

COLUMBIA BOROUGH SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

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

Dear Governor Rendell and Mr. Strickler:

We conducted a performance audit of the Columbia Borough School District (CBSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 6, 2009 through September 24, 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 CBSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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/

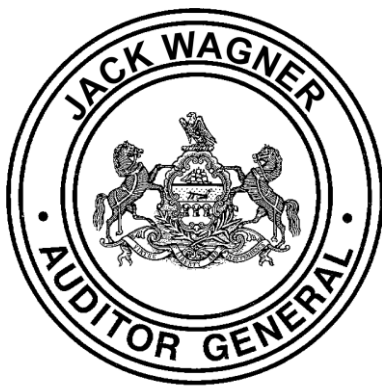
JACK WAGNER
Auditor General

December 29, 2010

cc: **COLUMBIA BOROUGH 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 Columbia Borough School District (CBSD). 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 CBSD in response to our prior audit recommendations.

Our audit scope covered the period February 6, 2009 through September 24, 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

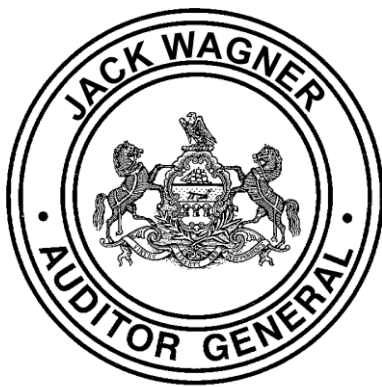
The CBSD encompasses approximately 2 square miles. According to 2000 federal census data, it serves a resident population of 10,311. According to District officials, in school year 2007-08 the CBSD provided basic educational services to 1,452 pupils through the employment of 123 teachers, 67 full-time and part-time support personnel, and 13 administrators. Lastly, the CBSD received more than \$8.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CBSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Certification Deficiency. Our audit of professional employees' certifications and assignments for the period February 7, 2009 through September 15, 2010, found one individual was employed with a lapsed certificate (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 2005-06 and 2004-05 school years, we found the CBSD had taken appropriate corrective action in implementing our recommendations pertaining to possible conflict of interest transactions (see page 8) and a Memorandum of Understanding that was not updated timely (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 February 6, 2009 through September 24, 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 (DE) 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 CBSD'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?
- ✓ 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.

CBSD 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 membership.

Our audit examined the following:

- Records pertaining to professional employee certification, and financial stability.
- Items such as Board meeting minutes.

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 November 5, 2009, we reviewed the CBSD's response to DE dated January 21, 2010. We then 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 provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth 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.

Certification Deficiency

Our 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 6 1/2 years.

Information pertaining to the assignment was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education, for its review. BSLTQ subsequently determined that the individual was not properly certified; the District is therefore subject to a subsidy forfeiture of \$895 for the 2009-10 school year.

Recommendations

The *Columbia Borough School District* should:

Ensure that all professional employees have current certificates.

The *Department of Education* should:

Adjust the District's allocations to recover the subsidy forfeiture of \$895.

Management Response

Management stated the following:

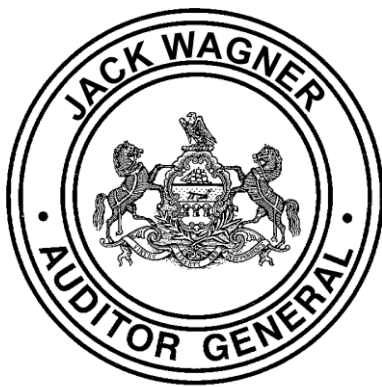
Due to confusion about a half-year long-term substitute position overlapping into a full-time position noted on the application, the instructor was unaware that she missed the deadline for renewal, but did send an application for level II certification in August of 2010, in order to meet what she believed was the six year submission requirement, rather than a half-year earlier as she should have. This also became an oversight of the District. Level II should arrive shortly.

Status of Prior Audit Findings and Observations

Our prior audit of the Columbia Borough School District (CBSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to possible conflict of interest transactions and the observation pertained to a Memorandum of Understanding (MOU) that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the CBSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the CBSD did implement recommendations related to the possible conflict of interest transactions and the MOU.

| <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: Possible Conflict of Interest Transactions</i></u></p> <ol style="list-style-type: none"> Require that the administration strengthen controls regarding the review of Statements of Financial Interests, to help ensure detection of any potential conflicts of interest. Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the District. Ensure the District establishes policy and procedures necessary to comply with Section 1103(f) of the Ethics Act pertaining to awarding of contracts through an open and public process. The State Ethics Commission should review and investigate this possible conflict of interest. | <p>Background:</p> <p>Our prior audit of the District’s records and board members’ Statements of Financial Interests found possible conflict of interest transactions.</p> <p>We determined that during the 2006 calendar year the CBSD contracted with a company to repave the Taylor Elementary playground area at a cost of \$22,732 and the Park Elementary parking area at a cost of \$13,734. The Taylor Elementary project was awarded to the company based on a competitive bidding process; but the Park Elementary project was awarded on the basis of a quote submitted by the company, without any competitive bidding process. We also noted that a board member was employed by the company involved.</p> | <p>Current Status:</p> <p>Our current audit found the District has taken corrective action and implemented our recommendations.</p> <p>Additionally, the State Ethics Commission issued its determination in a letter dated April 20, 2010, finding no conflict of interest. The letter stated the individual in question played no role in the award of the contract, approving the initial payment, or authorizing the second payment.</p> |

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|---|--|--|
| <p><i><u>II. Observation: Memorandum of Understanding Not Updated Timely</u></i></p> <ol style="list-style-type: none">1. Review, update and re-execute the current MOU between the District and the local law enforcement agency.2. Adopt a policy requiring the administration to review and re-execute the MOU every two years. | <p>Background:</p> <p>Our prior audit of the District’s records found that the current MOU between the District and its local police department was signed January 9, 1998, and had not been updated.</p> | <p>Current Status:</p> <p>Our current audit found the District has taken corrective action by reviewing, updating and re-executing the current MOU between the District and its local police department, which was signed by both parties on August 9, 2010. The MOU includes a requirement that it must be “reviewed and re-executed within two years of the date of its original execution and every two years thereafter.”</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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