

PERFORMANCE AUDIT

Abington Heights School District Lackawanna County, Pennsylvania

February 2015



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 W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Cathy Ann Hardaway, Board President
Abington Heights School District
200 East Grove Street
Clarks Summit, Pennsylvania 18411

Dear Governor Wolf and Ms. Hardaway:

We conducted a performance audit of the Abington Heights 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 5, 2012 through September 11, 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, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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

February 25, 2015

cc: **ABINGTON HEIGHTS 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 Abington Heights School District (District) in Lackawanna 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 5, 2012 through September 11, 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 69 square miles. According to 2010 federal census data, it serves a resident population of 23,623. According to District officials, the District provided basic educational services to 3,393 pupils through the employment of 251 teachers, 185 full-time and part-time support personnel, and 24 administrators during the 2011-12 school year. The District received \$11.7 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: Errors in Reporting Pupil Membership Data Resulted in an Underpayment of \$34,011.

Our audit of the Abington Heights School District (District) pupil membership reports submitted to the Pennsylvania Department of Education for the 2010-11 and 2011-12 school years found continued reporting errors, as well as a lack of internal controls. District personnel inaccurately reported membership for children placed in private homes (foster children) for both school years (see page 5).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Abington Heights School District (District) from an audit released on April 3, 2013, we found that the District had taken some corrective actions in implementing our recommendations pertaining to errors in reporting pupil membership data resulting in a net underpayment of \$20,450. However, they did not revise reports subsequent to our previous audit, resulting in a continued finding (see page 7).

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 5, 2012 through September 11, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through July 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?

- ✓ 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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications, and professional employee certification.
- 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 April 3, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Errors in Reporting Pupil Membership Data Resulted in an Underpayment of \$34,011

Criteria relevant to the finding:

According to the Pennsylvania Department of Education's (PDE) 2009-10 *PIMS* [Pennsylvania Information Management System] *User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. 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.

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.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' 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. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Our audit of the Abington Heights School District (District) pupil membership reports submitted to PDE for the 2010-11 and 2011-12 school years found continued reporting errors, as well as a lack of internal controls. District personnel inaccurately reported membership for children placed in private homes (foster children) for both school years. If the District had appropriate reconciliation procedures in place prior to submitting the pupil membership data into PIMS, the errors could have been corrected prior to PDE finalizing the District's Final Summary of Child Accounting Membership Report.

Errors in reporting the District codes of residence and funding district codes caused membership days for foster children to be understated as follows:

	School Year	
	2010-11	2011-12
Half-time Kindergarten	65	136
Elementary	74	360
Secondary	136	0
Underpayment to District	\$12,253	\$21,758

PDE has been provided a report detailing the errors for use in recalculating the District's reimbursement.

Recommendations

The *Abington Heights School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
3. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
4. Review subsequent year reports and, if errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

5. Revise all reports that have been incorrectly completed and adjust District reimbursements affected by the error.

Management Response

Management stated the following:

“This finding was addressed with a corrective action plan following the Auditor General’s previous report dated April 2013 for the years ended June 30, 2009 and June 30, 2010. Based on the years being currently audited (Ended June 30, 2011 and June 30, 2012), the District did not have an opportunity to correct the issue for the school years being reviewed.”

Auditor Conclusion

As noted in the Status of Prior Audit Findings and Observations included in this report, the District did provide training to all personnel involved in enrolling and reporting child accounting data, resulting in better internal controls subsequent to the 2011-12 school year. We have not audited the child accounting reports submitted to PDE for years subsequent to 2011-12. Therefore, we cannot assess if the internal control improvements are adequate until our next audit of the District’s child accounting data.

Status of Prior Audit Findings and Observations

Our prior audit of the Abington Heights School District (District) released on April 3, 2013, resulted in one (1) finding. The finding pertained to errors in reporting pupil membership data that resulted in an underpayment of \$20,450. 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 finding. As shown below, we found that the District did implement some of our recommendations related to errors in reporting pupil membership data that resulted in an underpayment of \$20,450.

Auditor General Performance Audit Report Released on April 3, 2013

Finding: **Error in Reporting Pupil Membership Data Resulted in a Net Underpayment of \$20,450**

Finding Summary: Our prior audit of the District found reporting errors, as well as a lack of internal controls. District personnel inaccurately reported the membership for vocational education, intermediate unit, and children placed in private homes (foster children). The lack of internal controls resulted in the District failing to reconcile preliminary data reports from the Pennsylvania Department of Education (PDE), which resulted in incorrect data being reported on the Final Summary of Child Accounting.

Recommendations: Our audit finding recommended that the District should:

1. Establish internal controls that include reconciliations of the data that is uploaded into the Pennsylvania Information Management System.
2. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
3. Implement controls to verify actual membership days to computer-generated reports.
4. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
5. Review subsequent year reports and, if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

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

Current Status:

During our current audit, we found that, for the school years subject to audit, the District did not implement our prior recommendation to review subsequent year reports and, if errors were found, submit revised reports to PDE. Our current audit of pupil membership reports submitted to PDE found continued reporting errors, as well as a lack of internal controls for school years ended June 30, 2011 and 2012. As noted in the finding included in this report, District personnel inaccurately reported membership for foster children for the 2010-11 and 2011-12 school years resulting in an underpayment of \$34,011.

At the conclusion of our prior audit, the District did provide training to all personnel involved in enrolling and reporting child accounting data, which may have improved internal controls subsequent to the date of reporting for the 2011-12 school year.

Vocational education membership continued to be overstated during the 2010-11 school year. But, the errors did not significantly affect the District's subsidy due to the low number of students and, therefore, no repeat finding resulted. Vocational education membership was correctly reported for the 2011-12 school year. Our audit also found that the District no longer educates intermediate unit students effective with the 2010-11 school year.

PDE has not adjusted the District's allocation to reconcile the net \$20,450 underpayment.

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 W. Wolf
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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.