lapsed certificate. Additionally, a second professional employee, who was previously cited in the prior audit report, was found to be assigned to a position without holding proper certification (see page 14).

#### **Finding No. 3: Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Being Underpaid \$44,035.**

Our audit of the Cranberry Area School District pupil membership reports

submitted to the Pennsylvania Department of Education for the 2010-11 and 2011-12 school years found errors in the reporting of pupil membership days for children placed in private homes (foster children).

In addition, one (1) non-resident parent-paid student was enrolled as a resident student for the 2010-11 school year, resulting in lost tuition funding for the District (see page 16).

**Observation No. 1: The Board Chose to Pay the Former Superintendent For More Leave than She Was Entitled to Receive.**

Our audit of the Cranberry Area School District (District) found that the District allowed its former Superintendent to determine her own accrued vacation, sick, personal, and administrative contract leave and then used that number to calculate her leave payout under a Separation Agreement (see page 20).

**Observation No. 2: The Cranberry Area School District Lacks Sufficient Internal Controls Over Its Student Record Data.**

Our review of the Cranberry Area School District's (District) controls over data integrity found that internal controls need to be improved. Specifically, our review found that the data is not reviewed at the building level for consistency and accuracy. Record keeping is decentralized and not performed in a uniform manner. Additionally, with the exception of the Pennsylvania Information Management System (PIMS) procedure manual received from PIMS, the District does not have adequate documented procedures in place to ensure continuity over PIMS data submission in the event of a sudden change in personnel or child accounting vendors (see page 22).

**Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the Cranberry Area School District (District) from an audit released on November 9, 2011, we found that the District has taken appropriate corrective action in implementing our recommendations pertaining to reporting errors, internal control weaknesses, and lack of documentation regarding verification of Social Security and Medicare reimbursements (see page 26). However, the District has not taken appropriate corrective action in implementing our recommendations pertaining to pupil membership reporting (see page 24).

In addition, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 25). However, the corrective action was not implemented in time to avoid a repeat finding in the current 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 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 5, 2011 through June 19, 2014, except for the verification of professional employee certification, which was performed for the period February 10, 2011 through May 29, 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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?
- ✓ 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?
- ✓ 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?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

## **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 November 9, 2011, we reviewed the District's response to PDE dated April 23, 2012. We then performed additional audit procedures targeting the previously reported matters.



## Findings and Observations

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### Finding No. 1

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#### The District's Former Superintendent Failed to Follow Board Policies Resulting in Questionable Purchases and Misused District Resources

*Criteria relevant to the finding:*

Board Policy Number 710 states, in part:

“The Board establishes that school equipment and facilities may not (emphases added) be used by district staff for personal reasons, either on or off school property without explicit authorization or administrative permission. The Board specifically prohibits personal use of district telephones, personal use of materials, tools, supplies and equipment, and personal use of district vehicles.”

Our audit of the Cranberry Area School District (District) found that its former Superintendent failed to follow board policies and procedures governing purchasing, leave, and expense reimbursements. As a result, over a period of three (3) years she over expended District funds, made questionable purchases, and received benefits to which she was potentially not entitled. The former Superintendent was able to circumvent the District's operational policies and avoid accountability for her actions because of lax oversight by the District's Board of School Directors (Board) and weak internal controls in its business office.

Between the 2010-11 and 2012-13 school years, the former Superintendent improperly used or benefited from the use of District resources as summarized below.

- Used \$12,724 in District money to decorate her office, including \$3,387 for questionable purchases for designer décor and office supplies.
- Spent \$724 more on redecorating her office than the Board had authorized.
- Took 25 administrative contract days that were not permitted under her contract, and for which she provided no justification.
- Received \$9,592 for unused vacation days that she had apparently already taken.
- Used school equipment and staff for her personal benefit.
- Collected \$4,938 more in reimbursement for a cell phone than her contract authorized and did not provide sufficient documentation to demonstrate that she had only used the cell phone for District business.
- Obtained mileage reimbursement even though there was no documentation supporting that all of the travel was for District business.

