

EASTERN LANCASTER COUNTY SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2012



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Glenn M. Yoder, Board President
Eastern Lancaster County School District
669 East Main Street
New Holland, Pennsylvania 17557

Dear Governor Corbett and Mr. Yoder:

We conducted a performance audit of the Eastern Lancaster County School District (ELCSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period May 28, 2009 through May 11, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 ELCSD complied, in all significant respects, with applicable state laws, 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 ELCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve ELCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the ELCSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 20, 2012

cc: **EASTERN LANCASTER COUNTY SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Certification Deficiency	6
Status of Prior Audit Findings and Observations	8
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Eastern Lancaster County School District (ELCSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the ELCSD in response to our prior audit recommendations.

Our audit scope covered the period May 28, 2009 through May 11, 2012, 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 2009-10 and 2008-09.

District Background

The ELCSD encompasses approximately 92 square miles. According to 2000 federal census data, it serves a resident population of 29,212. According to District officials, in school year 2009-10 the ELCSD provided basic educational services to 3,248 pupils through the employment of 244 teachers, 223 full-time and part-time support personnel, and 18 administrators. Lastly, the ELCSD received more than \$9.5 million in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding: Certification Deficiency. Our audit of professional employees' certification and assignments found one individual was employed as an elementary/special education teacher without proper certification (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the ELCSD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the ELCSD had taken appropriate corrective action in implementing our recommendations pertaining to internal control weakness regarding the Memorandum of Understanding (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 May 28, 2009 through May 11, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2008 through April 17, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 Pennsylvania 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the ELCS D's compliance with applicable state laws, 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?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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, observations and conclusions based on our audit objectives.

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, contracts, grant requirements and administrative procedures.

ELCSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, 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 ELCSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2010, we 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 provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Public School Code, Section 2518 mandates any school district 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 the Eastern Lancaster County School District's professional employees' certification and assignments for the period July 1, 2008 through April 17, 2012, was performed to determine compliance with the Public School Code and the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education's (PDE) Certification and Staffing Policies and Guidelines. Our audit found one individual who was employed as an elementary/special education teacher without proper certification. The assignment required a Special Education certificate. The individual only had an early childhood certificate.

Information pertaining to the certificate and assignment was submitted to the BSLTQ, PDE, for its review. On July 14, 2012, BSLTQ determined that the individual was not properly certified. Therefore, the District would be subject to a subsidy forfeiture for the 2011-12 school year. However, data necessary to complete this calculation was not yet available from PDE.

Recommendations

The *Eastern Lancaster County School District* should:

Ensure all professional employees have current certificates and require them to obtain the required certification for the position in which they would be employed.

The *Pennsylvania Department of Education* should:

Take action to recover any forfeiture that may be levied if BSLTQ confirms the deficiency.

Management Response

Management stated the following:

The Management of Eastern Lancaster County School District disagrees with this finding. There is no deficiency in certification. In December 2011, the District hired an [Individual] as a long-term substitute pending official certification by the state. [Individual] was a new graduate from Millersville University who had completed her special education course of study and received the appropriate documentation from the university stating she had met all requirements for certification. We have a copy of this letter, which was provided to the auditor.

[Individual] completed her application on TIMS, as did the university. However, the changeover from a pencil/paper system to an online system caused a delay in the finalization of the certification process. [Individual] continued to work under the documentation provided by Millersville University which has always been our practice while waiting for the formal certification to happen at the state level. As of today, May 10th, PDE is stating [Individual's] application is in review. Once it is approved, [Individual] will be able to print a copy of her certification for our records.

[Individual] and the District followed past practice in meeting certification requirements, but due to a new system at the state level that is taking an inordinate amount of time to finalize paperwork, final certification has not been completed. Since the District and [Individual] followed requirements, there is no deficiency in the certification.

Auditor Conclusion

As stated in the body of the finding, BSLTQ made the final determination regarding the validity of the assignment and certificate.

As of July 26, 2012, the individual's Special Education certification has not been granted. Therefore, the finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Eastern Lancaster County School District (ELCSD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to internal control weakness regarding the Memorandum of Understanding. 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 finding. As shown below, we found that the ELCSD did implement our recommendations related to internal control weakness regarding the Memorandum of Understanding.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding: **Internal Control Weakness Regarding Memorandum of Understanding**

Finding Summary: Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and the local law enforcement agency was dated February 28, 2007, and had not been updated as of our fieldwork completion date of May 28, 2009.

Recommendations: Our audit finding recommended that the ELCSD:

1. Review, update and re-execute the current MOU between the District and the local law enforcement agency.
2. Follow the General Provisions of the District's MOU (Section VI, item B) requiring that the MOU must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

Current Status: Our current audit found that the ELCSD partially implemented our recommendations. The MOUs were reviewed, updated and re-executed with the three law enforcement agencies and signed on July 1, 2011. However, the District did not adopt an official board policy requiring the administration to review, update and re-execute the MOU every two years although the MOUs at Section VI B provides that the MOU 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 execution and every two years thereafter. Additionally, Act 104 of 2010 required that the current MOU was to be submitted to the Office of Safe Schools by June 30, 2011 and then biennially updated, re-executed and filed with the Office of Safe Schools.

We continue to recommend that the District adopt an official board policy to review and re-execute the MOU every two years.



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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