



**LEECHBURG AREA SCHOOL DISTRICT
ARMSTRONG COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MAY 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Jean Stull, Board President
Leechburg Area School District
210 Penn Avenue
Leechburg, Pennsylvania 15656

Dear Governor Corbett and Ms. Stull:

We conducted a performance audit of the Leechburg 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 June 24, 2011 through May 2, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 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 that the District complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. In addition, we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding, observation, 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

May 1, 2014

cc: **LEECHBURG AREA SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Leechburg Area School District (District) in Armstrong 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.

Our audit scope covered the period June 24, 2011 through May 2, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 20 square miles. According to 2010 federal census data, it serves a resident population of 5,946. According to District officials, the District provided basic educational services to 827 pupils through the employment of 63 teachers, 36 full-time and part-time support personnel, and seven (7) administrators during the 2011-12 school year. The District received \$6,188,602 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 one (1) compliance related matter reported as a finding. In addition, we identified one (1) matter unrelated to compliance that is reported as an observation.

Finding: Certification Deficiency. Our review of the Leechburg Area School District's (District) professional employees' certification and assignments for period September 1, 2011 through April 30, 2013, found one (1) professional employee with a lapsed English certificate. The lapsed certificate resulted in subsidy forfeiture to the District totaling \$3,419 (see page 5).

Observation: The Leechburg Area School District Lacks Sufficient Internal Controls Over Its Student Record Data. Our review of the Leechburg Area School District's 2011-12 school year controls over student data integrity found that internal controls need to be improved (see page 7).

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

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period June 24, 2011 through May 2, 2013, except for the verification of professional employee certification, which was performed for the period September 1, 2011 through April 30, 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?
- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state 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?
- ✓ 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?

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 certain relevant state 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 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). Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. In conducting our audit, we obtained an understanding of the District's internal controls, including

any information technology controls, as they relate to the District's compliance with relevant 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 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.

Any significant deficiencies found during the audit 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.

Findings and Observations

Finding

Criteria relevant to the finding:

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

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

Section 2518, 24 P.S. § 25-2518, of the PSC provides, in part:

“ . . . [A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the 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 . . . ”

Certification Deficiency

Our review of the Leechburg Area School District’s (District) professional employees’ certification and assignments for period September 1, 2011 through April 30, 2013, found one (1) professional employee was teaching with a lapsed English certificate between September 1, 2011 through March 31, 2013.

Information pertaining to the assignment was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education (PDE), for its review. On June 17, 2013, BSLTQ confirmed that the employee had a lapsed certificate, which subjected the District to a subsidy forfeiture of \$1,894 for the 2011-12 school year and \$1,525 for the 2012-13 school year.

On April 1, 2013, the professional in question received their permanent certificate.

The lapsed certificate was caused by the District’s failure to adequately track the years of service of its employees.

It is the responsibility of the District’s 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 certification-required classes and to a possible loss of state education subsidy.

Recommendations

The Leechburg Area School District should:

1. Put procedures in place to ensure all professional employees are properly certified for their assignment.
2. Put procedures in place to track the years of service of employees.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover any subsidy forfeitures that may be levied.

Management Response

Management stated the following:

“Management agrees with the finding.

One teacher had a lapsed certification for just over a year. This teacher has received permanent certification as of April 1, 2013.

It is the teacher's responsibility to keep their certifications current and up to date. Management must also make sure that all teacher certifications are kept current and in compliance with the PA Law and other regulations as certification, irregularities will lead to district subsidy deductions by the state.

Management has in place a manual segregating teacher certifications by temporary and permanent. Management did not notice that this teacher's certifications had lapsed.

In the future management will review the teacher certifications on a semi-annual basis with the Business Manager signing off on a check list verifying that this review was done.”

Auditor Conclusion

We are encouraged that the District agrees with our finding and is planning to add additional safeguards to verify their employees' certification status. We will follow up on this issue during our next cyclical audit of the District.

Observation

The Leechburg Area School District Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the observation:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into the system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our review of the Leechburg Area School District's (District) 2011-12 school year controls over data integrity, found that internal controls need to be improved. Specifically, our review found that:

- The District failed to maintain adequate evidence of manual compensating controls (i.e. supporting documentation) to support its student registrations and changes made after original uploads to PIMS.
- The District does not have adequate procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

It is the responsibility of District management to have in place proper internal policies and procedures to ensure that student data is accurately collected and timely reported. Without these internal controls, the District is assured that it is reporting its data correctly to PDE or that it is receiving the proper subsidy reimbursement.

Additionally, according to the *Federal Information Systems Control 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.

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

In addition, this guidebook states that an "Internal control is not an event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. In this sense, internal control is a management control that is built into the entity as a part of its infrastructure to help managers run the entity and achieve their aims on an ongoing basis." U. S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg.1.

Recommendations

The *Leechburg Area School District* should:

1. Maintain adequate evidence of manual compensating controls (i.e. supporting documentation) to support its student registrations and changes made after original uploads to PIMS.
2. Have adequate written procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

Management Response

Management stated the following:

"Management agrees with this recommendation.

Management plans to hire an additional administrative assistant who will be responsible for the enrollment and withdrawal of all students into the system. One of the duties assigned will be the accurate tracking and recording of code 1305 (foster care) students as the district reimbursement can be adversely affected if proper documentation and recording is not done for these students. This person will also be charged with making sure that the Vo-Tech PIMS data matches the school district data or corrections are made to make sure this data is accurate as the Vo-Tech's are responsible to send the home school a listing of its PIMS data each year for each home school sending students to that institution.

This individual will be afforded PIMS training so that they understand the coding requirements for students.

This individual will also develop written directions regarding operation of this function in case this responsibility is shifted in the future."

Auditor Conclusion

We are encouraged that the District agrees with our observation and plans to address the issue. We will follow up on our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Leechburg Area School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
Governor
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The Honorable Carolyn Dumaesq
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