Board Policy Number 717 states, in part:

“Cellular telephones provided to employees by the district shall be used for authorized district business purposes. Personal use of such prohibited, except in emergency situations “Expenses incurred for personal use of the district-provided cellular telephones shall be reimbursed to the district by the employee.”

Board Policy Number 331 states, in part:

“The Board shall reimburse administrative, professional and support employees for actual and necessary expenses, including travel expenses, they incur in the course of performing services for the District, in accordance with Board policy.”

Board Policy Number 611 states, in part:

“ . . . All purchases that are within budgetary limits may be made upon authorization of the Purchasing Agent, Business manager, Board Secretary, and/or Superintendent, unless the contemplated purchase is for more than \$10,000, in which case prior approval by the Board is required.”

“Items commonly used in the district schools and buildings be standardized whenever possible.”

***Questionable Purchases and Overspending on Office Furniture and Decorations:*** Our audit found that on October 25, 2010, at the former Superintendent’s request, the Board gave her unlimited authority to spend \$12,000 in taxpayer funds to purchase office furniture, decorations, equipment, and supplies. However, the former Superintendent bought four designer couture chairs for \$824 on September 10, 2010, which was nearly a month before the Board actually approved the \$12,000 allowance. The District’s Board Policy 611 states, in part, that “no purchase request will be honored unless made on a district requisition form that has the necessary approval.” The former Superintendent had a corresponding purchase order [requisition form], for the furniture she bought on September 10, 2010, but it was dated November 15, 2010.

Likewise, the former Superintendent charged a total of \$2,909 worth of items to the District’s credit card, but did not prepare the purchase orders until the supplies were already bought. The former Superintendent also spent \$724 more than the \$12,000 allowance authorized by the Board, but the auditors found no evidence that she was ever asked to reimburse the District for those unapproved expenditures.

The Board’s approval provided no specific limitations as to what the former Superintendent could purchase with these funds. As a result, the former Superintendent purchased several high-end, designer items, which could have been obtained for less money if a more generic or standard version had been selected. In addition, according to District personnel, the former Superintendent bought a television set for \$454 in order to obtain weather alerts. However, at that time, the District’s Business Manager already had a weather alert system in his office.

*Criteria relevant to the finding:*

Board Policy Number 611 states, in part:

“ . . . All purchases that are within budgetary limits may be made upon authorization of the Purchasing Agent, Business manager, Board Secretary, and/or Superintendent, unless the contemplated purchase is for more than \$10,000, in which case prior approval by the Board is required.”

“Items commonly used in the district schools and buildings be standardized whenever possible.”

Board Policy Number 616 states, in part:

“Each bill or obligation of this district must be fully itemized, verified and approved by the Board before a check can be drawn for its payment, except that the Board Secretary is permitted to draw payment orders for: 1) the prompt payment of items that will accrue to the district’s advantage.”

The questionable items purchased by the former Superintendent between September 3, 2010 and June 28, 2012, the former Superintendent included:

<b>Questionable Purchases Made By the Former Superintendent</b>		
<b>Item Purchased</b>	<b>Date Purchased</b>	<b>Amount</b>
Designer Couture Chairs (4)	September 10, 2010	\$ 824
Supplies for iPad	June 28, 2012	588
Television Set	June 28, 2012	478
Designer Parsons Chairs (2)	September 10, 2010	454
Dining Room Table	September 10, 2010	400
Supplies for Cell phone	December 3, 2012	318
Stein World Antique Pewter Buffet Lamp Set	July 20, 2011	149
Vera Bradley Laptop Case	September 3, 2010	63
Vera Bradley Netbook Case	September 3, 2010	62
Vera Bradley Ribbon Board	October 13, 2010	51
<b>Total Questionable Expenditures:</b>		<b><u>\$3,387</u></b>

By failing to establish and follow controls governing the use of the District’s money, including what was spent by the former Superintendent, the Board and the District’s business office are not adequately fulfilling their fiduciary responsibilities and cannot provide fiscal accountability to the District’s taxpayers.

***Took Leave Not Included In Her Contract and Submitted Incomplete Leave Forms:*** Under her Board approved contract, the former Superintendent was eligible to receive vacation, sick and personal leave. In addition, the Contract allowed the former Superintendent to sell up to seven (7) unused vacation days per year back to the District. The former Superintendent’s Contract did not stipulate that she would be entitled to receive “Administrative Contract Days,” which the District granted to lower-level administrators.

