

# PERFORMANCE AUDIT

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## Redbank Valley School District Clarion County, Pennsylvania

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November 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

Dr. Chad Shaffer, Board President  
Redbank Valley School District  
920 Broad Street  
New Bethlehem, Pennsylvania 16242

Dear Governor Corbett and Dr. Shaffer:

We conducted a performance audit of the Redbank 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 February 17, 2012 through June 12, 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. However, 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 observation and recommendations have been discussed with the District's management, and their response is 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

November 20, 2014

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

## Table of Contents

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	2
Findings and Observations .....	5
Observation – Continuing Internal Control Weaknesses Noted Over the Redbank Valley School District’s Student Record Data .....	5
Status of Prior Audit Findings and Observations .....	8
Distribution List .....	10

## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Redbank Valley School District (District) in Clarion 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 February 17, 2012 through June 12, 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 165 square miles. According to 2010 federal census data, it serves a resident population of 8,038. According to District officials, the District provided basic educational services to 1,205 pupils through the employment of 94 teachers, 62 full-time and part-time support personnel, and four (4) administrators during the 2011-12 school year. The District received \$11.4 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. However, we identified one (1) matter unrelated to compliance that is reported as an observation.

**Observation: Continuing Internal Control Weaknesses Noted Over the Redbank Valley School District's Student Record Data.** Our audit of the Redbank Valley School District's controls over student data integrity for the 2011-12 school year found that internal controls need to be improved (see page 5).

**Status of Prior Audit Findings and Observations.** With regard to the status of the finding in our prior audit and the recommendations to the District from an audit released on August 13, 2012, we found that the Redbank Valley School District (District) had not taken appropriate corrective action in implementing our recommendations pertaining to reporting non-resident pupil membership data (see page 8). We found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to internal controls over its student record data (see page 9). Our current audit resulted in an observation with similar internal control weaknesses (see page 5).

## 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 February 17, 2012 through June 12, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through May 8, 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?

- ✓ 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 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, financial stability, 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 August 13, 2012, we reviewed the District's response to PDE dated February 13, 2013. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation →

### Continuing Internal Control Weaknesses Noted Over the Redbank Valley School District's 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 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 review of the Redbank Valley School District (District) found continuing internal control weakness over data integrity for the 2010-11 and 2011-12 school years.

Specifically, our review found that:

- District personnel failed to reconcile the student information software membership reports with the PIMS instructional time and membership reports.
- No documentation was provided to support District personnel reviewed the data input, as submitted to PIMS, for consistency and accuracy.
- The District did not have adequate documented procedures in place (e.g., District prepared detailed procedure manuals, policies, written instruction, etc.) to ensure accurate reporting and continuity over PIMS data submission in the event of a sudden change in personnel or child accounting vendors, with the



*Criteria relevant to the observation (continued):*

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.

exception of the PIMS procedure manual received from PDE.

This is the second consecutive audit that includes an observation regarding the quality of the data. In September 2012, the Board of School Directors (Board) approved a corrective action plan indicating that there would be corrective action taken for the subsequent school years.

However, during our current review, we noted that the District failed to take any corrective action until March 2014, when the Board hired a technology maintenance technician, who will serve as the PIMS administrator with the responsibility of coordinating data collection and the entry, uploading, and certifying data to PIMS.

If the District had taken more timely action regarding our prior recommendations, they could have more assurance that the funding received as a result of the child accounting data submission was accurate.

## **Recommendations**

The *Redbank Valley School District* should:

1. Prepare and retain vendor membership reports and reconcile the year-end reports to the PIMS instructional time and membership reports to ensure accuracy of data submitted to PDE.
2. Establish an internal committee to ascertain that child accounting and other relevant administrators work together to ensure that all students are reconciled, accounted for, and reported correctly to PDE.

## **Management Response**

Management stated the following:

“The school district struggles with the findings in the lack of sufficient internal controls over its student record data reporting of pupil membership data. District personnel have participated with the instruction through ongoing trainings for PIMS data submission webinars for the last

audit findings as to pupil membership data reporting for non-resident, resident student membership and mainstreaming time for housed classes in the District. The district verification process is continually under review through the PIMS data system in all areas. The District most recently employed a Technology Maintenance Technician to assist in the review of the PIMS data submission is more closely monitored by the personnel responsible for its submission to insure the district accuracy in all reporting for PIMS. Testing for accuracy will be reviewed of PIMS data submission and training for overlap of data continuity can be met as per the observation.

The school district will review documentation submitted for the audit years and following years reported to ensure that this observation is in compliance.”

### **Auditor Conclusion**

We are encouraged that the District continues to address this deficiency. We will again follow up on the status of our recommendations during our next audit of the District.

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

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Our prior audit of the Redbank Valley School District (District) released on August 13, 2012, resulted in one (1) finding and one (1) observation. The finding pertained to errors in reporting non-resident children placed in private homes (foster children), and the observation pertained to lack of internal control over its student record data. 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 finding and observation. As shown below, we found that the District did not implement our recommendations related to pupil membership and student record data.

### **Auditor General Performance Audit Report Released on August 13, 2012**

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**Finding:** **Errors in Reporting Pupil Membership Resulted in Reimbursement Underpayments of \$26,318**

Finding Summary: Our prior audit of the District found that personnel inaccurately reported membership days for non-resident foster children as resident membership resulting in reimbursement underpayments of \$26,318.

Recommendations: Our audit finding recommended that the District should:

1. Reference the Pennsylvania Information Management System (PIMS) manual of reporting instructions for the proper reporting of nonresident students' membership days.
2. Strengthen internal controls to ensure adherence to PDE regulations when reporting PIMS membership data to ensure accuracy.
3. 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 changing coding and submit revised reports to PDE.
4. Contact the Clarion County Career Center to ensure that they properly identify the District's nonresident student membership when completing their PIMS child accounting membership reports to PDE.

We also recommended that PDE should:

5. Adjust the District's future allocations to resolve the underpayment of \$26,318.

Current Status: During our current audit, we found that the District did not implement our prior recommendations. As of July 11, 2014, the prior underpayment of \$26,318 was still pending final resolution by PDE.

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**Observation                      The Redbank Valley School District Lacks Sufficient Internal Controls Over Its Student Record Data**

Observation Summary: Our prior review of the District's controls over data integrity for the 2009-10 school year found that internal controls need to be improved regarding the reporting of membership for students educated in the intermediate unit, as well as the reporting of non-resident students.

Recommendations: Our audit observation recommended that the District should:

1. Maintain adequate evidence of manual compensating controls to support its student registrations.
2. Perform a detailed comparison of the District's Summary of Child Accounting Membership to PIMS's Instructional Time and Membership Reports to ensure that all membership days were appropriately uploaded and accounted for.
3. Have adequate written procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or accounting vender.

Current Status: During our current audit, we found that the District did not implement our prior recommendations. We again found errors in the reporting of non-resident and resident membership. Also, when we compared the District's child accounting software membership report totals to the PIMS's reports, the reports did not agree. Our current report contains continuing data integrity concerns (see page 5).

## **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  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Lori Graham  
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Pennsylvania Department of Education  
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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).