



**LINE MOUNTAIN SCHOOL DISTRICT  
NORTHUMBERLAND COUNTY,  
PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**JULY 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

Mr. Troy Laudenslager, Board President  
Line Mountain School District  
185 Line Mountain Road  
Herndon, Pennsylvania 17830

Dear Governor Corbett and Mr. Laudenslager:

We conducted a performance audit of the Line Mountain 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 August 22, 2011 through February 20, 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 that the District complied, in all significant respects, with relevant 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

July 24, 2014

cc: **LINE MOUNTAIN 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 Line Mountain School District (District) in Northumberland 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 August 22, 2011 through February 20, 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 155 square miles. According to 2010 federal census data, it serves a resident population of 9,200. According to District officials, the District provided basic educational services to 1,213 pupils through the employment of 100 teachers, 191 full-time and part-time support personnel, and ten (10) administrators during the 2011-12 school year. The District received \$9.5 million 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. We report no findings or observations in this report.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the Line Mountain School District (District) from an audit released on January 20, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to membership and Memorandum of Understanding (see page 6).

## 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 August 22, 2011 through February 20, 2014, except for the verification of professional employee certification, which was performed August 28, 2013 through January 14, 2014.

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?

- ✓ 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

### *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). 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 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 January 20, 2012, we performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Line Mountain School District resulted in no findings or observations.



## Status of Prior Audit Findings and Observations

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Our prior audit of the Line Mountain School District (District) released on January 20, 2012, resulted in two (2) findings. The first finding pertained to reporting errors in child accounting, and the second finding pertained to Memorandum of Understanding discrepancies with local and state law enforcement agencies. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We 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 both findings.

### Auditor General Performance Audit Report Released on January 20, 2012

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**Finding No. 1: Child Accounting Reporting Errors**

Finding Summary: Our prior audit of child accounting reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year found reporting errors. District personnel inaccurately reported the number of days in session.

Recommendations: Our audit finding recommended that the District should:

1. Establish review procedures that include reconciliations of the data that is uploaded into PDE's Pennsylvania Information Management System (PIMS).
2. Verify that the preliminary reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the final reports from PDE are correct.

We also recommended that PDE should:

3. Revise all reports that have been incorrectly reported and recalculate all District subsidies and aid ratios that have been affected by the errors.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As part of our PIMS testing, we determined the District correctly reported days in session for the 2010-11 school year. As of February 20, 2014, PDE has not revised or recalculated the District's reports and subsidies. Again, the Department recommends PDE resolve these differences.

**Finding No. 2: Failure to Develop Memorandum of Understanding with Local Law Enforcement and Memorandum of Understanding with State Law Enforcement Not Updated Timely**

Finding Summary: Our prior audit of the District's records found that the District failed to enter into a Memorandum of Understanding (MOU) between the District and the two (2) local law enforcement agencies having jurisdiction over school property.

We also found that the MOU between the District and the state law enforcement agency with jurisdiction over school property has not been updated since June 3, 2008.

Recommendations: Our audit finding recommended that the District should:

1. In consultation with the District's solicitor, continue to review, update, and re-execute the current MOUs between the District and all local law enforcement agencies having jurisdiction over school property.
2. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.
3. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with all local law enforcement agencies having jurisdiction over school property and file a copy with PDE's Office of Safe Schools on a biennial basis as required by law.
4. All MOUs should name the school building that they have jurisdiction over rather than the District as a whole.

Current Status: During our current audit, we found that the District did implement our prior recommendations. There are now MOUs in place between the District, the two (2) local law enforcement agencies, and the state law enforcement agency having jurisdiction over all school property. These MOUs are current and were fully executed on September 18, 2013.

## **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  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
Acting Secretary of Education  
1010 Harristown Building #2  
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The Honorable Robert M. McCord  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).