

GREENCASTLE-ANTRIM SCHOOL DISTRICT

FRANKLIN COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDING, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS
THROUGH DECEMBER 13, 2007



GREENCASTLE-ANTRIM SCHOOL DISTRICT
FRANKLIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
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GREENCASTLE-ANTRIM SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Daniel Fisher, Board President
Greencastle-Antrim School District
500 East Leitersburg Street
Greencastle, Pennsylvania 17225

Dear Governor Rendell and Mr. Fisher:

We have conducted a performance audit of the Greencastle-Antrim School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. 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 was limited to the following objectives:

- Objective No. 1 - To determine if the Greencastle-Antrim School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Greencastle-Antrim School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

To plan and perform our audit of the Greencastle-Antrim School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Greencastle-Antrim School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the findings and recommendations contained in our prior audit report, except as noted in the following finding. The finding is discussed further in the Conclusions section of this report:

Objective No. 1

Finding – Understatement of Membership for Nonresident Children Placed in Private Homes Resulted in an Underpayment of \$14,350

We believe that our recommendations, if implemented by the district, will help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 13, 2007

cc: Mr. Michael R. Shindle, Vice-President
Mr. Richard G. Lipella, Board Secretary
Mrs. Pamela D. Ott, Board Treasurer
Mr. Arnold P. Jansen, Board Member
Mr. Eric R. Holtzman, Board Member
Mr. Charles T. McClain, Board Member
Mr. Howard B. Ritchey, Board Member
Dr. G. William Thorne, Board Member
Ms. Kristy Faulkner, Board Member
Mr. Paul Politis, Board Member
Mr. Charles G. Hoover, Superintendent

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Greencastle-Antrim School District is located in Franklin County and encompasses an area of approximately 93 square miles. The school district has a population of 16,226, according to the 2000 federal census. The administrative offices are located at 500 East Leitersburg Street, Greencastle, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 2,848 pupils through the employment of 8 administrators, 171 teachers, and 133 full-time and part-time support personnel. Special education was provided by the district and the Lincoln Intermediate Unit #12. Occupational training and adult education in various vocational and technical fields were provided by the district and the Franklin County Career and Technology Center.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 13 through 16 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Greencastle-Antrim School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Greencastle-Antrim School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Greencastle-Antrim School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Greencastle-Antrim School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the finding listed below. The finding and recommendations were reviewed with representatives of the Greencastle-Antrim School District, and their comments have been included in this report.

Finding – Understatement of Membership for Nonresident Children Placed in Private Homes Resulted in an Underpayment of \$14,350

The district understated the days of membership for nonresident children placed in private homes in the 2002-03 school year. Secondary nonresident membership was understated by 440 days, resulting in an underpayment of \$14,350 to the district for Commonwealth-paid tuition for children placed in private homes.

The understatement was caused by district personnel not reporting membership for three nonresident children placed in private homes on the year end membership reports submitted to the Department of Education (DE). District personnel informed us that they had detected errors in the reports only after DE's electronic reporting system had been closed to revisions.

We found no problems in the 2005-06, 2004-05 and 2003-04 school years.

Membership is a major factor in determining the district's Commonwealth-paid tuition for nonresident children placed in private homes, therefore, membership data must be maintained and reported accurately in accordance with DE guidelines and instructions.

We have provided DE with a report detailing the error to use in recalculating the district's tuition payment.

Recommendations

The administration should continue to review its membership data in a timely manner to ensure the accuracy of membership reports before DE's electronic reporting system is closed to revision.

DE should adjust the district's allocations to correct the \$14,350 underpayment.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding (Continued)

Response of Management

Management agreed with the finding and stated:

The School District incurred a problem with PDE's data system when entering the 2002-03 membership for nonresident children placed in private homes. The data could not be adjusted in subsequent years; therefore, it would be adjusted during the state audit.

