



**BLUE RIDGE SCHOOL DISTRICT  
SUSQUEHANNA 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

Ms. Laurie Brown-Bonner, Board President  
Blue Ridge School District  
5058 School Road  
New Milford, Pennsylvania 18834

Dear Governor Corbett and Ms. Brown-Bonner:

We conducted a performance audit of the Blue Ridge School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 21, 2009 through March 27, 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 that the District 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. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding, observation, 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 18, 2013

cc: **BLUE RIDGE 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 Blue Ridge 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 December 21, 2009 through March 27, 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 100 square miles. According to 2010 federal census data, it serves a resident population of 7,500. According to District officials, the District provided basic educational services to 1,051 pupils through the employment of 92 teachers, 75 full-time and part-time support personnel, and 9 administrators during the 2009-10 school year. Lastly, the District received \$9.9 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 one compliance related matter reported as a finding. In addition, we identified one matter unrelated to compliance that is reported as an observation.

**Finding: Certification Deficiency.** Our audit of the Blue Ridge School District's (District) professional employees' certificates and assignments found that one staff person continued to be employed without certification from the 2009-2010 school year through the 2012-13 school year (see page 5).

**Observation: Retirement Incentive Provisions Are Questionable Use of Taxpayer Funds.** Our review of the Blue Ridge School District's (District) board meeting minutes and the District's records found that the Board of School Directors agreed to retirement incentive provisions and excess health coverage for the former Assistant Business Manager and retirement incentives for three teachers during the 2010-11 school year. The retirement incentives cost the District \$106,646 (see page 8).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the Blue Ridge School District (District) from an audit released on August 25, 2010, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to a continued certification deficiency (see page 13).

## 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 December 21, 2009 through March 27, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through February 21, 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 the 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 state subsidies and reimbursements based on payroll (e.g. retirement), did it follow applicable 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?
- ✓ 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?
- ✓ 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 bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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 August 25, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC) provides, in part:

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

Section 2518 of the PSC mandates any school district that:

“ . . . has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education (PDE) 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. . . ”

PDE’s Certification and Staffing Policies and Guidelines state in part:

“Certification is not required of a person assigned to a locally-titled non-educational school position, provided the assignment includes no duty or function reserved to a public school certificate or Letter of Eligibility issued by PDE.”

### Certification Deficiency

Our audit of the Blue Ridge School District’s (District) professional employees’ certificates and assignments 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 two prior audits found that the District’s Dean of Students was employed without certification for the period March 14, 2006 through June 30, 2010. The current Dean of Students has been in that position since October 2001. The District had considered the position a non-educational position that did not need certification. However, PDE’s Bureau of School Leadership and Teacher Quality (BSLTQ) determined that the employee was improperly assigned. Specifically, the duties and functions of the position included disciplinary action, which required a Principal certification and other duties that required a Home and School Visitor certification.

On September 27, 2010, the District changed the position of Dean of Students to Attendance Officer, Security and Safety Coordinator. While those duties requiring Principal certification are no longer included in the revised job description, other duties of the position are within the Home and School Visitor certification requirements. The Attendance Officer, Security and Safety Coordinator was again employed without certification for the 2009-10 school year through the 2012-13 school year.

The duties assigned to the Attendance Officer, Security and Safety Coordinator that caused the position to fall under the Home and School Visitor Certification include:

- Develops, implements, and monitors truancy elimination plans.
- Makes home visits as necessary and at the direction of the administration.
- Serves as liaison between the administration and at risk students and their parents/guardians.



An educator holding a valid Pennsylvania certificate as a Home and School Visitor is qualified to perform the following duties and functions:

- Develop positive interpersonal relationships between: members of the pupil personnel services team and social restoration specialists and external referral agencies, community and neighborhood organizations and the students home to facilitate optimal schooling opportunity and personal development of the pupil.
- Engage in social case work.
- Investigate family problems.
- Assist staff cooperation with community resources and social work agencies.
- May serve as attendance officer, who is able to investigate reasons for school absences by pupils; enforcement of compulsory attendance provisions and preventing incorrigible, insubordinate, or disorderly conduct of students during school or on their way to or from school.
- Provide for students needs through appropriate referral to a certified school psychologist or guidance counselor.

