

CONEMAUGH VALLEY SCHOOL DISTRICT
CAMBRIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2009

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

Mr. Mark Vibostok, Board President
Conemaugh Valley School District
1451 Frankstown Road
Johnstown, Pennsylvania 15902

Dear Governor Rendell and Mr. Vibostok:

We conducted a performance audit of the Conemaugh Valley School District (CVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 8, 2006 through March 17, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. 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 CVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 20, 2009

cc: **CONEMAUGH VALLEY 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 Conemaugh Valley School District (CVSD). 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 CVSD in response to our prior audit recommendations.

Our audit scope covered the period September 8, 2006 through March 17, 2009, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The CVSD encompasses approximately 22 square miles. According to 2000 federal census data, it serves a resident population of 6,960. According to District officials, in school year 2005-06 the CVSD provided basic educational services to 997 pupils through the employment of 84 teachers, 50 full-time and part-time support personnel, and 5 administrators. Lastly, the CVSD received more than \$6.7 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the CVSD 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 CVSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the CVSD had taken appropriate corrective action in implementing our recommendations pertaining to children placed in private homes (see page 7), documentation supporting resident membership (see page 8), and a certification irregularity (see page 8).



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 8, 2006 through March 17, 2009, except for the verification of professional employee certification which was performed for the period August 1, 2006 through December 31, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 CVSD'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?

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.

- ✓ 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?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 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.

CVSD 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, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 30, 2007, we reviewed the CVSD's response to DE dated April 10, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Conemaugh Valley School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Conemaugh Valley School District (CVSD) for the school years 2003-04 and 2002-03 resulted in three reported findings. The first finding pertained to nonresident membership, the second finding pertained to resident membership data, and the third finding pertained to certification. 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 CVSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the CVSD did implement our recommendations related to nonresident membership, resident membership data, and certification.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1:</i></u> <u><i>Underpayment of \$14,442 in Tuition for Children Placed in Private Homes</i></u></p> <ol style="list-style-type: none"> Review membership reports prior to submission to DE to ensure all nonresident membership is properly reported. DE should adjust the District’s allocations to correct the \$14,442 underpayment. 	<p>Background:</p> <p>In the 2003-04 school year, the District failed to report 411 days of membership for nonresident elementary students placed in private homes to DE. This resulted in an underpayment of \$14,442 in Commonwealth-paid tuition for children placed in private homes.</p>	<p>Current Status:</p> <p>CVSD did implement procedures to ensure correct reporting of nonresident membership. Only insignificant errors were noted in our current audit.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding.</p> <p>As of March 17, 2009, DE had not adjusted the District’s allocations.</p> <p>We again recommend that DE correct the \$14,442 underpayment.</p>

<p><u>II. Finding 2: Inadequate Documentation to Support Resident Membership Data</u></p> <ol style="list-style-type: none"> 1. Develop and implement procedures to ensure supporting documentation for child accounting data reported to DE is available for audit. 2. Establish written procedures for the child accounting function. 	<p>Background:</p> <p>Our prior audit of child accounting records for the 2003-04 and 2002-03 school years found that the District did not retain documentation to support resident membership data reported to DE.</p>	<p>Current Status:</p> <p>CVSD implemented procedures to ensure supporting documentation for child accounting data reported to DE was available for the current audit.</p> <p>We noted that procedures for the child accounting function were implemented and in place.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding.</p>
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<p><u>III. Finding 3: Certification Irregularity</u></p> <ol style="list-style-type: none"> 1. Put procedures in place that would ensure that individuals obtain permanent certification before their provisional certificates lapse. 2. DE should recover the subsidy forfeiture of \$1,618. 	<p>Background:</p> <p>Our prior review of the professional employees' certificates and assignments for the period August 9, 2004 through July 31, 2006, found one individual was assigned to a teaching position during the 2005-06 school year with a lapsed certificate.</p>	<p>Current Status:</p> <p>CVSD implemented procedures to ensure permanent certification is obtained before provisional certificates lapse.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding.</p> <p>DE adjusted the District's December 2007 basic education funding payment to assess the subsidy forfeiture of \$1,618.</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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