The school district does not believe any adjustments/corrections are necessary in our membership data system.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Greencastle-Antrim School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of these findings, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated April 7, 2005, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning of appropriate district personnel regarding specific prior years' findings and recommendations.

Finding No. 1 – Certification Irregularities

Our prior audit of the professional employees' certification records for the period July 1, 2001 through June 24, 2004, found three teachers were assigned outside their areas of certification during the audit period. At the time of fieldwork for our prior audit, information pertaining to four assignments that appeared to be in violation of certification requirements was submitted to the Bureau of Teacher Certification and Preparation (BTCPC), Department of Education (DE), for its review. BTCPC confirmed three of the irregularities and deleted one, which resulted in the district being subject to subsidy forfeitures of \$12,144.

We recommended that the district:

- improve controls to ensure timely application for emergency certificates and comparison of assignments to certification held to ensure professional employees were properly assigned; and
- require the individuals cited to obtain proper certification as required for the positions or reassign them to areas for which they were properly certified.

We also recommended that DE adjust future district allocations to recover the subsidy forfeitures of \$12,144.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Our current audit of teacher certification for the 2006-07, 2005-06 and 2004-05 school years found no certification irregularities.

Of the three teachers cited in our prior audit, two were no longer employed by the district during the current audit period, and the third was reassigned to a position for which the individual was properly certified.

DE adjusted the district's allocations in June of 2005 to recover the subsidy forfeitures of \$12,144.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

Finding No. 2 – Improper Student Activity Fund Practices

Our prior audit of the operations of the district's student activity fund for the 2002-03 school year found the following deficiencies in the management and control of various clubs and organizations:

- improper bonding of fund custodian;
- existence of inactive accounts;
- existence of non-student accounts;
- failure to solicit bids;
- failure to properly prorate investment earnings; and
- payment of invoices without evidence of student participation.

We recommended that the board:

- require the fund custodian to obtain and maintain performance bonding;
- liquidate all inactive accounts, and transfer any monies remaining in such accounts to an account which would benefit the majority of the student body;
- eliminate all non-student accounts from the student activity fund;

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

- . require that bids be solicited for all purchases of materials and supplies exceeding \$10,000;
- . prorate interest earned to the various student accounts in accordance with board policy, or obtain waivers from groups that want to assign their proportionate share of interest earnings to a designated general account used to benefit all students. Any waivers of interest must be voluntary and properly documented; and
- . ensure student signatures appear on all payment authorizations.

The board, in its written response, concurred with the finding and stated that it instituted corrective actions as follows:

- . performance bonds were obtained and set up for yearly renewal;
- . monies remaining in inactive accounts were transferred to the student council account;
- . non-student accounts were eliminated and account funds were transferred by board approval to the district general fund;
- . all material and supplies, namely, yearbooks, exceeding the \$10,000 limit would be bid in the future;
- . investment earnings would be prorated at year-end on average balances; and
- . students would co-sign purchase orders/requisitions.

Our current audit of the student activity fund for the 2006-07 year found no deficiencies in the management and control of the fund. The district has instituted each of our recommendations.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 – Questionable Qualifications of Contracted Bus Drivers

Our prior audit of the personnel files of 38 bus drivers employed by the district and its three transportation contractors during the 2003-04 school year found the following deficiencies in compliance for seven drivers used by the contractors:

- all seven drivers did not have child abuse clearances on file;
- four of the drivers did not have criminal record checks on file;
- three of the drivers did not have physical examination certificates on file; and
- two of the drivers did not have bus driver's skills and safety training certificates on file.

All 31 drivers directly employed by the district had the required qualifications. However, neither the district nor the contractors had any written policies or procedures in place to notify them if their current employees were charged with or convicted of a criminal offense which, although it would not legally prohibit the district from continuing to employ the individual, we believe should nonetheless be considered for the purpose of determining the individual's continued suitability to be in direct contact with children.

