

CARBON LEHIGH INTERMEDIATE UNIT #21

LEHIGH COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JULY 2011



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

Mr. Robert E. Bold, Board President  
Carbon Lehigh Intermediate Unit #21  
4210 Independence Drive  
Schnecksville, Pennsylvania 18078

Dear Governor Corbett and Mr. Bold:

We conducted a performance audit of the Carbon Lehigh Intermediate Unit #21 (CLIU) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 14, 2009 through February 22, 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 CLIU complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our observation and recommendations have been discussed with CLIU's management and their response is included in the audit report. We believe the implementation of our recommendations will improve CLIU's operations and facilitate compliance with legal and administrative requirements. We appreciate CLIU's cooperation during the conduct of the audit and their willingness to implement our recommendations.

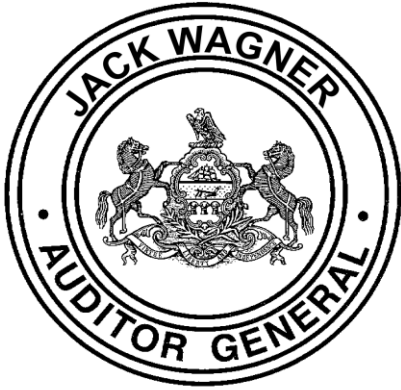
Sincerely,

/s/

JACK WAGNER  
Auditor General

July 7, 2011

cc: **CARBON LEHIGH INTERMEDIATE UNIT #21** Board Members

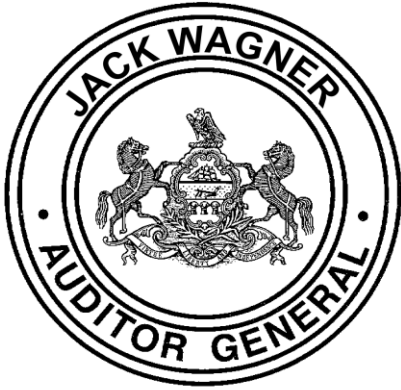


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Carbon Lehigh Intermediate Unit #21 (CLIU). Our audit sought to answer certain questions regarding the CLIU's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CLIU in response to our prior audit recommendations.

Our audit scope covered the period April 14, 2009 through February 22, 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.

### **Intermediate Unit Background**

The intermediate unit (IU) is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the 14 participating school districts, nonpublic schools, and institutions in Carbon and Lehigh counties. The IU is governed by a 14 member board appointed by the participating school districts on a rotating basis. The administrative office is located at 4210 Independence Drive, Schnecksville, Pennsylvania.

The programs offered by the IU served 8,626 students in public schools and 1490 students in nonpublic schools. The staff consisted of 26 administrators, 226 teachers, and 460 full-time and part-time support personnel.

The accounts of the IU are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. IU resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs which receive Commonwealth funds are accounted for in the following:

### **General Fund**

The general fund is the primary operating fund of the IU. It is used to account for all financial resources and accounts for the general governmental activities of the IU.

Services provided to participating school districts through the general fund included:

- administration;
- curriculum development and instructional improvement;
- educational planning;
- instructional materials;
- management services;

- continuing professional education;
  - pupil personnel;
  - state and federal liaison; and
- nonpublic program subsidy - Act 89.

Lastly, the CLIU received more than \$4.4 million from the Commonwealth in general operating funds in school year 2009-10.

### **Special Revenue Fund**

The special revenue fund accounts for the financial resources received to provide, maintain, administer, supervise and operate schools, classes, service programs, and transportation for exceptional children in accordance with the school laws of Pennsylvania and the approved IU plan for special education. The special revenue fund accounts for financial resources available for programs and services for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The special education program offered services at all grade levels for pupils whose physical, mental, or emotional needs required such services. If appropriate facilities were not available in a neighborhood school, the IU provided the necessary transportation.

