

PERFORMANCE AUDIT

Conewago Valley School District Adams County, Pennsylvania

August 2014



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



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Keith Mummert, Board President
Conewago Valley School District
130 Berlin Road
New Oxford, Pennsylvania 17350

Dear Governor Corbett and Mr. Mummert:

We conducted a performance audit of the Conewago Valley 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 December 10, 2010 through January 17, 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, 2009, 2010, 2011, and 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 the one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

August 14, 2014

cc: **CONEWAGO VALLEY SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	6
Finding – A Lack of Proper Internal Controls Resulted in the District Making Student Data Reporting Errors, Which Resulted in an Underpayment of \$53,660 in State Subsidy	6
Status of Prior Audit Findings and Observations	9
Distribution List	11

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Conewago Valley School District (District) in Adams 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 December 10, 2010 through January 17, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 75 square miles. According to 2010 federal census data, it serves a resident population of 27,315. According to District officials, the District provided basic educational services to 3,971 pupils through the employment of 254 teachers, 154 full-time and part-time support personnel, and 24 administrators during the 2011-12 school year. The District received \$14.5 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, except for one (1) compliance related matter reported as a finding.

Finding: A Lack of Proper Internal Controls Resulted in the District Making Student Data Reporting Errors, Which Resulted in an Underpayment of \$53,660 in State Subsidy.

Our audit of the Conewago Valley School District (District) found reporting errors in the student membership reports it submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year. These errors resulted in an underpayment of \$53,660 in the District's state reimbursement for educating non-resident children placed in private homes (foster children). In addition, we found that the District's internal controls were not effective to ensure that the membership data it reported to PDE was accurate, valid, and complete (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Conewago Valley School District (District) from an audit released on June 15, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting the number of nonpublic pupils transported (see page 9) and a continued issue related to student activity funds (see page 10).

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 December 10, 2010 through January 17, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through November 20, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 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 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?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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 June 15, 2011, we reviewed the District's response to PDE dated November 15, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

A Lack of Proper Internal Controls Resulted in the District Making Student Data Reporting Errors, Which Resulted in an Underpayment of \$53,660 in State Subsidy

Criteria relevant to the finding:

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 Twelve (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 this 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 audit of the Conewago Valley School District (District) found reporting errors in the student membership reports it submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year. These errors resulted in an underpayment of \$53,660 in the District's state reimbursement for educating non-resident children placed in private homes (foster children). In addition, we found that the District's internal controls were not effective to ensure that the membership data it reported to PDE was accurate, valid, and complete.

Our review of the 2009-10 membership reports found that District personnel mistakenly reported non-resident foster students' funding districts as the natural parent's districts instead of using the District's code as the funding district. Consequently, the District understated membership days for non-resident foster children by 180 days for one (1) full-time kindergarten student, 1,129 days for nine (9)

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.

elementary students, and 132 days for four (4) secondary students.

It should be noted that our review of the 2010-11 and 2011-12 student membership reports reported through PIMS found the District accurately reported to PDE the correct membership.

In addition, we found District personnel did not have basic internal controls in place to identify reporting errors before PDE finalized the District's membership data and subsidy payments for the appropriate state reimbursements. Specifically, in April, PDE provides each District with a preliminary summary of child accounting report, which indicates the student enrollment data it reported for the prior school year. District personnel should reconcile this preliminary PDE report with the information in the District's student information system, as a basic internal control verifying the membership data the District uploaded in PIMS is accurate, valid, and complete. Our audit found that the District's personnel did not perform this membership reconciliation of data submitted to PDE for 2009-10.

It is the responsibility of the District's management to have proper internal controls to ensure that student data is accurately collected and timely reported. Without good internal controls, the District cannot be assured that its student data reports are correct or that it is receiving the appropriate state subsidy.

The District submitted revisions to PDE for the use in recalculating the District's subsidy for the 2009-10 school year.

Recommendations

The *Conewago Valley School District* should:

1. Verify that the preliminary reports from PDE are correct and if not, revise and resubmit child accounting data so that the final reports from PDE are correct.
2. Establish internal controls that include reconciliations of the data that is uploaded into PDE's PIMS system

with the information in the District's student information system.

3. Perform an internal control review of membership reports and summaries prior to submission of final reports to PDE.

The *Pennsylvania Department of Education* should:

4. Revise all reports that have been incorrectly reported and adjust the District's reimbursements affected by the error.

Management Response

Management stated the following:

“During the initial year of reporting child accounting through the PIMS program we did not provide our foster students with a second register code. This was corrected in the years after.”

Auditor Conclusion

We are encouraged that the District has taken action on this deficiency, and we note in the body of our finding that there were no errors during the 2010-11 and 2011-12 school years. 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

Our prior audit of the Conewago Valley School District (District) released on June 15, 2011, resulted in two (2) findings. The first finding pertained to errors in reporting the number of nonpublic pupils transported, and the second finding pertained to a continued issue related to student activity funds. 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 errors in reporting the number of nonpublic pupils transported and the continued issue related to student activity funds.

Auditor General Performance Audit Report Released on June 15, 2011

Finding No. 1: Errors in Reporting the Number of Nonpublic Students Transported

Finding Summary: Our prior audit of the District found that the review of the District's transportation records for the 2006-07 and 2007-08 school years found errors in the number of nonpublic pupils transported that was reported to PDE for the 2007-08 school year. The District reported 448 nonpublic pupils. However, our audit confirmed the District transported 472 nonpublic pupils, which resulted in a 24 pupil understatement. At the state reimbursement rate of \$385, the error resulted in a \$9,240 underpayment.

Recommendations: Our audit finding recommended that the District should:

1. Ensure the District's reconciliation procedure, prior to reporting the data to PDE, accounts for all schools in which nonpublic pupils are provided transportation.
2. Review reports for years subsequent to the audit, and if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

3. Adjust the District's allocations to resolve the \$9,240 underpayment.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As of January 2011, the transportation director cross checks each school list of nonpublic pupils transported

for each school to the nonpublic pupil count, and the business office verifies the transportation director's count for accuracy. As of December 5, 2013, PDE had not resolved the \$9,240 underpayment. Again, we recommend that the PDE resolve the \$9,240 underpayment.

Finding No. 2:

Continued Issue Related to Student Activity Funds

Finding Summary:

Our prior audit of the District's student activity funds found that the District had not required all of the student groups to be formally organized, as follows:

1. Six (6) of forty (40) student groups did not adopt bylaws.
2. Nineteen (19) of forty (40) student groups did not elect officers.
3. Twenty-seven (27) of forty (40) student groups did not maintain meeting minutes.

By not formally organizing these student groups, the District runs the risk of the students not being involved in all aspects of governing the use of their funds. The District had not required all documentation to be maintained in the District office in the past.

Recommendations:

Our audit finding recommended that the District should:

Ensure formal organization for all student groups by adopting bylaws, electing officers, and maintaining meeting minutes.

Current Status:

During our current audit, we found that the District did implement our prior recommendations in August 2013. The District's club advisor is responsible for submission of club bylaws, listing of officers, and meeting minutes to the business manager for review and completeness, which is monitored weekly. If any club is missing information, an e-mail is sent to the club advisor by the District indicating what needs to be completed. The e-mail is also forwarded to the business manager for monitoring.

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
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at 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.