We recommended that the board and district administrators:

- in consultation with the district's solicitor, develop, adopt and implement policy and procedures to notify the district when drivers, or any employee who has direct contact with children, are charged with or convicted of crimes that call into question the employees' suitability to continue to have direct contact with children;
- ensure that the transportation coordinator reviews all drivers' qualifications prior to any person transporting district pupils; and
- review credential files for all drivers to ensure files are up-to-date and complete.

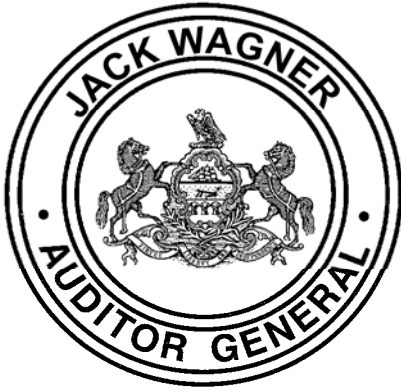
The board, in its written response, disagreed with the finding, stating that it believed that our recommendations went beyond the intent of applicable statutes. The board stated that it accepted full responsibility for the district's drivers but objected to the application of the requirements in regard to contracted transportation to private schools, some out of state.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
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Finding No. 3 (Continued)

Despite the board's stated objections, our current review of driver qualifications for the 2007-08 school year found that all drivers held the required licenses and clearances. Furthermore, the board adopted a policy on May 24, 2007, requiring administrators, professional employees, and support staff to immediately notify the superintendent upon the charge of a criminal offense.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.



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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$8,436,418, \$8,094,631, \$7,530,699 and \$7,353,174, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

STATE REVENUE	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Basic Education	\$4,778,258	\$4,588,795	\$4,486,062	\$4,390,831
Charter Schools	34,398	29,473	5,624	5,624
School Performance Incentives	-	-	-	40,904
Tuition for Orphans and Children				
Placed in Private Homes	179,718	190,580	155,379	144,495
Homebound Instruction	1,188	1,865	1,556	1,490
Vocational Education	2,385	2,220	2,328	3,535
Alternative Education	22,096	27,618	10,583	18,315
Driver Education	3,430	2,870	5,845	4,620
Special Education	1,140,434	1,111,297	1,086,144	1,034,660
Transportation	577,549	622,294	621,126	605,617
Rental and Sinking Fund Payments	452,151	473,000	466,812	493,035
Health Services	53,338	52,951	52,370	51,924
Social Security and Medicare Taxes	513,947	482,959	421,290	447,375
Retirement	305,393	251,584	152,854	78,489
Other Program Subsidies/Grants				
PA Accountability	252,125	252,125	-	-
Dual Enrollment	54,403	-	-	-
Project 720/High School Reform	50,000	-	-	-
Pennsylvania Conservation Corps	15,605	-	62,726	12,665
Pennsylvania Value Added				
Assessment	-	5,000	-	-
School Demonstration	-	-	-	19,595
<u>TOTAL STATE REVENUE</u>	<u>\$8,436,418</u>	<u>\$8,094,631</u>	<u>\$7,530,699</u>	<u>\$7,353,174</u>

GREENCASTLE-ANTRIM SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Driver Education

Revenue received from the Commonwealth as subsidy for conducting a standardized driver education program. Payments are made in accordance with Section 2504.1 of the Public School Code.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school-age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

GREENCASTLE-ANTRIM SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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

The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
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Harrisburg, PA 17126

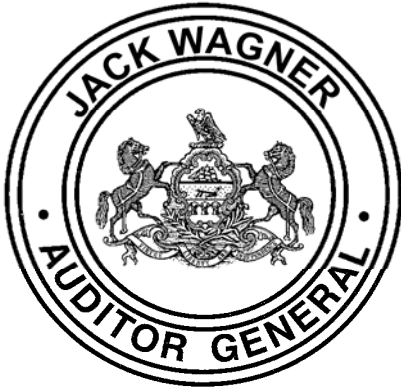
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State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

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Chair
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BUREAU OF SCHOOL AUDITS

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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, Pennsylvania 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.