

COLUMBIA BOROUGH SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Tom Strickler, Board President
Columbia Borough School District
200 North Fifth Street
Columbia, Pennsylvania 17512

Dear Governor Corbett and Mr. Strickler:

We conducted a performance audit of the Columbia Borough School District (CBSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 24, 2010 through April 13, 2012, 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 CBSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the one 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 CBSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve CBSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the CBSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 14, 2013

cc: **COLUMBIA BOROUGH SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Inadequate Internal Controls Over Pupil Membership and Instructional Time Data	6
Status of Prior Audit Findings and Observations	10
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Columbia Borough School District (CBSD). 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 CBSD in response to our prior audit recommendations.

Our audit scope covered the period September 24, 2010 through April 13, 2012, 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.

District Background

The CBSD encompasses approximately 2 square miles. According to 2010 federal census data, it serves a resident population of 10,400. According to District officials, in school year 2009-10 the CBSD provided basic educational services to 1,371 pupils through the employment of 122 teachers, 73 full-time and part-time support personnel, and 12 administrators. Lastly, the CBSD received more than \$9.7 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the CBSD 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.

Finding: Inadequate Internal Controls Over Pupil Membership and Instructional Time Data

Our audit of student membership for the 2009-10 and 2008-09 school years found membership and instructional time data reported to the Pennsylvania Department of Education by CBSD personnel was inaccurate for the 2009-10 school year (see page 6).

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the CBSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the CBSD had taken appropriate corrective action in implementing our recommendations pertaining to the certification deficiency (see page 10).



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 24, 2010 through April 13, 2012, except for the verification of professional employee certification which was performed for the period September 24, 2010 through February 17, 2012.

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

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 Pennsylvania 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 CBSD'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 receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Are there any declining fund balances that may impose 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 does 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?
- ✓ Is the District taking 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 members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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, observations and conclusions based on our audit objectives.

CBSD 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. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly

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.

designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 29, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

Inadequate Internal Controls over Pupil Membership and Instructional Time Data

Criteria relevant to the finding:

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code.

In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the Federal Information Systems Control Manual (FISCAM), a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse,"⁷⁷ designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of pupil membership for the 2009-10 and 2008-09 school years found membership and instructional time data reported to PDE by District personnel was inaccurate for the 2009-10 school year.

District personnel provided detailed pupil membership reports from their student information system that were never reconciled to final PIMS reports. We found numerous discrepancies with the data reported to PDE. District personnel were able to provide explanations for the majority of the discrepancies; however, not all discrepancies could be reconciled and verified due to inadequate or a lack of appropriate source documents. Because we could not verify all pupil membership data for

Criteria relevant to the finding:

Section 518 of the Public School Code requires that records be retained for a period of not less than six years.

The Pennsylvania Department of Education (PDE) guidelines and instructions require the maintenance and retention of adequate documentation to verify the district's entitlement to state payments. Failure to maintain and retain this documentation could result in the loss of state funding.

accuracy, no audit adjustments could be made to the District's reported pupil membership data.

The District's failure to reconcile the membership data uploaded to PIMS with the District's detailed membership reports, along with a lack of internal controls resulted in the following errors for the 2009-10 school year:

1. There were three non-resident students identified on the District's detailed membership reports. When District personnel reported the membership in PIMS all three students were reported as residents.
2. There were numerous students correctly listed on the District's detailed membership reports which never got reported in PIMS.
3. There were numerous students incorrectly reported in PIMS; however, the District correctly removed them from their detailed membership reports.
4. Lancaster County Academy students were incorrectly reported under a 179 day school term when they actually had 180 days in session.
5. Lancaster County Career and Technology Center half-time students were correctly listed on the District's detailed membership reports. Their membership was reported in PIMS as though they were full-time students (twice as many membership days were reported as should have been).
6. District personnel provided an entrance certificate from an intermediate unit, instead of a placing agency letter, as documentation to support the classification of a student as being placed in a private home.
7. District personnel incorrectly reported the same number of instructional hours per day for kindergarten through grade 12 students.
8. The PIMS calendar did not account for three snow days and three make-up days which occurred during the 2009-10 school year.

Internal controls are the responsibility of management. The District noted the following:

- They did not perform a reconciliation of the membership data for the 2009-10 school year to ensure that the data in PIMS was accurate and in agreement with their own child accounting software.
- The District changed child accounting software for the 2009-10 school year.
- There were no written procedures for the collection, processing and maintaining of child accounting data.
- District personnel noted the implementation of the new PIMS reporting process contributed to membership reporting changes, inaccurate reporting of instructional time and a lack of communication between the child accounting coordinator and the technology director.

Recommendations

The *Columbia Borough School District* should:

1. Develop and implement written procedures for collecting and maintaining membership data.
2. Develop and implement procedures to ensure detailed pupil membership reports are reconciled to final PIMS reports.
3. Ensure that all pupil membership is properly reported under the correct classification.
4. Ensure annual placing agency letters are obtained and retained for all children placed in private homes.
5. Ensure instructional time and days are reported based on the actual bell schedules and school calendar.
6. Review membership data submitted to PDE for years subsequent to our audit. If errors are found, submit the revisions to PDE.

Management Response

Management stated the following:

The Columbia Borough School District has a child accounting coordinator with significant experience in this area. In addition, the District employs a technology director who is also competent in his area. Just prior to the new inception of the Pennsylvania Department of Education implementation of the new PIMS Reporting System, the district changed software vendors. This change, compounded by a new state mandated procedure, caused significant confusion not only in this District but in many other districts during the implementation year of 2009-10. Since that first inception year, the software issues were identified, the internal procedures were modified and the child accounting coordinator and the technology director were able to go back and make technical corrections as needed. However, it was too late to reopen 2009-10 for those corrections.

Written procedures which contain a completion verification check list have been developed to ensure appropriate internal controls and validation of data. These procedures ensure that student detailed membership reports are reconciled to the final PIMS reports, which include validation of instructional time, student memberships, and other items noted in this audit. These internal controls validate that all reports after 2009-10 have been reported and recorded correctly.

The district's procedure was to obtain an initial placement agency letter or Entrance Certificate from the Lancaster-Lebanon IU for any placement of a non-resident student which lists the foster and natural parent information. We will actively pursue annual placement letters for all non-resident students.

Status of Prior Audit Findings and Observations

Our prior audit of the Columbia Borough School District (CBSD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to a 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 questioned CBSD personnel regarding the prior finding. As shown below, we found that the CBSD did implement recommendations related to the certification deficiency.

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

Finding: **Certification Deficiency**

Finding Summary: Our prior audit of professional employees' certification for the period February 7, 2009 through September 15, 2010, found that one professional employee was teaching with a lapsed certificate. The teacher taught on a six year temporary certificate for 6½ years. The Bureau of School Leadership and Teacher Quality, Pennsylvania Department of Education (PDE) determined that the individual was not properly certified resulting in a subsidy forfeiture of \$895 for the 2009-10 school year.

Recommendations: Our audit finding recommended that the CBSD should ensure that all professional employees have current certificates. We also recommended that the PDE should adjust the CBSD's allocations to recover the subsidy forfeiture of \$895.

Current Status: Our current audit found that the CBSD did implement our recommendations. The PDE withheld \$895 on June 1, 2011.

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:

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

The Honorable Ronald J. Tomalis
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. Nichole Duffy
Director
Bureau of Budget and Fiscal Management
Pennsylvania 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

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.