Nevertheless, the District’s records showed that between July 1, 2010 and July 12, 2013, the former Superintendent took 25 “Administrative Contract Days,” which she was not eligible to receive under her contract. In addition, over the same period, the former Superintendent sold back 23.5 vacation days, receiving a total of \$9,592 for the unused days. However, according to her contract she was only eligible to sell back seven (7) days per year, which over approximately three (3) years would have equated to

21 days. Therefore, the District overpaid the former Superintendent by \$1,021.

Furthermore, the auditors reviewed the former Superintendent’s time-off sheets in order to determine how the former Superintendent used the 25 “Administrative Contract Days” and whether the full Board approved her receiving these additional days. This review yielded the following results:

<b>Former Superintendent’s Use of Administrative Contract Days</b>		
<i>Admin. Contract Days</i>	<i>Reason Given</i>	<i>Approved by</i>
3.5	Christmas Holidays	Board President
5.0	Vacation	Board President
16.5	No Information Provided	Business Manager/former Superintendent/Secretary

When the auditors reviewed who had approved and signed-off on the leave that the former Superintendent indicated were for “Administrative Contract Days,” they found that the majority had not been approved by the Board President, and none of the leave appeared to have been approved by the full board.

Furthermore, while the District’s Board President approved eight and one-half of the “Administrative Contract Days,” the remaining sixteen and one-half days were approved by the Superintendent’s Secretary, the District’s Business Manager, or, in the case of two and one-half of the days, the former Superintendent herself.

Thus, there is no evidence to support that the full Board gave written and public approval for the former Superintendent to receive between 5 and 10 more vacation days per year than what was stated in her Contract, for a total of 25 over three (3) years. Without this information, it appears that over three (3) years, the District may have improperly paid the former Superintendent \$9,592 for unused vacation days that she had already taken.

The District’s Board should have ensured that the former Superintendent’s leave forms could only be authorized by the Board President, and the Board President should not have authorized the former Superintendent to take leave that she was not eligible for. Likewise, the District’s Board should have ensured that the payroll clerk tracked the

former Superintendent’s leave use. Without these internal controls, the Board increased the risk that errors could be made. In addition, given that the former Superintendent’s Contract provided for a leave buy-back program, these poor internal controls also allowed for overpaying her for that benefit.

***Used District Equipment and Personnel Improperly:*** On March 25, 2013, at the request of the former Superintendent, a District maintenance employee used District snow plowing equipment to clear the driveway of her private residence. Although this incident was a one-time event and represented a de minimis amount of money, the former Superintendent’s use of District maintenance personnel and equipment for her own personal needs is an abuse of her office and sets a bad example for other staff.

Once again, the District’s Board should have had a mechanism for ensuring that the former Superintendent was properly using the District’s resources.

***Received Additional Reimbursement for Cell Phone Use, and Provided Incomplete Documentation for Mileage Reimbursement:*** According to the former Superintendent’s Contract, she was entitled to \$60 per month in reimbursement for the use of a cell phone in the performance of her District duties and responsibilities. However, our review of the District’s financial records found that over the last three (3) years, she was actually paid significantly more in cell phone reimbursement. The yearly amounts were as follows:

<b>Former Superintendent’s Cell Phone Reimbursement Overpayments</b>	
<b>Year of Reimbursement</b>	<b>Amount Exceeded</b>
2010-11	\$ 1,699
2011-12	1,679
2012-13	<u>1,560</u>
<b>Total Over Three Years:</b>	<b><u>\$ 4,938</u></b>

In addition, we found that the monthly cellular service statements that the Board approved, and for which the former Superintendent was reimbursed, did not provide enough detailed information to ensure that the former Superintendent was only reimbursed for calls made for

business purposes. This is significant because Board Policy Number 717 also requires that employees reimburse the District for any expenses they incur while using the phone for personal use. Without a detailed statement of the former Superintendent’s monthly phone calls, the Board, and business office personnel would have been unable to ensure that the former Superintendent was only reimbursed for phone calls made for school-related purposes, and whether the former Superintendent needed to reimburse the District for any personal calls. By not requiring these detailed statements, the Board and the business office cannot guarantee taxpayer funds are being used properly.

