

CONEWAGO VALLEY SCHOOL DISTRICT

ADAMS COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JUNE 2011

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

Mr. Keith Mummert, Board President
Conewago Valley School District
130 Berlin Road
New Oxford, Pennsylvania 17350

Dear Governor Corbett and Mr. Mummert:

We conducted a performance audit of the Conewago Valley School District (CVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 12, 2008 through December 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 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 CVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 15, 2011

cc: **CONEWAGO 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 Conewago 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 June 12, 2008 through December 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 CVSD encompasses approximately 73 square miles. According to 2000 federal census data, it serves a resident population of 23,314. According to District officials, in school year 2007-08 the CVSD provided basic educational services to 3,937 pupils through the employment of 259 teachers, 150 full-time and part-time support personnel, and 14 administrators. Lastly, the CVSD received more than \$13.3 million in state funding in school year 2007-08.

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, except for two compliance-related matters reported as findings.

Finding No. 1: Errors in Reporting the Number of Nonpublic Pupils

Transported. Our current audit found that the CVSD incorrectly reported to the Department of Education the number of nonpublic pupils transported to and from school during the 2007-08 school year (see page 6).

Finding No. 2: Continued Issue Related to Student Activity Funds.

Our current audit found that the CVSD had not required all of the student groups to be formally organized by electing officers, adopting bylaws, and maintaining meeting minutes (see page 8).

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 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the CVSD had taken appropriate corrective action in implementing our recommendations pertaining to vocational education (see page 9), Statements of Financial Interests (see page 10), and bus drivers' qualifications (see page 12).

However, we found the CVSD had not taken appropriate corrective action in implementing our recommendations

pertaining to the transportation of nonpublic pupils (see page 10) and did not implement one of our recommendations related to student activity funds finding (see page 11).

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 June 12, 2008 through December 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 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:

- ✓ 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?
- ✓ 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.

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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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 June 17, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-2002 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

In addition, DE instructions for the completion of transportation reports state:

Report the total number of resident, NONPUBLIC school pupils you transported to and from school. Documentation identifying the names of these pupils should be retained for review by the Auditor General's staff.

Errors in Reporting the Number of Nonpublic Pupils Transported

Our audit of the District's transportation records for the 2007-08 and 2006-07 school years found errors in the number of nonpublic pupils transported that was reported to the Department of Education (DE) for the 2007-08 school year. Errors in reporting the number of nonpublic pupils was the subject of a finding in our prior audit (see page 10).

The District reported 448 nonpublic pupils; however, our audit confirmed the District transported 472 nonpublic pupils, which resulted in a 24 pupil understatement. At the state reimbursement rate of \$385, the error resulted in a \$9,240 underpayment.

The District's transportation coordinator stated that two schools' pupil counts were missed when District personnel were totaling the nonpublic pupils transported.

We have provided DE with a report detailing the errors for use in recalculating the District's reimbursement.

The *Conewago Valley School District* should:

1. Ensure the District's reconciliation procedure, prior to reporting the data to DE, accounts for all schools in which nonpublic pupils are provided transportation.
2. Review reports for years subsequent to the audit, and if errors are found, submit revised reports to DE.

The *Department of Education* should:

3. Adjust the District's allocations to resolve the \$9,240 underpayment.

Management Response

Management stated the following:

Unfortunately, the nonpublic student count was incorrect due to [the transportation coordinator's] mathematical error. When [the transportation coordinator] was tallying the count for the different nonpublic schools two of the

schools were missed. One page was hidden behind another school and the second school was totally missed (the pages stuck together). Therefore, [the transportation coordinator] under counted the total number of students submitted to PDE by 24.

The corrective action would be for [the transportation coordinator] to cross check [his] school list and make sure [the transportation coordinator has] a count for each school listed. As a cross check the Business Office will verify [the transportation coordinator's] count for accuracy.

Finding No. 2

Criteria relevant to the finding.

Section 511 of the Public School Code provides, in part:

Notwithstanding the use of school property or personnel, it shall be lawful for any school or any class or any organization, club, society, or group thereof, to raise, expend, or hold funds, including balances carried over from year to year, in its own name and under its own management, under the supervision of the principal or other professional employe of the school district designated by the board. Such funds shall not be the funds of the school district but shall remain the property of the respective school, class, organization, club, society, or group.

Continued Issue Related to Student Activity Funds

Our audit of the student activity funds of the District as of December 10, 2010, found the District had not required all of the student groups to be formally organized, as follows:

1. 6 of 40 student groups did not adopt bylaws.
2. 19 of 40 student groups did not elect officers.
3. 27 of 40 student groups did not maintain meeting minutes.

By not formally organizing these student groups the District runs the risk of the students not being involved in all aspects of governing the use of their funds. The District had not required all documentation to be maintained in the District office in the past.

This finding represents a partial continuation of findings in our four prior audits regarding weaknesses in student activity fund practices.