## Recommendations

A position description for the intended professional assignment must be created and planned work duties must be evaluated to ascertain whether they are already within an existing certificated area. If the duties are within an existing certificated area, then that certification is required for the position.

Information pertaining to the assignment considered questionable was submitted to BSLTQ for its review. If BSLTQ determines the employee was again improperly assigned, the District will be subject to subsidy forfeitures of \$1,976 and \$1,757 for the 2011-12 and 2010-11 school years, respectively. The subsidy forfeiture for the 2012-13 school year cannot be determined until the corresponding aid ratio becomes available.

This deficiency occurred because management did not understand the certification requirements for the Home and School Visitor Certification. It is the District management's responsibility to not only ensure that its employees are properly certified for the positions that they hold, but that position descriptions include the certifications required by PDE.

The *Blue Ridge School District* should:

1. Compare the employee's assignment to the adopted position description and compare to PDE's existing certificated areas.
2. Ensure the employee obtains proper certification for the assignment.

The *Pennsylvania Department of Education* should:

3. Upon receipt of BSLTQ's determination, adjust the District's allocations to recover the subsidy forfeitures of \$1,976 and \$1,757 for the 2011-12 and 2010-11 school years.

4. Adjust the District's allocations to recover any subsidy forfeiture deemed necessary for the 2012-13 school year.

**Management Response**

Management waived the opportunity to reply at this time.

## Observation

### Retirement Incentive Provisions Are Questionable Use of Taxpayer Funds

*Criteria relevant to the observation:*

Retirement incentives are typically offered to reduce the cost of higher paid salaries and not as a bonus to employees planning to retire at their normal date.

Our review of the Blue Ridge School District's (District) records and board meeting minutes found that the Board of School Directors agreed to retirement incentive provisions and additional health coverage for the former Assistant Business Manager, and retirement incentives for three teachers during the 2010-11 school year. The retirement incentives cost the District \$106,646.

#### Assistant Business Manager

District personnel provided auditors with an undated retirement incentive plan (Plan) effective for the 2010-11 school year. This Plan agreement was specific to the former Assistant Business Manager, and was not considered a negotiated item, nor was it part of the negotiated contract that the District has with its administrative employees. The following eligibility criteria were included and stated, in part:

1. The employee must have at least 15 credited years of service with the District and be eligible to retire under the Normal Retirement, or be eligible for Early Retirement with the Public School Employees' Retirement System (PSERS).
2. The employee must submit written notification to the Board by July 1, 2010.

The Plan for the former Assistant Business Manager offered the following, in part:

1. The employee shall receive 60 percent of her base salary schedule for the year retiring.
2. Payments must be paid through a 403(b) Retirement Plan via employer contribution and be paid in five (5) equal payments.

3. Any employee who retires under the Plan and returns to employment under PSERS shall forfeit any payment not already paid pursuant to this Plan.
4. The Board will provide, at its expense, hospitalization and major medical benefits as provided by the BlueCare Traditional Plan for ten years from date of retirement. Any changes in the District Health Plan shall immediately be applicable to any retired employees. In the event the BlueCare Traditional is no longer offered, said retiree will be transferred to the BlueCare PPO plan. The coverage will be at the level (single/dependent) the retiree is carrying in the final year of his/her employment. Medical coverage will cease at any time when the retiree becomes eligible for his/her own coverage or is covered as a dependent under any group health plan including Medicare Part A or B, Social Security disability, or upon death of the retiree.
5. The employee shall be required to apply to PSERS for any subsidy available to them for their use in paying premiums for health insurance and the employee shall remit any sums received from PSERS for health insurance premiums to the District.