Similarly, our audit of the former Superintendent’s vehicle mileage reimbursement request forms found that on 24 percent, or 64 of 269 forms reviewed, the “purpose or nature of the trip” was left blank. Without information about the purpose of the trip, neither the Board nor the District’s business office can determine if the mileage was incurred on school-related business. For the three (3) years reviewed, the District reimbursed the former Superintendent for 13,935 miles at a cost of \$7,215. Of this total, 2,845 miles or \$1,448 in mileage reimbursement (64 forms) contained no purpose for the trip taken. It should be noted that the Internal Revenue Service also requires descriptions for vehicle use, or it could disallow the expense.

**Conclusion**

As the chart below demonstrates, between September 7, 2010, and the completion of our fieldwork on August 1, 2013, the former Superintendent either questionably spent or improperly received a total of \$20,089 in District funds.

<b>Total Amount Either Questionably Spent or Improperly Received By the Former Superintendent</b>	
Money Received for Vacation Day Buy-back	\$ 9,592
Over Reimbursement for Cell Phone Use	4,938
Decorative Items and Furniture for Her Office	3,387
Mileage Reimbursement Without Proper Documentation	1,448
Money Over Expended on Office Redecorating	724
<b>Total:</b>	<b>\$ 20,089</b>

These lapses were caused by lax Board oversight and weaknesses in the District's internal controls. The District's Board is responsible for supervising the District's operations and should have had a mechanism in place for determining whether the administration was appropriately following its policies. In addition, the Board should have placed limitations on the way the former Superintendent spent certain monies and then held her accountable when she overspent the money that was awarded to her. Moreover, the Board should have paid closer attention to what the former Superintendent was being awarded in benefits.

### **Recommendations**

The *Cranberry Area School District Board of School Directors* should:

1. The Board should request that former Superintendent pay back the \$745 she spent over and above the \$12,000 allowance the Board approved for her to buy office supplies and redecorate her office.
2. The Board should request that the former Superintendent pay back the \$1,021 she received in overpayment for the buy-back of vacation days.
3. Request and review detailed monthly bills to ensure prudent usage of taxpayer's funds.
4. Ensure the District's administration does not use District equipment and labor for personal use.
5. Ensure cell phone reimbursements/expenses for future superintendents are in compliance with their contract and Board policy, and include a review of a detailed monthly usage statement.
6. Adopt Board policy addressing the timely reporting of leave, the proper authorization of administrators leave, and the correct authorization of working from home.

## **Management Response**

Management stated the following:

“The district waives its right to respond to this finding at this time.”

## **Auditor Conclusion**

It is the responsibility of the Board to ensure that the superintendent is following District policies. The Board’s lax oversight of the actions of the former Superintendent undermined the District’s ability to operate properly and to hold others accountable for not adequately performing their jobs.

We will follow up on the status of our recommendations during our next cyclical audit of the District.



**Finding No. 2**

**Certification Deficiencies**

*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC), 24 P.S. § 1202, provides, in part:

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

Section 1212 of the PSC, 24 P.S. § 1212, provides, in part:

“Every district superintendent shall keep an accurate record of valid certificates held by teachers of the school within his jurisdiction.”

Section 2518 of the PSC, 24 P.S. § 2518, requires forfeiture for uncertified teachers by providing, 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 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.”

Our audit of the Cranberry Area School District’s (District) professional employees’ certification for the 2011-12 and 2012-13 school years found one (1) professional employee held a lapsed certificate. A second professional employee, previously noted in a finding in the prior audit report, was again found to be assigned to a professional position without holding proper certification.

The Pennsylvania Department of the Auditor General does not determine certification deficiencies. Information pertaining to the deficiencies was submitted to the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. BSLTQ determined, on July 24, 2013, that the individuals were not properly certified, and the District will be subject to subsidy forfeitures for the 2011-12 and 2012-13 school years.