Recommendations

The *Conewago Valley School District* should:

Ensure formal organization for all student groups by adopting bylaws, electing officers, and maintaining meeting minutes.

Management Response

Management stated the following:

The student activity issue revolves around missing documents. The bylaws continue to be submitted by the club advisors and will be complete by 12/31/10. The listing of officers and minutes will change annually. These items will continue to be updated; however some of the clubs do not meet till spring. The club advisors all received a packet to complete the required documents. This packet will be sent out each year in September. By April 1st of each year all annual documents will be placed in a binder including the spring clubs.

Status of Prior Audit Findings and Observations

Our prior audit of the Conewago Valley School District (CVSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in four reported findings and one observation, as shown in the following table. 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 and observation. As shown below, we found that the CVSD did implement recommendations related to the vocational education finding, the Statement of Financial Interests finding, and the bus driver qualification observation. However, District personnel did not implement corrective action regarding transportation of nonpublic pupils and did not implement one of the recommendations in our student activity fund finding.

School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report

Finding No. 1: Lack of Adherence to Department of Education Requirements Resulted in Vocational Education Subsidy Overpayments of \$188,240

Finding Summary: Our prior audit of district-operated vocational education membership data reported to the Department of Education (DE) for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found reporting errors, which resulted in overpayments for vocational education subsidy (VES) to the District totaling \$188,240.

Recommendations: Our audit finding recommended that the CVSD:

1. Review DE's instructions for proper completion of vocational education membership reports and ensure that all staff involved in the completion of these reports are familiar with the requirements of each approved vocational education program.
2. Implement an internal system of review to ensure no student is reported in more than one program.
3. Review reports for school years subsequent to the audit period, and submit corrected reports to DE if errors are noted.

We also recommended that DE:

4. Adjust the District's allocations to recover the VES overpayments of \$188,240.

Current Status: Our current audit found that CVSD implemented appropriate corrective action to address our recommendations.

However, DE had not yet taken corrective action to address the VES overpayments. Therefore, we again recommend that DE adjust the District's allocations to recover the VES overpayments of \$188,240.

Finding No. 2: Board Member Failed to File Statement of Financial Interests in Violation of the State Public Official and Employee Ethics Act

Finding Summary: Our prior audit of District records found that one board member failed to file a Statement of Financial Interests for the year ended December 31, 2003.

Recommendations: Our audit finding recommended that the CVSD:

1. Seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests.
2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Current Status: Our current audit found that CVSD implemented appropriate corrective action to address our recommendations.

Finding No. 3: Errors in Reporting the Number of Nonpublic Pupils Transported

Finding Summary: Our prior audit of the District's transportation records found errors in the number of nonpublic pupils transported reported to DE, resulting in reimbursement overpayments totaling \$30,415.

Recommendations: Our audit finding recommended that the CVSD:

1. Verify the accuracy of the data generated by the District's transportation computer program prior to reporting to DE.

We also recommended that DE:

2. Adjust the District's allocations to recover the overpayments of \$30,415.
-

Current Status: Our current audit found the District reviewed records for the 2007-08 and 2006-07 school years in April 2008. The District did not find any errors.

However, our audit found a clerical error, as noted in Finding No. 1 of this report (see page 6).

DE had not yet taken corrective action to address the overpayments. Therefore, we again recommend that DE adjust the District's allocations to recover the overpayments of \$30,415.

Finding No. 4: Continued Issue Related to Student Activity Funds

Finding Summary: Our prior audit of the District's action in creating a "General Account – Student Activities" found that it did not comply with the requirements of Section 511 of the Public School Code for the maintenance and reporting of student activity funds. District personnel were reporting student-related funds as part of the District's general fund cash balance, without reporting any of the revenue or expenditure activity.

Our prior audit review also found that some of the funds contained in the newly-created "General Account – Student Activities" were in fact funds raised by various student groups and organization, and were not available for general District use; they should have been accounted for in the student activity fund within the agency fund classification.

Recommendations: Our audit finding recommended that the CVSD:

1. Remove student activity-related funds being reported in the general fund's "General Account – Student Activities" and maintain and report these accounts within the student activity funds of the high and middle school.
2. Formally organize the various student groups whose funds are being maintained in the "General Account – Student Activities" by requiring student groups to adopt bylaws, elect officers and maintain minutes of their meetings.

Current Status: Our current audit found that CVSD implemented appropriate corrective action to address our first recommendation.

However we found that not all of the student activity accounts adopted bylaws, elected officers, or maintained minutes, as noted in Finding No. 2 of this report (see page 8).

Observation: **Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

Observation Summary: Our prior audit of the CVSD transportation records found the CVSD did not have written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations: Our audit observation recommended that the CVSD:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when current employees of the District are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status: Our current audit found that CVSD implemented appropriate corrective action to address our recommendations.

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
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