

FORT CHERRY SCHOOL DISTRICT  
WASHINGTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2010



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

Mr. Brant T. Miller, Esquire, Board President  
Fort Cherry School District  
110 Fort Cherry Road  
McDonald, Pennsylvania 15057

Dear Governor Rendell and Mr. Miller:

We conducted a performance audit of the Fort Cherry School District (FCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 20, 2009 through May 13, 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 June 30, 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 FCSD complied, in all significant respects, with applicable state laws, regulations, 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 FCSD's management and their response is included in the audit report. We believe the implementation of our recommendations will improve FCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the FCSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

*/s/*

JACK WAGNER  
Auditor General

December 23, 2010

cc: **FORT CHERRY 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 Fort Cherry School District (FCSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period February 20, 2009 through May 13, 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 FCSD encompasses approximately 58 square miles. According to a 2008 local census, it serves a resident population of 8,878. According to District officials, in school year 2007-08 the FCSD provided basic educational services to 1,236 pupils through the employment of 95 teachers, 16 full-time and part-time support personnel, and 9 administrators. Lastly, the FCSD received more than \$8.9 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the FCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

#### **Finding: Error in Reporting Pupil Transportation Data Resulted in a \$115,424 Underpayment to the District.**

Our audit of FCSD transportation records for the 2007-08 school year found that the FCSD inaccurately reported payments made to a transportation contractor, resulting in a \$115,424 underpayment to the FCSD (see page 6).

**Status of Prior Audit Findings and Observations.** Our prior audit for the 2005-06 and 2004-05 school years resulted in no findings or observations.





## 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 February 20, 2009 through May 13, 2010, except for the verification of professional employee certification which was performed for the period January 1, 2008 through March 31, 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 FCSD'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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?

## 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.

FCSD 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, and financial stability.
- Items such as Board meeting minutes, and reimbursement applications.

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

## Findings and Observations

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### Finding

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#### **Error in Reporting Pupil Transportation Data Resulted in a \$115,424 Underpayment to the District**

*Criteria relevant to the finding:*

Department of Education (DE) instructions for reporting contractor cost data on the end-of-year pupil transportation reports specify that payments made to contracted transportation carriers must be accurately reported, since this amount is used in determining a school district's transportation reimbursement.

Our audit of pupil transportation data for 2007-08 school year found errors in the contractor cost data reported to DE. The District inaccurately reported the total payments made to a contracted transportation carrier, resulting in a \$115,424 underpayment in pupil transportation reimbursement. This error did not occur in the 2006-07 school year.

The error occurred because the electronic spreadsheet used by District personnel to calculate the total payments to the contractor contained an erroneous formula that failed to include all payments made to the contractor. The spreadsheets used for calculating payments made to all other transportation contractors did not contain this error.

Contractor cost data is an integral part of the transportation subsidy formula and must be reported accurately and in accordance with DE instructions to ensure the correct subsidy is received.

We have provided DE with a report detailing the error for use in recalculating the District's transportation subsidy.

### Recommendations

The *Fort Cherry School District* should:

Review the accuracy of all electronic spreadsheets before relying on their accuracy.

The *Department of Education* should:

Adjust future District allocations to correct the \$115,424 underpayment.

### Management Response

Management stated the following:

Policy is in place for transportation coordinator to review submissions with business manager.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Fort Cherry School District for the school years 2005-06 and 2004-05 resulted in no findings or observations.



## **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:

The Honorable Edward G. Rendell  
Governor  
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Harrisburg, PA 17120

The Honorable Thomas E. Gluck  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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