

# PERFORMANCE AUDIT

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## Cornwall-Lebanon School District Lebanon County, Pennsylvania

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February 2015



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 W. Wolf  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Harry Mathis, Board President  
Cornwall-Lebanon School District  
105 East Evergreen Road  
Lebanon, Pennsylvania 17042

Dear Governor Wolf and Mr. Mathis:

We conducted a performance audit of the Cornwall-Lebanon 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 5, 2011 through September 2, 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

February 27, 2015

cc: **CORNWALL-LEBANON 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 Cornwall-Lebanon School District (District) in Lebanon 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 5, 2011 through September 2, 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 70 square miles. According to 2010 federal census data, it serves a resident population of 34,729. According to District officials, the District provided basic educational services to 4,678 pupils through the employment of 344 teachers, 275 full-time and part-time support personnel, and 22 administrators during the 2011-12 school year. The District received \$18.2 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 Cornwall-Lebanon 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 two (2) findings. The first finding pertained to membership reporting errors resulting in a subsidy overpayment of \$16,852 (see page 6), and the second finding pertained to transportation reporting errors resulting in underpayment of \$9,793 (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 August 5, 2011 through September 2, 2014, except for the verification of professional employee certification which was performed for the period July 1, 2013 through July 29, 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?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District accurately report its membership numbers to PDE, and were its average daily membership and tuition billings accurate?
- ✓ 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.

*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.

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.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications, professional employee certification, financial stability, tuition receipts.
- 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 reviewed the District's response to PDE dated February 12, 2013. 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 Cornwall-Lebanon School District resulted in no findings or observations.



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

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**O**ur prior audit of the Cornwall-Lebanon School District (District) released on January 20, 2012, resulted in two (2) findings. The first finding pertained to membership reporting errors resulting in a subsidy overpayment of \$16,852, and the second finding pertained to transportation reporting errors resulting in underpayment of \$9,793. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and conducted interviews with District personnel regarding the 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:      Membership Reporting Errors Resulted in a Subsidy Overpayment of \$16,852**

Finding Summary:      Our audit of pupil membership records submitted to the Pennsylvania Department of Education (PDE) for the 2008-09 and 2009-10 school years found errors in non-resident and resident membership data for the 2008-09 school year only. The errors resulted in an overpayment of \$16,852 in Commonwealth-paid tuition for orphans and children placed in private homes (foster children).

Recommendations:      Our finding recommended that the District should:

1. Ensure membership for non-resident foster children, tuition waiver students, and institutionalized students is supported by the appropriate documentation and properly reported to PDE.
2. Ensure membership for mainstreamed intermediate unit students is reported correctly.
3. Review reports for years subsequent to the audit and, if errors are found, submit revised reports to PDE.

Our finding recommended that PDE should:

4. Adjust the District's allocations to resolve the \$16,852 overpayment in orphans and foster children and any over or underpayment that may result in basic education funding.
5. Adjust membership and allocations to other affected school districts.

Current Status: During our current audit procedures, we found that the District did implement our recommendations. The District has placed all personnel responsible for child accounting and membership reporting under enhanced supervision and ongoing training. Additional reviews of reported data have also been instituted, and the District has submitted revised reports to PDE. PDE has not made the adjustments to the District's allocations to resolve the \$16,852 overpayment. We again, recommend that PDE make these adjustments to resolve the overpayment.

**Finding No. 2: Transportation Reporting Errors Resulted in Underpayments of \$9,793**

Finding Summary: Our prior audit of pupil transportation data for the 2008-09 and 2009-10 school years found errors in the contractor cost data reported to PDE for both school years. The errors resulted in \$4,307 and \$5,486 underpayments in transportation subsidy for the 2008-09 and 2009-10 school years, respectively.

Recommendations: Our finding recommended that the District should:

1. Establish a procedure to review payments made to the transportation contractors to ensure all eligible costs are reported to PDE in accordance with PDE's instructions.
2. Review reports submitted to PDE for the years subsequent to the audit period and submit revised reports if errors are found.

Our finding recommended that PDE should:

3. Adjust the District's allocation to resolve the \$9,793 subsidy underpayments.

Current Status: During our current audit procedures, we found that the District did implement our recommendations. The District has corrected the transportation subsidy data reported to PDE. All personnel responsible for preparing these reports have become knowledgeable regarding what is to be included in the data reporting and ongoing training is being provided to personnel. PDE has made the adjustments to the District's allocations to resolve the \$9,793 underpayment. The District received payment from PDE on February 27, 2014.

## **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 W. Wolf  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Pedro A. Rivera  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

Christopher B. Craig, *Esq.*  
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Mechanicsburg, PA 17055

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).