

GETTYSBURG AREA SCHOOL DISTRICT
ADAMS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**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. Todd Orner, Board President
Gettysburg Area School District
900 Biglerville Road
Gettysburg, Pennsylvania 17325

Dear Governor Corbett and Mr. Orner:

We conducted a performance audit of the Gettysburg Area School District (GASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 9, 2009 through December 20, 2011, 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 GASD complied, in all significant respects, with applicable state laws, 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 GASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve GASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the GASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

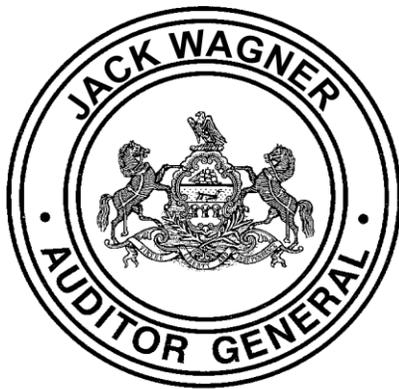
January 14, 2013

cc: **GETTYSBURG AREA 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 Gettysburg Area School District (GASD). 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 GASD in response to our prior audit recommendations.

Our audit scope covered the period April 9, 2009, through December 20, 2011, 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 GASD encompasses approximately 182 square miles. According to 2010 federal census data, it serves a resident population of 29,031. According to District officials, in school year 2009-10 the GASD provided basic educational services to 3,032 pupils through the employment of 251 teachers, 178 full-time and part-time support personnel, and 25 administrators. Lastly, the GASD received more than \$13 million in state funding in school year 2009-10.

Audit Conclusion and Results

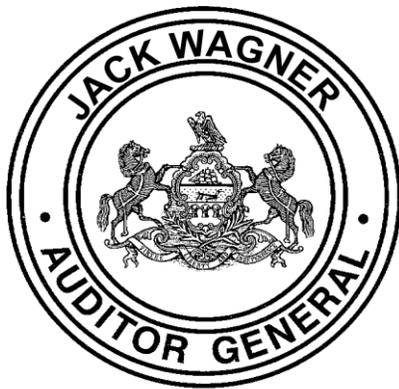
Our audit found that the GASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: District's Inadequate Internal Controls Resulted in Unverifiable

Reimbursements. Our audit of the child accounting data for the 2009-10 school year found that GASD personnel could not provide membership printouts that support the data submitted to the Pennsylvania Department of Education resulting in unverifiable reimbursements (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the GASD from an audit we conducted of the 2007-08, 2006-07, 2005-06, and 2004-05 school years, we found the GASD had taken partial appropriate corrective action in implementing our recommendations pertaining to the Memoranda of Understanding not being updated timely (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 April 9, 2009 through December 20, 2011.

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 (PDE) 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 GASD'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?
- ✓ 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?

- ✓ 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?
- ✓ 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 buy-out 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

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.

GASD 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

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.

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 bus driver qualifications, and financial stability.
- Items such as Board meeting minutes, and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 1, 2009, we reviewed the GASD's response to PDE dated January 11, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

District's Inadequate Internal Controls Resulted in Unverifiable Reimbursements

Criteria relevant to the finding:

According to PDE's 2009-10 *PIMS User Manual* all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status, Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner ; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of the child accounting data for the 2009-10 school year found that District personnel could not provide membership printouts from its student information software (SIS) that supports the data submitted to PDE via PIMS, which resulted in unverifiable subsidies and reimbursements.

During the audit, we requested the PIMS Student Calendar Fact Template Detail Reports containing the data submitted to PDE as well as the membership printouts that supported the membership data on the PIMS Student Calendar Fact Template Details Reports.

Section 1332 of the Public School Code requires that reports of enrollments, attendance, and withdrawals be maintained for all children . . .

Section 518 of the Public School Code requires that records be retained for a period of not less than 6 years.

District personnel were unable to locate the original back-up documentation supporting the data on the PIMS Student Calendar Fact Template Details Reports. District personnel stated that the original back-up documentation had been placed in a box and sent to storage; however, they could not locate the box. They indicated that they had searched extensively for their original files, for which they have safekeeping procedures in place, but could not locate those records.

When District personnel could not locate the box containing its original back-up documentation, they reprinted the Attendance Membership Detail Reports (membership printouts) from its former SIS. However, these reports did not match the child accounting data on the PIMS Student Calendar Fact Template Details Report submitted to PDE. District personnel were provided with the opportunity to reconcile these differences but were unable to do so after a thorough review of the printouts. Since district personnel were unable to reconcile the differences, we determined that the child accounting data could not be audited.

The following types of differences were noted during the attempted reconciliation.

- Students and their membership data appeared on the Attendance Membership Detail Report but did not appear on the PIMS Student Calendar Fact Template Details Report.
- Students and their membership data appeared on the PIMS Student Calendar Fact Template Details Report but did not appear on the Attendance Membership Detail Report.
- Membership days on the Attendance Membership Detail Reports did not match the membership days on the PIMS Student Calendar Fact Template Details Reports.
- Membership data for students appeared under one grade on the Attendance Membership Detail Report but appeared under a different grade on the PIMS Student Calendar Fact Template Details Report.

