

DUBOIS AREA SCHOOL DISTRICT  
CLEARFIELD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. Louis Russell, Board President  
DuBois Area School District  
500 Liberty Boulevard  
DuBois, Pennsylvania 15801

Dear Governor Rendell and Mr. Russell:

We conducted a performance audit of the DuBois Area School District (DASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 14, 2006 through June 23, 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 the DASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in 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 DASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve DASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the DASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

January 22, 2010

cc: **DUBOIS AREA SCHOOL DISTRICT** Board Members

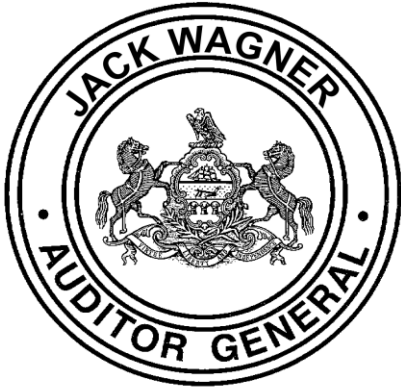


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the DuBois Area School District (DASD). 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 DASD in response to our prior audit recommendations.

Our audit scope covered the period December 14, 2006 through June 23, 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**

The DASD encompasses approximately 255 square miles. According to 2000 federal census data, it serves a resident population of 32,200. According to District officials, in school year 2007-08 the DASD provided basic educational services to 4,193 pupils through the employment of 287 teachers, 253 full-time and part-time support personnel, and 27 administrators. Lastly, the DASD received more than \$22 million in state funding in school year 2007-08.

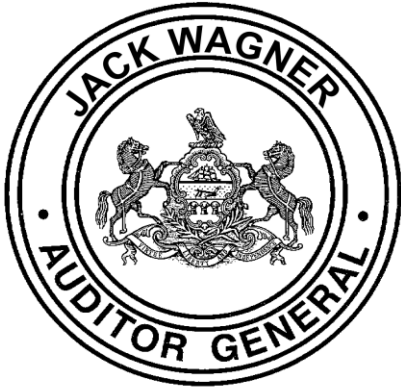
### **Audit Conclusion and Results**

Our audit found that the DASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

**Finding: Continued Errors in Reporting Pupil Membership Data Resulted in Reimbursement Overpayments of \$18,073.** Our audit found that errors in membership were due to DASD personnel not properly reporting resident and nonresident membership days. This resulted in overpayments of \$18,073 (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the DASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the DASD had not taken appropriate corrective action in implementing our recommendations pertaining to membership (see page 8). We found that DASD had taken appropriate corrective action in implementing our recommendations pertaining to social security, Statements of Financial Interests (see page 9) and bus drivers' qualifications (see page 10).





## Audit Scope, Objectives, and Methodology

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### 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 December 14, 2006 through June 23, 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

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 DASD'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, and special 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?

*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.

- ✓ 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?
- ✓ 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.

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 30, 2007, we reviewed the DASD's response to DE dated September 29, 2008. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding

*Criteria relevant to the finding:*

Public School Code (PSC) Section 2503 (c) Provides that the commonwealth will pay tuition to districts providing education to nonresident children placed in private homes. The payments are based on the memberships days reported for such children.

### Continued Errors in Reporting Pupil Membership Data Resulted in Reimbursement Overpayments of \$18,073

Our audit found that the District's pupil membership reports submitted to Department of Education (DE) for the 2005-06 and 2004-05 school years were inaccurate. The inaccuracies resulted in overpayments to the District of children placed in private homes reimbursement of \$3,844 and \$14,229 for the 2005-06 and 2004-05 school years, respectively.

The membership errors that caused the overpayments were as follows:

<u>Classification</u>	<u>Membership Days</u> <u>(Overstated)/Understated</u>	
	<u>2005-06</u>	<u>2004-05</u>
<u>Resident</u>		
Elementary	-	44
Secondary	120	224
<u>Nonresident</u>		
Elementary	-	(44)
Secondary	(120)	(224)

The clerical membership errors resulted from incorrectly reporting resident student membership days as nonresident children placed in private homes and reporting nonresident children placed in private homes days as resident days.

We have provided DE with reports detailing the errors for use in recalculating the District's tuition for children placed in private homes.

**Recommendations**

The *DuBois Area School District* should:

1. Perform an internal review of all pupil membership reports and supporting documentation to ensure proper classification of pupils before submission to DE.
2. Ensure that the letters received from the placement agencies include the District where the parents/guardians live.
3. Review subsequent school year's membership reports submitted to DE for accuracy and resubmit accordingly.