The subsidy forfeiture for the 2011-12 school year is \$2,372. The subsidy forfeiture for the 2012-13 school year could not be calculated because the applicable aid ratio was not available at the time of audit.

The deficiencies occurred because the District was not aware that one (1) temporary certificate needed to be made permanent, and the District failed to obtain the proper certification recommended in the prior finding in a timely manner for the second professional.

It is the responsibility of District management to have in place internal policies and procedures to ensure that employees are both properly certified and up-to-date with their certification. A lack of appropriate internal controls can lead to uncertified persons teaching classes and to a possible loss of state subsidy.

## **Recommendations**

The *Cranberry Area School District* should:

1. Require professional employees to obtain proper Pennsylvania certification prior to being hired.
2. Implement internal controls to ensure appropriate tracking of all employees.

The *Pennsylvania Department of Education* should:

3. Recover the appropriate subsidy forfeitures.

## **Management Response**

Management stated the following:

“PDE had given the district official notification that the [employee’s] position was correct and the documentation provided to the auditors. [The employee] has since retired and the issue no longer exists. [The second employee] obtained her correct certification and there is no longer an issue with that certification.”

## **Auditor Conclusion**

While we acknowledge that the two (2) deficiencies no longer exist, we reiterate our recommendation to implement internal controls so that future certification lapses are identified by the District before they could result in a potential loss of subsidy.

We will follow up on the status of our recommendations during our next cyclical audit of the District.

### Finding No. 3

### Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Being Underpaid \$44,035

*Criteria relevant to the finding:*

Additionally, according to the *Federal Information System Controls Audit Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Section 1305 of the Public School Code (PSC), 24 P.S. § 1305, provides for Commonwealth payment of tuition for nonresident children placed in private homes.

Section 2503 (c) of the PSC, 24 P.S. § 2503 (c), specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any nonresident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth and amount equal to the tuition charge per elementary pupil or the tuition charge per secondary pupil as the case may be . . .”

Our audit of the Cranberry Area School District’s (District) pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2010-11 and 2011-12 school years found errors in the reporting of pupil membership days for non-resident children placed in private homes (foster children). The errors resulted in tuition underpayments of \$4,337 and \$26,964, respectively.

Additionally, in the 2010-11 school year, we found that one (1) non-resident parent-paid tuition student was incorrectly reported as a resident. This error resulted in the District failing to receive tuition totaling \$9,093.

Specifically, we found that for both school years of audit, District personnel failed to use the appropriate residency coding to report a total of 591 non-resident elementary membership days and 55 non-resident secondary membership days for foster children. The errors are broken down as follows:

In the 2011-12 school year, the audit found that four (4) elementary and one (1) secondary non-resident (foster child) students were incorrectly coded as residents, for a total underreporting of 505 membership days for elementary students and 55 membership days for secondary students.

In addition, the audit found that one (1) District secondary non-resident student attended the Venango Technical Center (Center) in the 2011-12 school year but was not appropriately coded to give the District the credit as being enrolled from the District for 55 days. The Center’s student accounting assistant stated that the error occurred when coding the student’s resident district and educating district on their PIMS report submitted to PDE. As a result of the Center’s reporting error, the District was underpaid an additional \$3,641 in tuition for foster children.

In the 2010-11 school year, two (2) non-resident elementary foster students did not appear in the District’s

membership records for a total of 86 days. The students did appear on the District's transportation reports, however.

### **Parent Paid Tuition Student**

The auditors learned that one (1) parent-paid elementary student attended the District's educational programs during the 2010-11 school year as a resident student for 180 days.

Prior to the audit, a District administrator discovered that although the student was enrolled as a resident, the student's parents/legal guardians were not residents of the District for four (4) school years. The student's parents/legal guardians withdrew the student at the end of the 2010-11 school year.

The District billed the parents/legal guardians of the student for the tuition due, totaling \$35,408. No payments have been received as of the end of our audit. Additionally, documentation obtained during the audit noted that no further efforts have been made to collect the outstanding tuition, because administrators felt that the litigation costs necessary to pursue the tuition may exceed any amount of tuition outstanding.

Consequently, the taxpayers of the District had to absorb the cost of educating a student that was not their financial responsibility.

