

CARLISLE AREA SCHOOL DISTRICT  
CUMBERLAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2010



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

Mrs. Nancy Fishman, Board President  
Carlisle Area School District  
623 West Penn Street  
Carlisle, Pennsylvania 17013

Dear Governor Rendell and Mrs. Fishman:

We conducted a performance audit of the Carlisle Area School District (CASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 25, 2009 through August 10, 2010, 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 CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the CASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

December 27, 2010

cc: **CARLISLE AREA 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 Carlisle Area School District (CASD). 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 CASD in response to our prior audit recommendations.

Our audit scope covered the period March 25, 2009 through August 10, 2010, 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 CASD encompasses approximately 75 square miles. According to 2000 federal census data it serves a resident population of 34,794. According to District officials, in school year 2007-08 the CASD provided basic educational services to 4,729 pupils through the employment of 376 teachers, 295 full-time and part-time support personnel, and 36 administrators. Lastly, the CASD received more than \$18.3 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the CASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

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

**Observations.** With regard to the status of our prior audit recommendations to the CASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the CASD had taken appropriate corrective action in implementing our recommendations pertaining to a certification deficiency (see page 7).

However, because our prior audit fieldwork completion date was March 25, 2009, and our prior audit report was subsequently released on October 29, 2009, we could not determine if corrective action was taken pertaining to membership (see page 7) or transportation (see page 9), since the 2009-10 school year is the first year our recommendations could be implemented.





## 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 March 25, 2009 through August 10, 2010.

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 CASD'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:

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 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.

CASD 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 and pupil transportation.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 29, 2009, we performed audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Carlisle Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Carlisle Area School District (CASD) for the school years 2005-06 and 2004-05 resulted in three reported findings. The first finding pertained to certification, the second finding pertained to membership, and the third finding pertained to transportation. 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 questioned District personnel regarding the prior findings. As shown below, we found that the CASD did implement recommendations related to certification. Due to the timing of the current and prior audits, 2009-10 would be the first school year for the District to implement corrective action with regard to the membership and transportation findings, which is outside the current audit scope.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> <li>1. Ensure individuals are properly certified prior to changes in assignment.</li> <li>2. The Department of Education (DE) should recover the subsidy forfeiture of \$3,190 resulting from the deficiency.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of professional employees' certifications for the period of March 17, 2005 through March 3, 2009, found one individual was employed as a curriculum specialist for grades 6-12 during the 2007-08 school year without Supervisor of Curriculum Specialist certification.</p>	<p><b>Current Status:</b></p> <p>Our current audit of professional employees' certifications did not find any additional deficiencies.</p> <p>DE recovered the subsidy forfeiture of \$3,190 on June 1, 2010.</p>
<p><u><i>II. Finding No. 2: Internal Control Weaknesses Regarding Pupil Membership Data Reported to the Department of Education</i></u></p> <ol style="list-style-type: none"> <li>1. Contact the District's child accounting software vendor to determine if the child accounting software can produce the reports needed to support membership data for District pupils educated within and outside the District as reported in grade level to DE.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of pupil membership data reported to DE for the 2005-06 and 2004-05 school years found that District personnel could not provide adequate documentation to support resident, nonresident and vocational education membership days reported for either school year.</p> <p>As a result, we were unable to verify if the District received the correct amount for subsidies and reimbursements based on membership data.</p>	<p><b>Current Status:</b></p> <p>Because our prior audit fieldwork completion date was March 25, 2009, and our audit report was subsequently released on October 29, 2009, we could not determine if corrective action was taken, since the 2009-10 school year is the first year our recommendations could be implemented. The 2009-10 school year was not within our current audit scope; the District's corrective action will be determined during our next audit.</p>

<p>2. Establish reconciliation procedures to ensure the source data used to report figures to DE, along with all changes made to the source data, agree with the membership days reported to DE.</p> <p>3. Ensure all supporting documentation for resident pupil membership is retained for audit verification.</p> <p>4. Take all necessary steps to obtain adequate documentation for the proper classification of the residency of students who are educated by the District.</p> <p>5. Establish reconciliation procedures to ensure the membership days reported for district-operated vocational education programs agree with the District's detailed membership reports.</p> <p>6. Review reports for years subsequent to the audit for accuracy, obtain additional nonresident documentation if needed, and revise reports if errors are found.</p> <p>7. DE should require the District to obtain adequate documentation to support pupil membership which is used to determine the District's entitlement to various Commonwealth subsidy and reimbursements.</p>		
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<p><u><b>III. Finding No. 3: Internal Control Weaknesses Regarding Transportation Operations</b></u></p> <ol style="list-style-type: none"> <li>1. Establish procedures to ensure that all supporting documentation used to calculate and report transportation data to DE is retained for audit.</li> <li>2. Review special education and early intervention route and pupil changes to ensure that any changes to routes or pupils which would affect compliance with DE's reporting guidelines, or the billing requirements of the District's transportation contract, are adequately documented.</li> <li>3. Review DE's pupil reporting guidelines to ensure pupil record retention and sample average calculations are in accordance with DE guidelines.</li> <li>4. Retain adequate documentation and report the actual number of days transportation was provided to and from school by each vehicle.</li> <li>5. Require all transportation contractors to create and submit invoices in accordance with their contracts so District personnel can establish adequate review procedures prior to payment.</li> <li>6. Ensure any changes to a board-approved contract are taken to the board for approval.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of transportation operations for the 2005-06 and 2004-05 school years found internal control weaknesses regarding the reporting of mileage, pupil data, and the number of days transportation was provided during the 2005-06 school year. The issues of concern occurred only with the reporting of vehicles with seating capacities of ten or less, used to transport special education and early intervention pupils. We also found that one contractor was paid at a daily rate which was less than the approved contract for the 2005-06 school year.</p>	<p><b>Current Status:</b></p> <p>Because our prior audit fieldwork completion date was March 25, 2009, and our audit report was subsequently released on October 29, 2009, we could not determine if corrective action was taken, since the 2009-10 school year is the first year our recommendations could be implemented. The 2009-10 school year was not within our current audit scope; the District's corrective action will be determined during the next audit.</p>
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7. DE should require the District to obtain and retain adequate documentation to support all transportation data which is used to determine the District's entitlement to transportation subsidy.		
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## **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 Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Thomas E. Gluck  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

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