The *Department of Education* should:

4. Adjust the District's future allocations to correct the overpayment of \$18,073.

**Management Response**

Management stated the following

The District has taken appropriate measures to ensure that foster students will be accounted for properly in the future. The District will continue to try to have better communications with the various foster agencies to ensure that the District is receiving accurate data on the students residency.

## Status of Prior Audit Findings and Observations

Our prior audit of the DuBois Area School District (DASD) for the school years 2003-04 and 2002-03 resulted in three 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 analyzed the DASD 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 DASD did not implement recommendations related to the membership finding. DASD did implement recommendations related to the Social Security and Medicare wages and Statements of Financial Interests forms finding and the bus driver qualification board policy observation.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<b>Implementation Status</b>	
<p><i><u>Finding 1: Errors in Reporting Membership for Nonresident Students Resulted in an Overpayment of \$32,647</u></i></p> <ol style="list-style-type: none"> <li>1. Obtain from the placing agency all of the necessary information to determine proper classification of a student.</li> <li>2. Review membership reports for accuracy prior to submission to DE.</li> <li>3. Review reports for subsequent years and submit revised reports to DE, if necessary.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's pupil membership reports submitted to the DE for the 2003-04 and 2002-03 school years found errors in the reporting of membership data for nonresident students. The errors resulted in reimbursement overpayments of \$21,191 and \$11,456 for the 2003-04 and 2002-03 school years, respectively.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the 2007-08, 2006-07, 2005-06, and 2004-05 school years again found errors in reporting resident and nonresident pupil membership (see page 6). Based on our current review we concluded the District <u>did not</u> take appropriate corrective action.</p> <p>As of July 13, 2009, DE had not adjusted the District's allocations to correct the overpayment.</p>

<p><u><i>Finding 2: Errors in Reporting Social Security and Medicare Wages Resulted in Reimbursement Overpayment of \$15,739</i></u></p> <ol style="list-style-type: none"> <li>1. Ensure District personnel responsible for compiling Social Security/Medicare reimbursement are aware of the proper procedures for reporting federally funded wages not eligible for reimbursement.</li> <li>2. Review reports for years subsequent to the audit period and, if errors are found, submit revised reports to DE.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District’s Social Security reimbursement records found that reports submitted to DE for the 2003-04 and 2002-03 school years were inaccurate, resulting in a reimbursement overpayment of \$15,739.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the 2007-08, 2006-07, 2005-06, and 2004-05 school years found insignificant errors noted in Social Security reimbursement. Based on our current audit we concluded the District <u>did</u> take appropriate corrective action.</p> <p>As of July 13, 2009, DE had not adjusted the District’s allocations to correct the overpayment.</p>
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<p><u><i>Finding 3: Board Members Failed to File Statement of Financial Interests in Violation of the Ethics Act</i></u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of its solicitor in regard to the board’s responsibility when a board member fails to file Statements of Financial Interests.</li> <li>2. Develop procedures to ensure that all individuals required to file Statementst of Financial Interests do so in compliance with the Ethics Act.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of District records found four former board members failed to file Statements of Financial Interests for the year ended December 31, 2003, and two current board members failed to file Statements of Financial Interests for the year ended December 31, 2005.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the years ended December 31, 2008, 2007, and 2006 found the District had on file a Statements of Financial Interests for all board members. Based on our current review we concluded the District <u>did</u> take appropriate corrective action.</p>
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<p><u>Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualification</u></p> <ol style="list-style-type: none"><li>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children.</li><li>2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</li></ol>	<p><b>Background:</b></p> <p>Our audit found neither the District nor the transportation contractor have written policies or procedures in place to ensure that they are notified if current employees have been 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.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District had revised Transportation Policy #810 on March 25, 2009, to specify that the District and bus contractor have to be notified of a bus driver being charged with or convicted of a crime. Based on our current audit we concluded the District <u>did</u> take appropriate corrective action.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

Senator Andrew Dinniman  
Democratic Chair  
Senate Education Committee  
183 Main Capitol Building  
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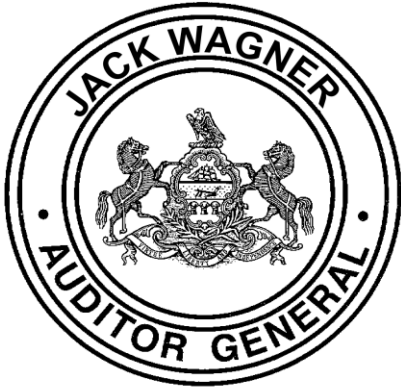
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