On June 23, 2010, the former Assistant Business Manager notified the District of her intent to retire effective August 31, 2010. The former Assistant Business Manager had 33 years of service thereby meeting the 15 years of service required for the retirement incentive plan. On August 9, 2010, the Board approved a retirement incentive for the former Assistant Business Manager. On August 26, 2010, the District entered into an agreement that included the Plan with the following provisions:

“The District shall pay a sum equal to \$33,637.50. The payment shall be divided into five (5) equal payments, with each payment to be \$6,727.50. The payments will be made each January for the next five (5) years in compliance with the regulations stipulated by the Internal Revenue Service related to 403(b) Employer Contribution Retirement Plans beginning with the year 2011 and ending with the year 2015.”

It was further agreed that the District will provide health insurance coverage as noted in #4 above.

Also, according to a 2010-11 Management Compensation Plan, the District provided employees BlueCare PPO health coverage. Although the Plan for the former Assistant Business Manager offered health insurance limited to that provided by the District, the former Assistant Business Manager continued to receive the Traditional Plan and will continue to receive it until August 1, 2013, when she becomes ineligible for District paid insurance. This could cost the District unnecessary claims that would not be allowed under the PPO coverage.

We were unable to determine the cost of this additional medical insurance since the District provides self-funded insurance. Costs are based on actual claims rather than premiums. However, excess insurance may allow for increased medical costs simply based on the coverage provided.

According to District personnel, the District determines whether the Plan will be offered on a yearly basis. The former Assistant Business Manager's position was not filled. However, she left at her projected retirement date. The District offered the Plan following receipt of her intent to retire. Therefore, her retirement was not an "early retirement." Thus, the Plan was not to reduce cost to the District. Additionally, we consider a retirement incentive of 60 percent of the base salary to be excessive and a questionable use of taxpayer funds.

### Three Teachers

There was also a retirement incentive offered to teachers that was approved by the Board on November 8, 2010. Three teachers retired at the end of the 2010-11 school year with the same provisions as the former Assistant Business Manager, except as noted below:

1. The employee must submit written notification to the Board by December 23, 2010.

2. The retiree shall receive forty percent (40 percent) of their base salary as contained in the salary schedule for the year retiring.

The three teachers did meet the eligibility guidelines. According to District personnel, the positions vacated by the teachers were not filled. Retirement Incentives for these teachers cost the District \$73,008. We consider a retirement incentive of 40 percent of base salary to be excessive and a questionable use of taxpayer funds.

The taxpayers have the right to expect that their hard earned money will be spent on the education of the District's students and not on excess benefits to individuals. Furthermore, the reason for these incentives should be more transparent to the public so that the taxpayers can consider such information when determining whether the Board has made decisions in the best interest of the District, the taxpayers, and the students.

## **Recommendations**

The *Blue Ridge School District* should:

1. Consider the taxpayers' expectation that their money will be used for the education of the District's children when negotiating retirement incentives.
2. Only offer retirement incentives to reduce the cost of higher paid salaries and not as a bonus to employees planning to retire at their normal date.
3. Ensure medical costs are in agreement with contract provisions.

## **Management Response**

Management waived the opportunity to reply at this time.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Blue Ridge School District (District) released on August 25, 2010, resulted in one finding pertaining to a continued certification deficiency. 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 continued certification deficiency.

### Auditor General Performance Audit Report Released August 25, 2010

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**Finding:** **Continued Certification Deficiency**

Finding Summary: Our prior audit of the District's professional employees' certificates and assignments found the Dean of Students continued to be employed without certification.

Recommendations: Our audit finding recommended that the District:

1. Compare the employee's assignment to the adopted position description and compare to the Pennsylvania Department of Education's (PDE) existing certificated areas.
2. Ensure the employee obtains proper certification for the assignment.

We also recommended that PDE:

3. Adjust the District's allocations to recover the subsidy forfeiture of \$1,634 for the 2008-09 school year.
4. Adjust the District's allocations to recover any subsidy forfeiture deemed necessary for the 2009-10 school year.

Current Status: During our current audit, we found that the District did not implement our recommendations as noted in the follow-up finding in the current report (see page 5). The District did revise the job description and removed duties reserved under principal certification. However, the revised job description still included duties under Home School Visitor certificate.

On June 1, 2011, PDE deducted \$3,377 from the District's basic education funding to recover the subsidy forfeitures allocated to the 2009-10 and 2008-09 school years.

## **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)

