



**BLOOMSBURG AREA SCHOOL DISTRICT  
COLUMBIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**JULY 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. Justin Hummel, Board President  
Bloomsburg Area School District  
728 East 5<sup>th</sup> Street  
Bloomsburg, Pennsylvania 17815

Dear Governor Corbett and Mr. Hummel:

We conducted a performance audit of the Bloomsburg Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 2, 2010 through April 29, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2011, 2010, and 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 significant noncompliance with state laws and administrative procedures, as detailed in the three findings within this report. A summary of the 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

July 24, 2013

cc: **BLOOMSBURG 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 Bloomsburg 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 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 2, 2010 through April 29, 2013, 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 2011-12, 2010-11, 2009-10, and 2008-09 school years.

### **District Background**

The District encompasses approximately 81 square miles. According to 2010 federal census data, it serves a resident population of 20,663. According to District officials, the District provided basic educational services to 1,628 pupils through the employment of 136 teachers, 93 full-time and part-time support personnel, and 8 administrators during the 2011-12 school year. Lastly, the District received \$8.4 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 applicable state laws, contracts, grant requirements, and administrative procedures, except for three compliance related matters reported as findings.

**Finding No. 1: Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Subsidy.** Our audit of the Bloomsburg Area School District's (District) pupil membership reports for the 2010-11 school year found reporting errors, as well as a lack of internal controls (see page 7).

**Finding No. 2: Transportation Reporting Errors and a Lack of Internal Controls Resulted in a \$37,289 Underpayment to the District.** Our audit of the Bloomsburg Area School District's (District) transportation reports for the 2008-09 school year found data errors. Specifically, the District's personnel incorrectly reported the number of days one contractor transported students (see page 10).

**Finding No. 3: Continued Certification Deficiency.** Our audit of the Bloomsburg Area School District's certification and assignments found one employee did not have certification for their teaching assignment (see page 12).

**Status of Prior Audit Findings and**

**Observations.** With regard to our prior audit recommendations to the District from an audit released on September 3, 2010, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to professional employee certification (see page 14).

## 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 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 2, 2010 through April 29, 2013, except for the verification of professional employee certification which was performed for the period January 15, 2010 through March 7, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 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 (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 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 PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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?
- ✓ 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 free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local 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 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 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 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes.

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



Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 3, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### **Finding No. 1** →

### **Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Subsidy**

*Criteria relevant to the finding:*

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 and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 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 audit of the Bloomsburg Area School District's (District) pupil membership reports for the 2010-11 school year found reporting errors, including the understating of nonresident student membership and the improper coding of students. These errors were caused a lack of sufficient internal controls. For example, District personnel failed to reconcile preliminary data reports from PDE with their student information system reports, which resulted in incorrect data being reported on their final membership reports. The reconciliation of these preliminary data reports is a basic internal control measure, which would have caught many of the errors District personnel reported to PDE. The result of this error was a reimbursement underpayment of \$42,782.

For the 2010-11 school year, membership days for nonresident children placed by court order were understated by 182 elementary days.

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.

Also, membership days for nonresident wards of the state were understated by 373 full-time kindergarten days and 502 elementary days.

It is management's responsibility to have the proper policies and procedures in place to ensure that student data is accurately collected and reported. Without these internal controls, the District is not assured that it is receiving the correct state subsidy amount.

## Recommendations

The *Bloomsburg Area School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Verify that the Preliminary Reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the Final Reports from PDE are correct.
3. Review subsequent years' reports and if errors are noted, submit revised reports.

The *Pennsylvania Department of Education* should:

4. Revise all reports that have been incorrectly completed and adjust the District's subsidy affected by the errors.

## Management Response

Management stated the following:

"The District reported non-resident wards of the state with the code for the student's resident district. The district should have used the State code of 999999999. The District issued 4605 forms to confirm residency and corrected and uploaded the corrections to PIMS. The coding error has been corrected and will be correct in future years.

The District disagrees with the internal control finding. The total number of students was reported correctly. The error in reporting occurred with a coding change between the CAD system and the PIMS system for child accounting.

The summary of child accounting membership report was reviewed and will continue to be reviewed for accuracy by the Child Accounting Coordinator and the Business Administrator.”

**Auditor Conclusion**

Regardless of where the coding error occurred, if District personnel had reconciled its Preliminary Summary of Child Accounting Membership Report its student information reports, they would have recognized their students were not reported correctly. We are recommending that this internal control be adopted to avoid future errors. The finding will stand as written.

**Finding No. 2** →

**Transportation Reporting Errors and a Lack of Internal Controls Resulted in a \$37,289 Underpayment to the District**

*Public School Code sections and criteria relevant to the finding:*

Section 2541 provides, for payment of pupil transportation.

Public and nonpublic pupil tabulation is an integral part of the transportation reimbursement formula. Pupil counts should be reported accurately, in accordance with the Pennsylvania Department of Education guidelines and instructions, to ensure the district receives proper reimbursement.