- Membership days for students who withdrew throughout the school year and re-enrolled in either a different building or came back during the school year showed on the Attendance membership Detail Reports as zero days. However, these students were shown with membership days on the PIMS Student Calendar Fact Template Details Reports.

These differences were caused by the SIS that was in use during the 2009-10 school year. Since this data could not be audited, these differences were not quantified.

District personnel stated that they had many problems with the SIS that they used in 2009-10 and that it regularly provided inaccurate reports. They also stated that the problems with the SIS combined with the requirements of reporting this information to PDE through the PIMS system, caused these errors to occur in its reports.

District personnel stated that the information obtained from the SIS had to be downloaded to a spreadsheet and manipulated to complete an accurate format for the reports to be uploaded to PIMS, which included manually adding in all the mainstreaming students and students that needed to be reported by the district who were in alternate settings outside of the District buildings. District personnel stated that when we requested the reconciliation, they again found inconsistent reporting from the SIS, making it impossible to reconcile the reports with the PIMS data.

Basic education funding and special education subsidy payments based on 2009-10 school year operations were based on guarantees and/or prior year subsidies and would not have been affected by changes to 2009-10 membership data. However, we were unable to compute the effect of changes to 2009-10 membership data on future subsidies and reimbursements.

The District indicated that it is no longer using the same SIS as was used during the 2009-10 school year due to the problems that they encountered and that the software was replaced beginning with the 2010-11 school year. District personnel stated that the new SIS is designed to produce reports to be uploaded to the PIMS system, without having to download them to spreadsheets and manually manipulate

them which will allow them to track all students that they are responsible to report in the software system.

Due to the results of this audit, district personnel have begun reconciling the 2010-11 school year membership printouts to the data that was submitted to PDE.

Recommendations

The *Gettysburg Area School District* should:

1. Store back-up documentation for membership so that it can be located and retrieved for audit purposes.
2. Reconcile membership printouts to the PIMS Student Calendar Fact Template Details Report being submitted to PDE, ensuring that all membership data, including student names and membership days, are in agreement. When reconciling data, efforts between the District's child accounting and PIMS personnel should be coordinated so that both the child accounting and PIMS aspects are covered.
3. Maintain supporting documentation and written explanations of any differences that are noted between the reports and any adjustments that are required and District child accounting and PIMS coordinators should ensure that the documentation and written explanations of adjustments be maintained for audit purposes.
4. Continue reconciling subsequent year child accounting data on the membership printouts to child accounting data on the PIMS Student Calendar Fact Template Details Report being submitted to PDE for subsequent years. If any errors are noted, corrections should be submitted to PDE, and any applicable corrections should be entered into the student information system.

The *Pennsylvania Department of Education* should:

5. Review the propriety of subsidies and reimbursements and determine if any adjustments are required.

Management Response

Management stated the following:

Membership printouts could not be provided for the 2009-10 school year. The box holding the original records was placed in a designated District storage, but could not be located. Several attempts were made to reprint and reconcile reports from the student information system (SIS) which was in use during that school year. We were unable to reprint accurate reports for auditing. As a direct result of continuous and significant problems with the former software, the District has purchased a new student information system that was put into place beginning with the 2010-11 school year.

The District has implemented the following in response to the recommendations:

1. The District will store the membership data in the Child Accounting Coordinator's office until it has been audited by the Auditor General's offices. Once audited, it will be sent to the District storage area.
2. Membership and printouts for 2010-11, both from the student information system and PIMS, have been reconciled to the preliminary PDE-4602, and have been retained for auditing purposes. The District will continue to complete this reconciliation for all future years as well.
3. District personnel have noted any changes and adjustments on the original reports submitted to PDE as to what adjustments or changes were made and the reason any change was made.
4. See number 2 & 3 above.

Status of Prior Audit Findings and Observations

Our prior audit of the Gettysburg Area School District (GASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one observation. The observation pertained to the Memoranda of Understanding not being updated timely. 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 GASD Board's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the GASD partially implemented our recommendations related to the Memoranda of Understanding not being updated timely.

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

Observation: Memoranda of Understanding Not Updated Timely

Observation
Summary:

Our prior audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and its two local police departments were signed October 11, 2002 and October 20, 2004, and had not been updated.

Recommendations: Our audit observation recommended that the GASD:

1. In consultation with the solicitor, review, update and re-execute the current MOU between the GASD and the local police departments.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status:

Our current audit found that the GASD partially implemented our recommendations. District personnel re-executed its MOUs with its two local police departments on June 7, 2011 and September 16, 2011. However, the District did not adopt a policy requiring the administration to review and re-execute the MOU every two years although two of the three current MOUs require that the MOU be reviewed and re-executed within two years and every two years thereafter. Additionally, Act 104 of 2010 requires that the current MOU 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 again recommend that the District adopt a policy requiring the administration to review and re-execute each MOU at least once 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:

The Honorable Tom Corbett
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