### **Conclusion**

The errors were a result of District personnel responsible for reporting the child accounting membership totals failure to verify the accuracy of the data submitted to PDE, including verification of proper coding requirements for the District's Student Information System and confirming the residency status of the students prior to enrolling students into the District.

Furthermore, in April of each year, PDE supplies the District with a preliminary summary of child accounting report. Districts are to use this report to verify that membership data uploaded through PIMS is accurate. If District personnel had performed a comparison of PDE's summary to the data that was reported, these reporting

errors could have been corrected prior to the receipt of the final summary report that the District receives in June.

It is the responsibility of District management to have internal policies and procedures in place to ensure that student data is accurately collected and submitted to PDE. Without such internal controls, the District cannot be assured that its student data is accurate or that it is receiving the appropriate subsidy.

PDE has been provided a report detailing the errors for use in recalculating the District's subsidy.

### **Recommendations**

The *Cranberry Area School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PDE's PIMS program.
2. Verify that the preliminary reports received from PDE are correct, and if not correct, revise and resubmit.
3. Contact the local vocational-technical school to ensure that they properly identify the District non-resident pupils' membership when completing their PIMS child accounting membership reports to PDE.
4. Obtain and retain appropriate legal documentation to verify the guardianship and residency of all students enrolled within the District.
5. Reference the PIMS manual of reporting for proper instructions in reporting non-resident students' membership days.
6. Strengthen internal controls to ensure adherence to PIMS regulations when reporting non-resident students.
7. Ensure that the District's membership team attends PIMS' conferences and seminars to stay abreast of reporting requirements and to disseminate information to the business office, when appropriate.
8. Review membership reports submitted to PDE for school years subsequent to the audit, and if reporting

errors are found, contact the PIMS Help Desk for guidance in correcting coding and submit revised reports.

The *Pennsylvania Department of Education* should:

9. Adjust the District's allocations to resolve the total underpayment of \$34,942 in tuition for children placed in private homes.

### **Management Response**

Management agreed with the finding.

### **Auditor Conclusion**

We are encouraged that the District agrees with our finding. We will follow up on the status of our recommendations during our next cyclical audit of the District.

## Observation No. 1

### The Board Chose to Pay the Former Superintendent for More Leave than She Was Entitled to Receive

#### *Criteria relevant to the observation:*

The former Superintendent's contract (effective July 1, 2010 to June 20, 2015) stated the following regarding her leave:

**"D. Vacation** - The Superintendent shall receive the following vacation:  
July 1, 2010 to June 30, 2011 – 20 days  
July 1, 2011 to June 30, 2012 – 20 days  
July 1, 2012 to June 30, 2013 – 20 days  
July 1, 2013 to June 30, 2014 – 20 days  
July 1, 2014 to June 30, 2015 – 20 days

E. Up to 20 unused vacation days may be carried forward, for a total of 50 days vacation available in a given year. Any unusual days in excess of 50 as of July 1, will be forfeited without pay. Vacation days may not be applied to reduce the notice period required in Section 8(B)(1) above. Up to seven (7) unused vacation days per year may be sold back to the District.

**F. Sick Days** - The Superintendent shall be entitled to 15 days of sick leave annually, which can be accumulated. The provisions of Section 11-1154 of the School Code are hereby incorporated by reference insofar as applicable.

**L. Personal Days** - The same personal and emergency day allowance provided to professional employees or to administrative employees, whichever is greater."

Our audit of the Cranberry Area School District (District) found that the District allowed its former Superintendent to determine her own accrued vacation, sick, personal, and administrative contract leave and then used that number to calculate her leave payout under a Separation Agreement.

District payroll records showed that the former Superintendent had 52 accrued days of leave, while the former Superintendent indicated that she had 60 days of accrued leave. Nevertheless, the Board of School Directors (Board) instructed the administration to pay the former Superintendent for the higher number of accrued days, resulting in her receiving an additional payment of \$3,348. Furthermore, the auditors found no reference to "administrative contract" leave in the former Superintendent's contract, or in the District's contract covering all other administrators (see Finding No. 1). In fact, the District could not even provide the auditors with a definition for administrative contract days or with information on who was eligible to receive them. As a result, this leave should not have been included in the accrued amount.

