

BIG SPRING SCHOOL DISTRICT  
CUMBERLAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2012



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

Mr. Wilbur Wolf, Jr., Board President  
Big Spring School District  
45 Mount Rock Road  
Newville, Pennsylvania 17241

Dear Governor Corbett and Mr. Wolf:

We conducted a performance audit of the Big Spring School District (BSSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 11, 2010 through November 28, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 BSSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with BSSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BSSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BSSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

June 19, 2012

cc: **BIG SPRING SCHOOL DISTRICT** Board Members



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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 Big Spring School District (BSSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the BSSD in response to our prior audit recommendations.

Our audit scope covered the period June 11, 2010 through November 28, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **District Background**

The BSSD encompasses approximately 198 square miles. According to May 2010 local census data it serves a resident population of 19,098. According to District officials, in school year 2009-10 the BSSD provided basic educational services to 2,945 pupils through the employment of 257 teachers, 194 full-time and part-time support personnel, and 16 administrators. Lastly, the BSSD received more than \$15.9 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the BSSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

**Finding: Error in Reporting Pupil Transportation Data Resulted in a Reimbursement Underpayment of \$154,244.** Our audit of BSSD's 2009-10 pupil transportation records submitted to the Department of Education found that 62 of 64 vehicles were incorrectly reported resulting in an underpayment of \$154,244 (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the BSSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the BSSD had taken appropriate corrective action in implementing our recommendations pertaining to the certification finding (see page 8).





## 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 PA Department of Education, and other

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 June 11, 2010 through November 28, 2011, except for the verification of professional employee certification which was performed for the period May 27, 2011 through November 28, 2011.

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 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 BSSD'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 receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors in compliance with applicable state laws and procedures?

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do 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 which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## 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 applicable laws, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observations and conclusions based on our audit objectives.

BSSD 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. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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/reimbursement and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, school safety, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

Additionally, we interviewed selected administrators and support personnel associated with BSSD operations.

## Findings and Observations

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### Finding →

#### **Error in Reporting Pupil Transportation Data Resulted in a Reimbursement Underpayment of \$154,244**

*Criteria relevant to the finding:*

The Department of Education's (DE) End-of-Year Transportation Report instructions provide:

If a vehicle provided only one trip per day and was used for only one run and no other to-and-from school service during the day, the vehicle would be reported as only provided a one-way trip.

Our audit of the Big Spring School District's 2009-10 pupil transportation records submitted to the Department of Education (DE) found a reporting error which resulted in a transportation reimbursement underpayment of \$154,244.

District personnel incorrectly reported 62 of 64 vehicles for the 2009-10 school year as only having provided one-way trips daily, when in fact, the vehicles were used for two way trips, for students to and from school, on a daily basis.

District personnel noted the reporting error was caused by a misunderstanding by the transportation secretary when reporting vehicles that provided to and from school transportation in the morning and afternoon.

DE has been provided reports detailing the errors for use in recalculating the District's subsidies and reimbursements.

### **Recommendations**

The *Big Spring School District* should:

1. Ensure DE's end-of-year transportation instructions are reviewed annually prior to submission of data to DE for reimbursement.
2. Establish a procedure to ensure that all data reported to DE is reviewed for accuracy, prior to submission, so that the District will receive proper reimbursement.
3. Establish a procedure to compare data from year-to-year to help ensure consistency and accuracy.

The *Department of Education* should:

4. Adjust the District's allocations to resolve the underpayment of \$154,244.

**Management Response**

Management stated the following:

This error was caused by a misunderstanding that buses carried students only one-way rather than morning and afternoon. In checking prior year, the report submitted in September 2009 was correct; however the 2010 and 2011 reports had the same error. We contacted the PDE Transportation Department and they requested we submit a correction for the September 2011 year. That has been done and we are awaiting confirmation of that change. We are unable to correct the 2010 report.

In addition, prior to the audit we had scheduled to replace the transportation secretary with someone possessing a better skill set match and that did occur during the audit. The new person worked with the auditors and they were a tremendous asset in helping her transition into the new job.

The administration will review this item more carefully in future years.

**Auditor Conclusion**

As stated in the finding, a report will be submitted to DE for processing the necessary corrections for the 2009-10 school year.

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

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Our prior audit of the Big Spring School District (BSSD) for the school years 2007-08 and 2006-07 resulted in one finding. The finding pertained to teacher certification. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We questioned BSSD personnel regarding the prior finding. As shown below, we found that the BSSD did implement recommendations related to the finding in certification.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Finding:**                      **Certification Deficiencies**

Finding Summary:      Our prior audit found that four individuals were cited for assignments as learning support teachers without proper certification. The District was subject to subsidy forfeitures of \$4,716 for the 2008-09 school year and \$290 for the 2007-08 school year. The subsidy forfeiture for the 2009-10 school year could not be computed since data was not available at the time of the audit.

Recommendations:      Our audit finding recommended that the BSSD:

1. Ensure all individuals obtain the proper certification prior to employment and/or reassignment.
2. Ensure all applications for certification contain all the required documentation prior to submission to the Bureau of School Leadership and Teacher Quality (BSLTQ) for review and approval.
3. Contact BSLTQ to review the application process to ensure the District is submitting all required documents for the type of certification being applied for.
4. Ensure that all staff members involved with the certification function are properly trained in the requirements set forth by BSLTQ.

Our audit finding also recommended that the Department of Education (DE):

5. Take action to recover the appropriate subsidy forfeitures based on BSLTQ's final review.

Current Status:

Our current audit found that the BSSD implemented all of our recommendations beginning June 2010. Of the four individuals who were cited in the prior audit, one individual obtained proper certification for her assignment, one individual was reassigned to an area for which she was properly certified and two individuals resigned from their positions and no longer are employed by the District. As a result of additional information obtained subsequent to our prior audit, the District was subject to total subsidy forfeitures of \$10,087 (\$5,082 for the 2009-10, \$4,715 for 2008-09 and \$290 for 2007-08 school years). DE recovered the subsidy forfeitures on June 1, 2011.





## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
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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, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