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.

Our audit of the Bloomsburg Area School District's (District) transportation reports for the 2008-09 school year found data errors. Specifically, the District's personnel incorrectly reported the number of days one contractor transported students, which resulted in a \$37,289 underpayment in the District's transportation subsidies and reimbursements. This reporting error was caused by a lack of effective internal controls over the review of the District's transportation data.

In the 2008-09 school year, the District's personnel incorrectly reported the number of days for one contractor's bus. The data was reported as 18 days, when that bus actually provided transportation services for 181 days.

If management had implemented proper internal controls over the gathering and reporting of this data, it is likely that this error would have been caught before the District provided its information to the Pennsylvania Department of Education, which uses it to calculate the District's transportation subsidies. It is management's responsibility to have the proper policies and procedures in place to ensure that student transportation data is accurately collected and reported. Without these internal controls, the District is not assured that it is receiving the correct state subsidy amount.

**Recommendations**

The *Bloomsburg Area School District* should:

1. Institute a system of review that would help ensure reports sent to PDE are accurate.
2. Review subsequent year reports and if errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover the underpayment of \$37,289.

**Management Response**

Management stated the following:

“The finding was the result of a data entry error when entering the number of days students were transported for one bus. The number of days should have been 181 days, but was entered as 18 days.

The PDE 2576 has been and will continue to be reviewed for accuracy by the Transportation Coordinator and the Business Administrator.”

**Auditor Conclusion**

We are encouraged that the District personnel been reviewing its transportation reports for accuracy. However, if the District is still reporting errors to PDE, it appears that those internal controls are insufficient. We recommend that the District’s management to take a comprehensive look at the District’s processes for collecting and reporting this data to ensure that additional procedures do not need to be adopted.

### Finding No. 3

### Continued Certification Deficiency

*Criteria relevant to the finding:*

24 P.S. § 12-1202 of the Public School code provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

24 P.S. § 25-2518 of the Public School code provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in the Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education...shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Our audit of the Bloomsburg Area School District’s (District) professional employees’ certification and assignments for the period January 15, 2010 through March 7, 2013, was conducted to determine compliance with the Public School Code and the Pennsylvania Department of Education’s (PDE) Certification and Staffing Policies and Guidelines. Our audit found that one professional employee did not have any certification for their teaching assignment. The individual in question was a Spanish teacher who was not certified from August 23, 2010 through April 1, 2011. The teacher received her Spanish certificate in April 2011. A similar certification finding was included in the District’s prior audit.

Certification deficiencies are not determined by the Department of the Auditor General. Information pertaining to the questionable assignment was submitted to PDE’s Bureau of School Leadership and Teacher Quality (BSLTQ), for its review. On April 25, 2013, BSLTQ confirmed the deficiency. The District is subject to a subsidy forfeiture of \$2,274 for the 2010-11 school year.

Failure to ensure proper certifications are maintained by professional employees jeopardized the District’s ability to ensure that students receive instruction from qualified employees. Breakdowns in ensuring that all staff are properly certified often occur because of a lack of proper internal controls. The District should not have hired the teacher in question until it received all of the documentation necessary to verify their qualifications for the position.

### Recommendations

The *Bloomsburg Area School District* should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover the subsidy forfeiture of \$2,274.

### **Management Response**

Management stated the following:

“The professional staff was hired pending the receipt of their certification. The individual claimed to have filed all documentation with [Bloomsburg University] BU and PDE. It was discovered by Administration that the individual did not have a PPID number when Administration was uploading Act 48 credits. Further investigation revealed that the individual never received certification and, in fact, never filed with PDE, only BU. The individual was suspended without pay pending termination and resigned in lieu of termination.

Currently, all potential employees must have their certification before being hired.”



## Status of Prior Audit Findings and Observations

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Our prior audit of the Bloomsburg Area School District (District) released on September 3, 2010, resulted in one reported finding. The finding pertained to one professional employee not having proper certification. 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 interviewed District personnel regarding the prior finding. As shown below, we found that the District did not implement our recommendations related to the one professional employee not having proper certification.

### Auditor General Performance Audit Report Released on September 3, 2010

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**Finding:**                      **Possible Certification Deficiency**

Finding Summary:      Our prior audit of the District found that one professional employee may not have had the proper certification for their teaching assignment. The individual in question is an elementary teacher who may have been teaching with a lapsed certificate for the second semester of the 2008-09 school year and one month of the 2009-10 school year.

Recommendations:      Our audit finding recommended that the District:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

We also recommended that Pennsylvania Department of Education (PDE):

3. In conjunction with its Bureau of School Leadership and Teacher Quality's (BSLTQ) determination, PDE should adjust the District's allocations to recover any subsidy forfeitures deemed necessary.

Current Status:              During our current audit, we found that the District did not implement our recommendations (see Finding No. 3). BSTLQ upheld our findings, and PDE deducted the \$1,754 from the District's subsidy on December 29, 2011.

## **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  
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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).