It is unclear why the Board chose to base the former Superintendent's accrued leave amount on her own calculations and not on the records at the District. The Board has a fiduciary responsibility to its taxpayers, and the additional money provided to the former Superintendent through this leave payout would have been better spent on the education of its students.

#### **Recommendations**

The *Cranberry Area School District* should:

Base payouts on the information being tracked at the District, and not on an employee's own calculations.

#### **Management Response**

Management agreed with the observation.

### **Auditor Conclusion**

While we are encouraged that the District agrees with our observation, we are troubled by the fact that the former Superintendent was paid out for self-reported leave balances. We again stress that the Board has a fiduciary responsibility to its taxpayers.

We will follow up on the status of our recommendations during our next cyclical audit of the District.



## Observation No. 2

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### **The Cranberry Area School District Lacks Sufficient Internal Controls Over Its Student Record Data**

Our review of the Cranberry Area School District's (District) controls over data integrity found that internal controls need to be improved. Specifically, our review found that:

- The data entered at each building level is not reviewed for consistency and accuracy.
- District personnel failed to reconcile the vendor membership reports with the Pennsylvania Information Management System (PIMS) accuracy statement reports.
- The District does not have adequate documented procedures in place (e.g., district prepared detailed procedure manuals, policies, written instruction, etc.) to ensure continuity over PIMS data submission in the event of a sudden change in personnel or child accounting vendors, with the exception of the PIMS procedure manual received from the Pennsylvania Department of Education (PDE).
- For the years of audit, the District failed to have an internal committee in place to ascertain that child accounting, informational technology personnel, and other relevant administrators work together to ensure that all students are reconciled, accounted for, and reported correctly to PDE. The District is currently establishing a committee for the 2013-14 school year to do so.
- Recordkeeping for the pupil membership is decentralized and not performed in a uniform manner. Obtaining accurate pupil membership data was difficult, due to the District's lack of a central employee to review and verify all aspects of the District's membership reporting.
- The District's Central Office has two (2) different employees working with pupil membership. The Business Manager reports membership to PDE, and the Superintendent's Secretary (PIMS Administrator)

compiles the PIMS data reported to PDE from the vendor software system.

### **Recommendations**

The *Cranberry Area School District* should:

1. Implement procedures to ensure that communication is maintained between Information Technology, Child Accounting, and the Business Office personnel.
2. Prepare documented procedures (e.g., procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
3. Cross-train individuals to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures, in the event of a sudden change in personnel.

### **Management Response**

Management agreed with the observation.

### **Auditor Conclusion**

We are encouraged that the District agrees with our observation. We will follow up on the status of our recommendations during our next cyclical audit of the District.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Cranberry Area School District (District) released on November 9, 2011, resulted in three (3) findings, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings. As shown below, we found that the District did implement our recommendations related to Social Security and Medicare reimbursement applications, but did not implement our recommendations relating to pupil membership reporting and did not fully implement our recommendations relating to certification.

### Auditor General Performance Audit Report Released on November 9, 2011

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**Finding No. 1:                   Errors in Reporting Pupil Membership Data and Internal Control Weaknesses and Lack of Documentation Regarding Verification of Student Existence and Residency**

Finding Summary:

Our prior audit of the District's pupil membership records found that pupil membership data and reports submitted to PDE for the 2008-09 and 2009-10 school years were reported incorrectly by District personnel. The audit also found internal control weaknesses and lack of supporting documentation to verify student existence and residency. Membership for elementary non-resident children placed in private homes (foster children) was understated by 360 days in 2008-09 and by 354 days in 2009-10. The error for the 2008-09 school year resulted in an underpayment of \$16,700. For the 2009-10 school year, the District was able to submit changes to PDE during our prior audit. Therefore, the potential underpayment of \$18,634 in Commonwealth-paid tuition for children placed in private homes (foster children) was corrected prior to PDE's payment to the District.

