



BERWICK AREA SCHOOL DISTRICT  
COLUMBIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MAY 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

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. Daniel McGann, Board President  
Berwick Area School District  
500 Line Street  
Berwick, Pennsylvania 18603

Dear Governor Corbett and Mr. McGann:

We conducted a performance audit of the Berwick Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 22, 2010 through October 5, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to 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 applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings 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,

/s/

EUGENE A. DEPASQUALE  
Auditor General

May 10, 2013

cc: **BERWICK 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 Berwick Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 22, 2010 through October 5, 2012, 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 2009-10 and 2008-09 school years.

### **District Background**

The District encompasses approximately 101 square miles. According to 2009 local census data, it serves a resident population of 21,835. According to District officials, the District provided basic educational services to 3,514 pupils through the employment of 252 teachers, 317 full-time and part-time support personnel, and 17 administrators during the 2009-10 school year. Lastly, the District received \$19.7 million in state funding in the 2009-10 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

**Finding No. 1: Lack of Adherence to the Pennsylvania Department of Education's Requirements and Vocational Education Membership Errors Resulted in a Subsidy Overpayment of \$129,112.** Our audit of the District's district-operated vocational education membership data for the 2008-09 school year found that the District incorrectly reported vocational education membership data to the Pennsylvania Department of Education (PDE), resulting in an overpayment of vocational education subsidy of \$129,112 (see page 6).

**Finding No. 2: Errors in Reporting Membership for Children Placed in Private Homes Resulted in a Subsidy Underpayment of \$16,337.** Our audit of pupil membership reports submitted by the District to PDE for the 2009-10 and 2008-09 school years found reporting errors for children placed in private homes during the 2009-10 school year, resulting in a subsidy underpayment of \$16,337 (see page 8).

**Status of Prior Audit Findings and Observations.** There were no findings or observations included in our prior audit report.





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the 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 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 March 22, 2010 through October 5, 2012, except for certification which was performed for the period of July 1, 2011 through May 14, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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 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 applicable state laws, 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 have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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 there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ 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 votes made by the District's Board of School Directors members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **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 applicable laws, 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 applicable laws, contracts, grant requirements, and administrative procedures. 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 applicable state laws, regulations, contracts, grant requirements, and administrative procedures 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 control 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 bus driver qualifications, pupil membership, professional employee certification and financial stability.
- Items such as board meeting minutes, policies and procedures, and reimbursement applications.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

## Findings and Observations

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### Finding No. 1

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### Lack of Adherence to the Pennsylvania Department of Education's Requirements and Vocational Education Membership Errors Resulted in a Subsidy Overpayment of \$129,112

*Relevant statutory provisions and related criteria:*

Section 2502.8(b) of the Public School Code (PSC), 24 P.S. § 2502.8(b), provides, in part:

“ . . . each school district . . . shall be paid, in addition to any other subsidy to which it is entitled, an amount on account of students enrolled in vocational curriculums . . . ”

Chapter 339.1a(b) of the PSC, 22 Pa. Code § 339.1a(b), provides the definition of a “concentrator” as: “A student who is at least 14 years of age and is enrolled full time in an approved career and technical education program that meets the requirements of this chapter.”

Chapter 339.22 of the Pennsylvania Code, 22 Pa. Code § 339.22, provides, in part:

“ . . . (9)(i) The school entity may develop vocational education programs for any time length as long as they do not go below the minimums listed in this subsection. Vocational programs may range in duration from 1 year to 4 years, and the following represents the minimum total hours required for a program sequence: . . .

(9)(i)(C) *Three year sequence.* A vocational technical education program consisting of 3 sequential years must provide a minimum total of \$1,080 hours of vocational program instruction by the end of the program sequence.”

Our audit of the Berwick Area School District's (District) district-operated vocational education membership data for the 2008-09 school year found that the District incorrectly reported vocational education membership data to the Pennsylvania Department of Education (PDE), resulting in an overpayment of vocational education subsidy (VES) of \$129,112.

