



HEMPFIELD SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

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

Mr. Bill Jimenez, Board President
Hempfield School District
200 Church Street
Landisville, Pennsylvania 17538

Dear Governor Corbett and Mr. Jimenez:

We conducted a performance audit of the Hempfield School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 11, 2009 through March 2, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies 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 significant noncompliance with state laws and administrative procedures, as detailed in the three audit findings within this report. A summary of these results is presented in the Executive Summary section of the audit report. These findings include recommendations aimed at the District and the Pennsylvania Department of Education.

Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

July 10, 2013

cc: **HEMPFIELD SCHOOL DISTRICT** Board of School Directors

Table of Contents

| | Page |
|---|------|
| Executive Summary | 1 |
| Audit Scope, Objectives, and Methodology | 3 |
| Findings and Observations | 6 |
| Finding No. 1 – Certification Deficiencies | 6 |
| Finding No. 2 – Inadequate Documentation to Verify the Accuracy of Data Submitted for the Hempfield School District's Reimbursement | 10 |
| Finding No. 3 – Internal Control Weaknesses Regarding the Reporting of Membership Data | 12 |
| Status of Prior Audit Findings and Observations | 15 |
| Distribution List | 17 |

Executive Summary

Audit Work

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

Our audit scope covered the period September 11, 2009 through March 2, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 40 square miles. According to 2010 federal census data, it serves a resident population of 46,983. According to District officials, the District provided basic educational services to 7,056 pupils through the employment of 539 teachers, 386 full-time and part-time support personnel, and 51 administrators during the 2009-10 school year. Lastly, the District received \$22.4 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found significant noncompliance with applicable state laws, contracts, grant requirements, and administrative procedures, as detailed in the three audit findings within this report.

Finding No. 1: Certification Deficiencies.

Our audit of Hempfield School District's professional employees' certification records found eight individuals who were not properly certified (see page 6).

Finding No. 2: Inadequate Documentation to Verify the Accuracy of Data Submitted for the Hempfield School District's Reimbursement.

Our audit of Hempfield Area School District's pupil transportation records for the 2009-10 and 2008-09 school years found the District did not obtain adequate documentation to report accurate transportation data to the Pennsylvania Department of Education (PDE) for both school years (see page 10).

Finding No. 3: Internal Control Weaknesses Regarding the Reporting of Membership Data.

Our audit of the Hempfield Area School District's pupil membership for the 2009-10 school year found that District personnel were not able to provide accurate documentation to support the membership data that was reported to PDE (see page 12).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the District from an audit released on November 4, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the failure to obtain Memoranda of Understanding (see page 16) and partially implemented our recommendations pertaining to certification deficiencies (see page 15).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania 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 September 11, 2009 through March 2, 2012, except for the verification of professional employee certification which was performed for the period September 11, 2009 through February 24, 2012.

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

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 District'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 received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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 did 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?
- ✓ Did the District take 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 of School Directors free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that

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.

the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's 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. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 4, 2010, we reviewed the District's response to PDE dated March 23, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1 →

Certification Deficiencies

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 certified to teach.”

Section 2518 of the Public School Code provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania 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.”

Our audit of the Hempfield School District’s (District) professional employee certification records for the period September 11, 2009 through February 24, 2012, found that seven employees were not assigned to positions for which they were certified and that one employee had an inactive certificate. The following bullets summarize the deficiencies noted in the review.

Improperly Certified

1. One individual was assigned to the locally titled position of secondary special education coordinator.
2. One individual with a Mathematics certificate was assigned the locally titled position of dean of students.
3. One individual certified to teach Mentally and/or Physically Handicapped students was assigned to the positions of acting director of special education and director of special education.
4. One individual with a School Psychologist and Principal certificate was assigned to the locally titled position of coordinator of elementary special education.
5. One individual with a Mathematics and Instructional Technology Specialist certificate was assigned to the position of assistant principal.
6. One individual with an Elementary Education certificate was assigned to the locally titled position of Gifted Coordinator.
7. One individual was assigned to the position of Middle School Math Teacher with an Elementary certificate.

