

# PERFORMANCE AUDIT

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## Ephrata Area School District Lancaster County, Pennsylvania

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September 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
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. Timothy Stayer, Board President  
Ephrata Area School District  
803 Oak Boulevard  
Ephrata, Pennsylvania 17522

Dear Governor Corbett and Mr. Stayer:

We conducted a performance audit of the Ephrata 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 July 8, 2010 through April 18, 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.

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 25, 2014

cc: **EPHRATA 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 Ephrata Area School District (District) in Lancaster 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 July 8, 2010 through April 18, 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 44 square miles. According to 2010 federal census data, it serves a resident population of 33,023. According to District officials, the District provided basic educational services to 4,120 pupils through the employment of 289 teachers, 209 full-time and part-time support personnel, and 32 administrators during the 2011-12 school year. The District received \$14.9 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. Our audit resulted in no findings or observations.

### **Status of Prior Audit Findings and Observations**

With regard to the status of our prior audit recommendations to the Ephrata Area School District (District) from an audit released on December 27, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to a certification deficiency (see page 6), a transportation deficiency pertaining to failure to report mileage and pupil data to the Pennsylvania Department of Education in accordance with reporting guidelines resulting in unverifiable reimbursements (see page 7), and school bus drivers' qualification deficiencies (see page 7).

## 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 July 8, 2010 through April 18, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through February 10, 2014.

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 December 27, 2010, we reviewed the District's response to PDE dated January 24, 2012. We then 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 Ephrata Area School District resulted in no findings or observations.

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## Status of Prior Audit Findings and Observations

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Our prior audit of the Ephrata Area School District (District) released on December 27, 2010, resulted in three (3) findings. 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 the three (3) findings.

### Auditor General Performance Audit Report Released on December 27, 2010

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**Finding No. 1: Certification Deficiency**

Finding Summary: Our prior audit of professional employees' certification for the period of July 24, 2007 to May 26, 2010, found one (1) individual that was employed as a school nurse with an inactive certificate during all or a portion of the 2007-08 and 2008-09 school years. The District was subject to a total subsidy forfeiture of \$4,214.

Recommendations: Our audit finding recommended that the District should:  
  
Ensure all individuals required to comply with Public School Code Section 1205.2 follow the established December 2009 procedures for hiring new professional employees.

We also recommended that PDE should:

Recover the subsidy forfeitures resulting from the deficiency.

Current Status: During our current audit, we found that the District did implement our recommendations. As a result of the incident, the District now requires that all Act 48 records are checked on the PDE website as part of the hiring process before any jobs are offered and all staff Act 48 records on PDE website are monitored quarterly to be sure all are in compliance. The school nurse with the certificate in question resigned from her position.

PDE deducted \$4,214 from the District's basic education funding on June 1, 2011, to assess the subsidy forfeiture resulting from the deficiency.

**Finding No. 2: Failure to Report Mileage and Pupil Data to the Department of Education in Accordance With Reporting Guidelines Resulted in Unverifiable Reimbursements**

Finding Summary: Our prior audit of pupil transportation records for the 2006-07 and 2007-08 school years found improper mileage and pupil count computations and inadequate internal controls resulting in our inability to verify the accuracy of the data submitted to PDE for both years of the audit.

Recommendations: Our audit finding recommended that the District should:

1. Develop and implement procedures to ensure supporting documentation for transportation data reported to PDE is retained for audit purposes.
2. Obtain mileage readings and pupil counts to ensure a sample or weighted average can be computed.
3. Compute a sample or weighted average for miles with and miles without pupils and for pupil counts.
4. Report data for all buses that are used to transport students to and from school.
5. Review transportation reports submitted to PDE for years subsequent to the audit and if verifiable errors are found, submit revisions to PDE.

Current Status: During our current audit, we found that the District did implement our prior recommendations. Per the current audit review of the 2011-12 school year, the District obtained and computed mileage readings and pupil counts to ensure a sample or weighted average was computed. The District reported data for all buses used by contractors for 2011-12 school year, and source documentation was available for verification. Management also prepared procedures and developed a review process that should eliminate the chance for these errors to occur in the future.

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**Finding No. 3: School Bus Driver Qualification Deficiencies**

Finding Summary: Our prior audit of the personnel records for current bus drivers found ten (10) individuals did not possess the federal criminal history record information (known as FBI clearances) required by Public School Code Section 111.

Recommendations:

Our audit finding recommended that the District should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. Establish procedures to obtain and retain the required qualifications for all drivers which transport students. This procedure should also ensure that the District's files are up-to-date and complete.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. All current bus drivers that were reviewed were properly qualified in accordance with laws, regulations, and entity policies. All drivers had the proper FBI clearances.

The District also prepared procedures and a review process that should eliminate the chance for these errors to occur in the future.

## **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  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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Harrisburg, PA 17120

Ms. Lori Graham  
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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).