

CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16
NORTHUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2012

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

Ms. Linda Van Der Pool, Board President
Central Susquehanna Intermediate Unit #16
90 Lawton Lane
Milton, Pennsylvania 17847

Dear Governor Corbett and Ms. Van Der Pool:

We conducted a performance audit of the Central Susquehanna Intermediate Unit #16 (CSIU) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period May 18, 2009 through March 11, 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 CSIU 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. A summary of these results is presented in the Executive Summary section of the audit report.

While conducting our audit, we discovered matters outside the scope of our audit, which we referred to our Office of Special Investigations (OSI). OSI is continuing to investigate these matters and will issue separate correspondence to the District at the conclusion of their investigation.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

March 29, 2012

cc: **CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Central Susquehanna Intermediate Unit #16 (CSIU). Our audit sought to answer certain questions regarding the IU's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CSIU in response to our prior audit recommendations.

Our audit scope covered the period May 18, 2009 through March 11, 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 17 participating school districts, nonpublic schools, and institutions in Columbia, Northumberland, Montour, Snyder and Union counties. The IU is governed by a 17 member board appointed by the participating school districts on a rotating basis. The administrative office is located at 90 Lawton Lane, Milton, Pennsylvania 17847.

The programs offered by the IU served 34,703 students in public schools and 2,271 students in nonpublic schools. The staff consisted of 96 administrators, 206 teachers, and 900 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 CSIU received more than \$9.7 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.

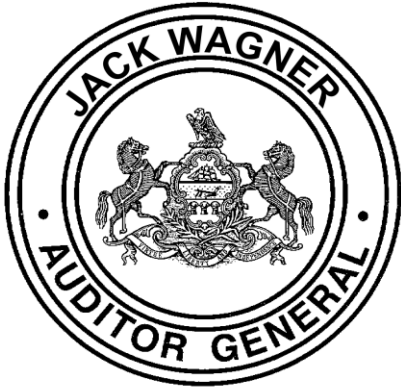
Lastly, the CSIU received more than \$6.6 million from the Commonwealth in special revenue funds in school year 2009-10.

Audit Conclusion and Results

Our audit found that the CSIU 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: Lack of Memorandum of Understanding and Memorandums of Understanding Not Updated Timely. Our audit of the CSIU's records found that the CSIU did not have a signed Memorandum of Understanding (MOU) from a local police department. Furthermore, we found that the current MOU with two other local police departments were signed July 11, 2008 and December 10, 2007, respectively, and have not been updated (see page 8).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.



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 May 18, 2009 through March 11, 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 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 CSIU'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the IU'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 IU?

- ✓ Did the IU pursue a contract buy-out 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?

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 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.

CSIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU is in compliance with applicable laws, 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 pupil transportation, 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 CSIU operations.

Findings and Observations

Finding

Lack of Memorandum of Understanding and Memorandums of Understanding Not Updated Timely

Public School Code section and criteria relevant to the finding:

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, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU to be used for school entities.

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

This Memorandum may be amended, expanded or modified at any time upon the 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.

Our audit of the Central Susquehanna Intermediate Unit #16 (CSIU) found that the CSIU did not have a signed Memorandum of Understanding (MOU) with a local police department.

Furthermore, we found that the current MOU between the CSIU and two other local police departments were signed July 11, 2008 and December 10, 2007 and have not been updated.

The failure to obtain and update signed MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between CSIU employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or 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 *Central Susquehanna Intermediate Unit #16* should:

1. In consultation with the solicitor, develop and implement a MOU between the CSIU and the law enforcement agencies.

2. Review, update and re-execute the current MOU between the CSIU and the two local police departments to ensure that the MOU remains current.
3. Adopt a policy requiring the administration to review and re-execute all MOUs every two years.

Management Response

Management stated the following:

CSIU Management concurs that Memorandum of Understandings (MOU) with three police agencies were dated more than two years ago. We would also note that agreements with seventeen police agencies were renewed and are timely. The three police agencies in question were requested to renew the MOU; however, they returned the MOU with requests for changes. The Director of Cooperative Business Services and Operations is responsible for maintaining current MOUs and has sent another request for updated agreements. If we are not successful in obtaining the renewed agreements we will authorize the CSIU solicitor to intervene.

Corrective Action: The Director of Cooperative Business Services and Operations will ensure that all MOUs are renewed every two years and will report any issues that impair this process to the Executive Director.

Status of Prior Audit Findings and Observations

Our prior audit of the Central Susquehanna Intermediate Unit #16 resulted in no findings or observations.

Distribution List

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, and the following:

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

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
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The Honorable Robert M. McCord
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