Special education programs included:

- gifted support;
- learning support;
- life skilled support;

- emotional support;
- deaf or hearing impaired support;
- blind or visually impaired support;
- speech and language support;
- physical support;
- autistic support; and
- multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. IUs received direct funding for certain institutionalized children programs, CORE services, special payments to certain IUs, and a contingency fund.

Lastly, the CLIU received more than \$2.8 million from the Commonwealth in special revenue funds in school year 2009-10.

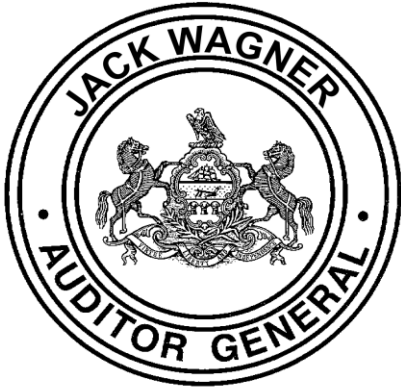
### **Audit Conclusion and Results**

Our audit found that the CLIU complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

**Observation: Memorandum of Understanding Not Updated Timely.** Our audit of CLIU records shows that the current Memorandum of Understanding (MOU) between the CLIU and one law enforcement agency was signed and dated October 15, 2010. This MOU was not updated timely (see page 8).



**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the CLIU from an audit we conducted of the 2007-08 and 2006-07 school years, we found the CLIU had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 10).



## 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 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 April 14, 2009 through February 22, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

While all LEAs have the same school years, some LEAs 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 CLIU'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the IU receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the IU?

- ✓ Did the IU 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 IU taking appropriate steps to ensure school safety?
- ✓ Did the IU 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CLIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU 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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as meeting minutes and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 26, 2010, we then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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*Public School Code and criteria relevant to the observation:*

Section 13-1303-A(c) provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, a Basic Educational Circular (BEC) issued by the Department of Education entitled *Safe Schools and Possession of Weapons* contains a sample MOU to be used by school entities.

Section VI, General Provisions item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

### Memorandum of Understanding Not Updated Timely

Our audit of the Carbon Lehigh Intermediate Unit #21 (CLIU) records found that the current Memorandum of Understanding (MOU) between the CLIU and one law enforcement agency with jurisdiction over one of CLIU's buildings (Lehigh Learning and Adjustment Center) was signed October 15, 2010. This MOU was last signed, August 28, 2008, and therefore, was not updated timely.

The failure to update the MOU with the local/state police law enforcement agencies could result in a lack of cooperation, direction, and guidance between CLIU employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

### Recommendations

The *Carbon-Lehigh Intermediate Unit #21* should:

1. In consultation with the solicitor, continue to review the MOU between the CLIU and the law enforcement agency, to ensure that the MOU remains current.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

**Management Response**

Management stated the following:

The reason the MOU was not obtained on time was due to the turnover at the Pennsylvania State Police Office staff. A new Captain was promoted and before signing off on the MOU he requested a tour of the facility and meeting with the new Executive Director, to gain a better understanding of the Lehigh Learning and Adjustment Center before signing the MOU. The earliest the Captain and some of his staff were available was on October 15, 2010. The State Police barracks was contacted in August.

Corrective Action: The MOU was signed on October 15, 2010 past the expiration date. We do not anticipate this occurring in the future.

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

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Our prior audit of the Carbon Lehigh Intermediate Unit #21 (CLIU) for the school years 2007-08 and 2006-07 resulted in one observation. The observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the CLIU to implement our prior recommendations. We performed audit procedures, and questioned CLIU personnel regarding the prior observation. As shown below, we found that the CLIU did implement recommendations related to internal control weaknesses in administrative policies regarding bus drivers' qualifications.

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

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**Observation:** **Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

Observation Summary: CLIU did not have written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations: Our audit observation recommended that the CLIU:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the CLIU or the CLIU's transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implementing written policies and procedures to ensure the CLIU is notified when current employees of the CLIU or the CLIU's transportation contractor are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Current Status: During our current audit procedures we found that the CLIU did implement the recommendations.



## **Distribution List**

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

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Harrisburg, PA 17120

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