Inactive Certificate

One individual with an inactive certificate was assigned to the position of director of technology.

The District noted the following as causes for the deficiencies:

- Inconsistent communication between District staff and the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ).
- Failure to properly consider certification status when choosing a candidate for hire.

Information pertaining to certificates and assignments was submitted to PDE’s BSLTQ, for their review. BSLTQ confirmed the deficiencies. Therefore, the District is subject to the following subsidy forfeitures:

| <u>School Year</u> | <u>Possible Subsidy Forfeitures</u> |
|---------------------------|-------------------------------------|
| 2011-12 | \$14,233 |
| 2010-11 | <u>11,666</u> |
| Total Subsidy Forfeitures | <u>\$25,899</u> |

In addition to costing the District money, hiring individuals without proper certification could negatively impact students education.

Recommendations

The *Hempfield School District* should:

1. Require the individuals cited in this finding to immediately obtain proper certification for the positions assigned or reassign them to positions for which they are properly certified.
2. Require all individuals employed by the District to obtain the appropriate certificate prior to starting employment with the District.
3. Establish procedures to ensure emergency permits are obtained in a timely manner.

4. Ask for guidance from BSLTQ in writing to reduce the opportunity of miscommunication.

The *Pennsylvania Department of Education* should:

Recover the subsidy forfeitures of \$25,899.

Management Response

Management stated the following:

“During the course of the State Audit, the District was not able to produce certification documents for certain employees, and/or was not able to produce documentation of confirmation from PDE regarding the certification requirements for certain positions. The auditors developed a list of employees for whom they had questions about the certification requirements of the position.

Clearly the District is familiar with certification requirements, and the need to contact PDE for clarification of certification requirements regarding locally titled job descriptions. While we have made contact with the Bureau of School Leadership and Teacher Quality (BSLTQ) on various issues, the District has experienced some frustration of inconsistent responses at times, and that has complicated the process on several positions.

It should also be noted that the District has taken significant initiative in the past several years to improve our process on Human Resource (HR) issues, in particular certification issues. In 2009, we hired a Director of Human Resources, and have continued to work on a more robust HR process, including training for the HR staff on certification issues. We are therefore more aware and proactively working to resolve certification issues as they are identified.

During the audit, the District’s Director of Human Resources worked with the auditors to provide documentation of correspondence with BSLTQ staff members, and she continues to work on resolution of certification issues where they exist. This process will continue until all known certification issues are fully resolved.

Generally, however, it should be noted that as transitions have taken place, the District has searched for the best overall candidate, and we are at times willing to wait for certification paperwork on the best person for the professional position on a long-term basis, not simply a candidate who happens to possess the proper certification but does not have the leadership skills for the role. We will work to correct any confirmed certification findings, but ultimately need the right staff in place to lead the District during these very challenging times!

The Administration and Board of Directors are committed to curing these findings by clarifying the certification requirements of all locally titled positions, and ensuring that any/all employees do hold the required credentials for compliance with those requirements.”

Auditor Conclusion

Regardless of the District administration’s frustration with its candidate pool for certain positions its staff must still ensure that all new hires meet the state requirement.

Finding No. 2

Inadequate Documentation to Verify the Accuracy of Data Submitted for the Hempfield School District's Reimbursement

Criteria relevant to the finding:

The Pennsylvania Department of Education's End of Year Instructions for the reporting of mileage, days, and pupils state:

- District must report the number of miles per day, to the nearest tenth, that the vehicle traveled with and without pupils. If this figure changed during the year, the district is to calculate a weighted average or sample average.
- For the weighted average method for miles – Local Education Agency (LEA) must maintain records of Miles with Pupils and Miles without Pupils data for each vehicle. Examples show how to calculate weighted averages for mileage changes. Weighted averages should be rounded to the nearest tenth. In all cases, the weighted average will be more than the lowest day's mileage and less than the highest day's mileage.

