

BLUE RIDGE SCHOOL DISTRICT
SUSQUEHANNA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Alan M. Hall, Board President
Blue Ridge School District
5058 School Road
New Milford, Pennsylvania 18834

Dear Governor Rendell and Mr. Hall:

We conducted a performance audit of the Blue Ridge School District (BRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period September 3, 2008 through December 21, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 BRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in a 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 BRSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BRSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BRSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

August 25, 2010

cc: **BLUE RIDGE SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Blue Ridge School District (BRSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the BRSD in response to our prior audit recommendations.

Our audit scope covered the period September 3, 2008 through December 21, 2009, 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 2007-08 and 2006-07.

District Background

The BRSD encompasses approximately 100 square miles. According to the 2000 federal census data, it serves a resident population of 7,331. According to District officials, in school year 2007-08 the BRSD provided basic educational services to 1,250 pupils through the employment of 100 teachers, 89 full-time and part-time support personnel, and 5 administrators. Lastly, the BRSD received more than \$9.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

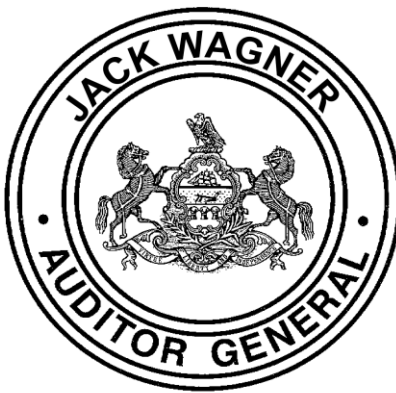
Our audit found that the BRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Continued Certification

Deficiency. Our audit of the BRSD's professional employees' certificates and assignments found a dean of students continued to be employed without certification (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the BRSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the BRSD had taken appropriate corrective action in implementing our recommendations pertaining to transportation (see page 8). However, we found that the BRSD had not taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 9).



Audit Scope, Objectives, and Methodology

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 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 September 3, 2008 through December 21, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2009 through November 17, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the BRSD's compliance with applicable 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 receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), 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 buyout 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, regulations, 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

BRSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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, pupil membership, pupil transportation, 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 and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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 Department of Education but who has not been certificated for his position by the 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. . . .

The Department of Education's (DE) Certification and Staffing Policies and Guidelines (CSPG) 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 DE.

Continued Certification Deficiency

Our prior audit of the Blue Ridge School District's (BRSD) professional employees' certificates and assignments was conducted to determine compliance with the Public School Code, Bureau of School Leadership and Teacher Quality (BSLTQ), and DE's CSPG. We found a dean of students was employed without certification for the period March 14, 2006 through June 1, 2008.

Our current audit of the BRSD's professional employees' certificates and assignments found the dean of students continues to be employed without certification.

The BRSD has employed the current dean of students since October 2001, and had considered it a non-educational position that did not need certification until BSLTQ, DE determined that the employee was improperly assigned. The duties and functions of the position include disciplinary action which would require a Principal certification. Other duties of the position would require a Home and School Visitor certification.

On September 30, 2009, the District forwarded a copy of a job description for the dean of students to confirm the description did not require certification. On October 21, 2009, BSLTQ, DE responded that at least an Instruction I or II certificate was required.

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.

The board's failure to adopt a dean of student's job description at the time of hire prevented BRSD from determining if the position's planned work duties were already within an existing certificated area.

Information pertaining to the assignment considered questionable was submitted to BSLTQ, DE for its review. If BSLTQ determines the employee was again improperly assigned, BRSD will be subject to a subsidy forfeiture of \$1,634 for the 2008-09 school year. The subsidy forfeiture for the 2009-10 school year cannot be determined until the corresponding aid ratio becomes available.

Recommendations

The *Blue Ridge School District* should:

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

The *Department of Education* should:

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.

Management Response

District in ongoing process of communication with DE regarding deficiency.

Status of Prior Audit Findings and Observations

Our prior audit of the Blue Ridge School District (BRSD) for the school years 2005-06 and 2004-05 resulted in two reported findings. The first finding pertained to transportation and the second finding pertained to certification. As part of our current audit, we determined the status of corrective action taken by BRSD to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the BRSD did implement recommendations related to transportation and did not implement recommendations related to certification.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
Prior Recommendations	Implementation Status	
<p><u>1. Finding No. 1:</u> <u>Continued Errors in</u> <u>Reporting Pupil</u> <u>Transportation Data</u> <u>Resulted in a</u> <u>Reimbursement</u> <u>Overpayment of \$20,924</u></p> <ol style="list-style-type: none"> 1. Perform an internal review of transportation reports prior to submission of reports to the Department of Education (DE) to help ensure the accuracy of reported data. 2. Strengthen controls to help ensure the number of nonpublic students transported are accurately reported to DE. 3. Review transportation reports submitted for subsequent years and submit revisions, if errors are found. 4. DE should adjust the District's future allocations to resolve the overpayments of \$20,924 for the 2004-05 school year and \$20,282 for the 	<p>Background:</p> <p>Our prior audit of the District's pupil transportation data and reports for the 2005-06 and 2004-05 school years found continued errors in pupil transportation data reported to DE. These errors resulted in an overpayment in pupil transportation reimbursement for public subsidy of \$12,454 and nonpublic subsidy of \$8,470 for a total of \$20,924 for the 2004-05 school year.</p>	<p>Current Status:</p> <p>We followed up on the BRSD's transportation records and found the BRSD did take appropriate corrective action to improve transportation reporting.</p> <p>As of our fieldwork completion date of December 21, 2009, DE had not adjusted the District's allocations to resolve the \$20,924 overpayment to the District based on transportation errors made in the 2004-05 school year.</p>

2003-04 school year from the prior audit.		
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<p><u>II. Finding No. 2:</u> <u>Certification Deficiency</u></p> <ol style="list-style-type: none"> 1. Develop and adopt a position description for the assignment in question. 2. Compare the employee's assignment to the adopted position description and compare to DE's existing certificated areas. 3. DE should adjust the District's allocations to recover the subsidy forfeitures of \$1,628, \$1,557 and \$545 for the 2007-08, 2006-07 and 2005-06 school years, respectively. 	<p>Background:</p> <p>Our prior audit of the BRSD's professional employees' certificates and assignments found a dean of students was employed without certification.</p>	<p>Current Status:</p> <p>We followed up on the BRSD's certification records and found the BRSD did not take appropriate corrective action to ensure all employees were properly certified for their assignment as noted in the finding.</p> <p>In a letter dated August 14, 2009, the Bureau of Budget and Fiscal Management, DE stated they will withhold the subsidy forfeitures of \$1,628, \$1,557 and \$545 for the 2007-08, 2006-07 and 2005-06 school years, respectively, from the basic education funding December 2009 payment.</p>
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Distribution List

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

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