Our review of individual student records, as well as discussions with the District and PDE personnel, found that the District reported membership for students who had not taken all required courses for the district-operated vocational education programs, as approved by PDE.

Based on our review, we determined that the District incorrectly reported membership for 244 students in a business education program on reports submitted to PDE for the 2008-09 school year. These errors were caused by District personnel's misunderstanding of minimum curriculum requirements, which must be met to determine if students' membership is eligible to be reported for VES. This misunderstanding resulted in an overstatement of 42,200 days for district-operated vocational education membership for the 2008-09 school year.

On July 21, 2010, the board of school directors decided to inform PDE that the District will no longer provide approved vocational education programs in the area of business education for the upcoming school term. The District did not apply for district-operated vocational education subsidy for the 2009-10 school year because District personnel did not believe the District met the minimum requirements.

The following requirements, in part, shall be considered in planning vocational education programs based on the minimum time requirements listed in Chapter 339.22(9) of the Pennsylvania Code, 22 Pa. Code § 339.22(9):

“(ii)(B) A minimum of two planned courses shall be operated per year. These two planned courses shall be skilled courses.

(ii)(C) Sequences shall be offered in consecutive years and the last year of the program will conclude in twelfth grade.

(ii)(D) This section includes the minimum requirements for a program to be eligible for vocational reimbursement. It is recognized that selected vocational programs may require more than the minimum hours to offer an effective education program.”

Chapter 339.54 of the Pennsylvania Code, 22 Pa. Code § 339.54, provides:

“Only students who meet the definition of concentrators shall be included in the calculation of vocational average daily membership under the School Code.”

Pupil membership must be maintained in accordance with PDE guidelines and instructions, since this data is a major factor in determining the District’s subsidies and reimbursements. PDE has been provided a report detailing the errors for use in recalculating the District’s VES.

### **Recommendations**

The *Berwick Area School District* should:

Review program guidelines for any future VES.

The *Pennsylvania Department of Education* should:

Adjust the District’s allocations to recover the VES overpayment of \$129,112.

### **Management Response**

Management stated the following:

“The District no longer operates approved programs in this area and will not apply for reimbursement in the future. The overpayment was the result of miscommunication between the principal of the high school and the teacher who oversaw data collection.”

## Finding No. 2

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### Errors in Reporting Membership for Children Placed in Private Homes Resulted in a Subsidy Underpayment of \$16,337

*Criteria relevant to the finding:*

Section 2503(c) of the Public School Code, 24 P.S. § 2503(c), provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Membership data for nonresident children placed in private homes must be maintained and reported accurately and in accordance with PDE guidelines and instructions, since this is a major factor in determining the district's reimbursement.

Our audit of pupil membership reports submitted by the Berwick Area School District (District) to PDE for the 2009-10 and 2008-09 school years found reporting errors for children placed in private homes during the 2009-10 school year, resulting in an underpayment of \$16,337.

Membership days for children placed in private homes during the 2009-10 school year were incorrectly reported to PDE as resident students. These errors resulted in an understatement of 180 days for elementary students and 180 days for secondary students.

In addition, our audit identified an overstatement of resident membership days during the 2009-10 school year. However, this error did not have an effect on the 2009-10 basic education funding.

These errors were caused by the District's hiring of a new child accounting coordinator who misunderstood Section 2503(c) of the Public School Code relating to residency requirements for children placed in private homes.

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

The District's personnel correctly reported membership for children placed in private homes during the 2008-09 school year.

### Recommendations

The *Berwick Area School District* should:

1. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.

2. Compare letters for children placed in private homes with District reports to ensure that student membership is properly classified.
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. Adjust the District's allocations to resolve the net underpayment of \$16,337.

### **Management Response**

Management stated the following:

“This was a minor clerical error made by an employee who was new to the position and has since received additional training.”

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

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**O**ur prior audit of the Berwick Area School District resulted in no findings or observations.



## **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.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us), and the following stakeholders:

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

The Honorable Ronald J. Tomalis  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Pennsylvania Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