The prior audit also found weaknesses in student existence and residency verification. The District failed to obtain and retain appropriate legal documentation to verify the existence, guardianship, and residency of some of the students. The District failed to require all parents or guardians who enrolled students in the District to show appropriate evidence of residency. The District possibly provided an education to a non-resident student who failed to pay for the cost of attending the District.

Recommendations:

Our audit finding recommended that the District should:

1. Strengthen controls to ensure adherence to PDE regulations when reporting non-resident students.
2. Obtain and retain appropriate legal documentation to verify existence, guardianship, and residency of all students enrolled within the District.

We also recommended that PDE should:

3. Adjust the District's allocations to resolve the underpayments of \$35,334.

Current Status:

During our current audit, we found that the District did not implement our prior recommendation regarding strengthening controls to ensure adherence to PDE regulations when reporting non-resident students (see Finding No. 3 in the current report). However, the District did implement our prior recommendations regarding obtaining and retaining appropriate legal documentation to verify the existence, guardianship, and residency of students enrolled in the District. As of June 19, 2014, the District's allocations have not been adjusted to resolve the underpayments of \$35,334.

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**Finding No. 2:**

**Certification Deficiency**

Finding Summary:

Our prior audit of the District found that one (1) professional employee was assigned to a position without holding proper certification. On March 28, 2011, PDE's Bureau of School Leadership and Teacher Quality determined that the individual was not properly certified. The District was subject to subsidy forfeitures for two (2) years. At the time of the prior audit, a subsidy forfeiture of \$2,264 could be calculated for one (1) of the two (2) years. Data was not available to calculate the subsidy forfeiture for the 2010-11 school year.

Recommendations:

Our audit finding recommended that the District should:

1. Require professional employees to obtain proper Pennsylvania certification prior to being hired.
2. Implement internal controls to ensure appropriate tracking of all employees.

We also recommended that PDE should:

3. Recover the appropriate subsidy forfeitures.

Current Status:

During our current audit, we found that the District did not implement recommendation number two to implement internal controls to ensure appropriate tracking of all employees (see Finding No. 2). However, the District did implement corrective actions regarding the following: teaching assignments were properly listed; all professional employees were listed; all professional certificates were on file; and the certificate book was up-to-date.

Recommendation number one was implemented but not in a timely manner to avoid a follow-up finding for the 2011-12 school year. The proper certification was obtained for the 2012-13 school year. As of June 19, 2014, the subsidy forfeitures have not been deducted.

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**Finding No. 3:**

**Reporting Errors, Internal Control Weaknesses and Lack of Documentation Regarding Verification of Social Security and Medicare Reimbursements**

Finding Summary:

Our prior audit of the District found that Social Security and Medicare wages reported to PDE for reimbursement received during the 2008-09 and 2009-10 school years found a lack of internal control procedures in the District's business office. District personnel were unable to provide supporting documentation relating to the identification, reporting, reconciliation, and verification of actual wages and benefits for the 2008-09 and 2009-10 school years. Therefore, we were unable to verify the District's state reimbursement of \$323,933 and \$325,698, respectively. However, we did note that the District discovered errors in the classification of "new" and "existing" employees and of federally-paid employees. The District began to make corrections but failed to keep track of the corrections made. The audit of the 2009-10 school year found errors in the wages reported, which resulted in an underpayment of \$7,449.

Recommendations:

Our audit finding recommended that the District should:

1. Require business office personnel to perform an internal review to ensure the accuracy of the wages reported, and retain supporting documentation of the actual reportable wages.
2. Perform an internal review of reports submitted in school years subsequent to our current audit period for the accuracy of wages reported, and resubmit if necessary.

We also recommended that PDE should:

3. Review the propriety of the reimbursement received for the 2008-09 school year.
4. Adjust the District's allocations to resolve the 2009-10 school year underpayment of \$7,449.

Current Status:

During our current audit, we found that the District did implement our recommendations by performing an internal review of the payroll software system to Social Security and Medicare reports and personnel files to ensure propriety of Act 29 designation and verified the accuracy of subsequently reported PDE wages. As of June 19, 2014, the underpayment of \$7,449 has not been received by the District.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, 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 Carolyn Dumaesq  
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The Honorable Robert M. McCord  
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