

CORNWALL-LEBANON SCHOOL DISTRICT
LEBANON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2010

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

Mr. Harry Mathis, Board President
Cornwall-Lebanon School District
105 East Evergreen Road
Lebanon, Pennsylvania 17042

Dear Governor Rendell and Mr. Mathis:

We conducted a performance audit of the Cornwall-Lebanon School District (CLSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 8, 2006 through October 30, 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, 2008, 2007, 2006 and 2005. 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 CLSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

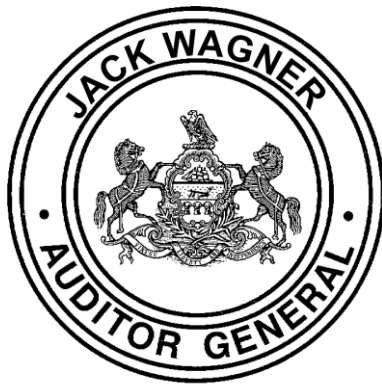
JACK WAGNER
Auditor General

May 4, 2010

cc: **CORNWALL-LEBANON 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 Cornwall-Lebanon School District (CLSD). 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 CLSD in response to our prior audit recommendations.

Our audit scope covered the period November 8, 2006 through October 30, 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 2007-08, 2006-07, 2005-06 and 2004-05.

District Background

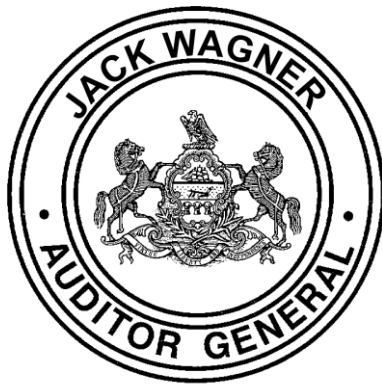
CLSD encompasses approximately 70 square miles. According to a 2007 local census, it serves a resident population of 32,043. According to District officials, in school year 2007-08 CLSD provided basic educational services to 4,815 pupils through the employment of 344 teachers, 309 full-time and part-time support personnel, and 21 administrators. Lastly, CLSD received more than \$16.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that CLSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Memoranda of Understanding Not Updated Timely. Our audit of the CLSD's records found that CLSD had on file a properly signed Memoranda of Understanding (MOU) between the CLSD and its three primary local law enforcement agencies, and the Pennsylvania State Police as a secondary law enforcement agency. However, the MOUs have not been updated since April 23, 1997 (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to CLSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the CLSD had taken appropriate corrective action in implementing our recommendations pertaining to possible inaccurate reporting of retirement wages (see page 7).



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 November 8, 2006 through October 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 CLSD'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:

- ✓ 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.

CLSD 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.

Our audit examined the following:

- Records pertaining to pupil transportation and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 15, 2007, we reviewed CLSD's response to DE dated January 14, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Criteria relevant to the observation:

Section 1303-A(c) of the Public School Code 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.

A Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU format to be used by 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 (emphasis added).

Memoranda of Understanding Not Updated Timely

Our audit of the District's records found that the District had on file properly signed Memoranda of Understanding (MOU) between the District and its three primary local law enforcement agencies, South Lebanon, North Lebanon and Borough of Cornwall police departments, and with the Pennsylvania State Police as a secondary law enforcement agency. However, the MOUs had not been updated since April 23, 1997.

The MOUs state:

The parties hereto understand and agree that this is an interim Memorandum of Understanding. The District is in the process of revising and refining all of its policies. This refining and revising is anticipated to be completed by the end of the summer of 1997. Subsequent to such final adoption of the revised and refined school policies, a final Memorandum of Understanding will be developed.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or on 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 *Cornwall-Lebanon School District* should:

1. Review, update and re-execute the current MOUs between the District and all of the law enforcement agencies that serve the District.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Management Response

Management stated the following:

Memorandums of Understanding between the Cornwall-Lebanon School District and local law enforcement authorities have not been renewed on a timely basis. A procedure will be adopted whereby these agreements will be updated and renewed on a timely basis for future years. Although current formal agreements with these authorities have not been in place during the past several years, the interaction with each of these local law enforcement authorities can be considered to have been very effective.

Status of Prior Audit Findings and Observations

Our prior audit of the Cornwall-Lebanon School District (CLSD) for the school years 2003-04 and 2002-03 resulted in one reported finding. The finding pertained to possible inaccurate reporting of retirement wages. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed CLSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that CLSD did implement recommendations related to the finding.

<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: Possible Inaccurate Reporting of Retirement Wages</i></u></p> <ol style="list-style-type: none"> The Public School Employees’ Retirement System (PSERS) should review the wages reported for the superintendents for the 2003-04 and 2002-03 school years and render an opinion on the propriety of the retirement wages reported by the District for these two individuals. If any part of the reported wages is determined to be ineligible for retirement purposes, PSERS should make the necessary corrections to pension benefits and/or contributions. DE, in conjunction with PSERS’s determination of the propriety of wages reported for retirement, should determine if the District was overpaid retirement subsidy and make the necessary adjustments. 	<p>Background:</p> <p>Our prior audit of two of the District’s former superintendents’ employment contracts, payroll and retirement records found that retirement wages may have been overstated. The superintendents’ retirement wages reported to PSERS for the 2003-04 and 2002-03 school years included an allowance for use of a personal vehicle for District business, which may not have been eligible wages for retirement purposes.</p>	<p>Current Status:</p> <p>Our current audit found that correspondence from PSERS dated March 9, 2009, stated that the reimbursement paid to one of the former superintendents was not eligible to be considered for retirement wage purposes. This former superintendent appealed the determination on April 16, 2009, by submitting letters and additional documentation to PSERS. As of our fieldwork completion, October 30, 2009, neither the District nor the former superintendent had received determination of the appeal.</p> <p>PSERS had not provided the District with any opinion or determination on the other individual in question.</p> <p>Our review of the current superintendent’s contract confirmed that language which would result in questionable retirement wages regarding mileage allowance was not included in the contract.</p>

		<p>As noted, PSERS has not yet fully resolved this issue. We again recommend that DE, in conjunction with PSERS's final resolution, determine if the District was overpaid retirement subsidy, and make any necessary adjustments.</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:

The Honorable Edward G. Rendell
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The Honorable Robert M. McCord
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Senate Education Committee
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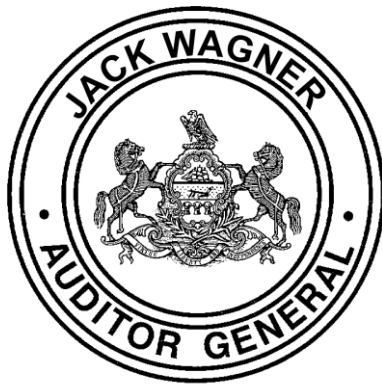
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