Our audit of pupil transportation records for the 2009-10 and 2008-09 school years found that the Hempfield School District (District) did not properly obtain adequate documentation to report transportation data to the Pennsylvania Department of Education (PDE) for both school years.

PDE reporting instructions allow districts to report mileage using a weighted average or sample method. The District used neither method. The District was unaware of the PDE requirements to calculate and report a weighted average or sample average for miles with and without pupils.

For both school years reviewed the District did not obtain odometer readings for their buses to be able to calculate a sample or weighted average. The District was only obtaining one reading for each bus at the beginning of the school year and using that information to report to PDE. The District does not confirm the bus routes at the end of the school year by obtaining a second mileage reading. District personnel acknowledged that the bus routes can vary throughout the school year. Our review found that the District was properly calculating miles with and miles without pupils.

Recommendations

The *Hempfield School District* should:

1. Immediately begin to obtain odometer readings from their buses in order to compute a weighted or sample average for the mileage in accordance with PDE instructions.
2. Calculate either a sample or weighted average for each bus that is reported to PDE.
3. Maintain all odometer readings, for audit review, which were used in the calculation of the averages.

4. Ensure that personnel responsible for reporting transportation data are familiar with and follow the guidelines put forth by PDE each school year.

Management Response

Management stated the following:

“During the course of the State Audit, examination of Transportation records indicated that the District did not provide/retain sufficient documentation of odometer readings. There was an odometer reading from early in the year, but not a sample of odometer readings throughout the year.

The District confirms that this problem occurred, and corrective action has been taken to put proper reporting procedures in place. Monthly records of odometer readings on all buses are now maintained. The Administration and Board of Directors are committed to curing this finding by doing full and proper reporting in future years.”

Finding No. 3

Internal Control Weaknesses Regarding the Reporting of Membership Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. 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 English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) 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.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

During our audit of the Hempfield School District (District), District personnel were unable to reconcile student detail reports from their student information system that reconciled to final PDE reports in PIMS. Our review of the reports that were provided, found unexplained discrepancies with the data reported to PDE. Therefore, the District's membership data could not be audited and no audit adjustments could be made to the District's reported membership because of the questionable accuracy of the resident, nonresident, and district operated vocational membership data. It was further noted that the District operated a half-time kindergarten program during the 2009-10 school year. All kindergarten membership days were reported to PDE as full-time membership days in PIMS.

Internal controls are the responsibility of management. The District noted that they did not perform any reconciliations to ensure that the data in PIMS was accurate and in agreement with their own child accounting software. The District also noted that turnover in staff and the implementation of the new PIMS reporting process contributed to not being able to reconcile the membership

Additionally, according to the *Federal Information Systems Control Manual*, 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.

data for the 2009-10 school year. Failing to maintain proper internal control procedures over the District's child accounting data increases the chances that the District could receive an incorrect amount of state funding.

Recommendations

The *Hempfield School District* should:

1. Develop and implement procedures to ensure supporting documentation for child accounting data is retained in a manner that it can be retrieved, so that it will be available for audit.
2. Develop and implement written procedures for collecting and maintaining membership data.
3. Develop and implement procedures to reconcile student detail reports to final PDE reports.
4. Ensure that all membership days are properly reported under the correct classification.
5. Review years subsequent to our audit and ensure data from the District is reconciled to final PDE reports. If errors are found, the revision should be submitted to PDE.

Management Response

Management stated the following:

“During the course of the State Audit, examination of membership data records indicated that the District did not fully reconcile PIMS reporting data and that printed reports were not maintained. The auditors noted that there were no problems with the 2008-09 data, but issues were noted in 2009-10 that have not been fully resolved.

The 2009-10 year required using the PIMS system, which was relatively new and seemed to be implemented without full functionality and training of reporting entities around the state. By all reports, similar findings have occurred in other districts due to the systemic reporting issues and inconsistent implementation. When data are reported electronically, printed reports are not necessarily produced and retained unless there is a process communicated, and a requirement to do so. The District therefore notes these situations had an adverse effect on our ability to properly report and document as had normally been done in prior years.

The District has worked to resolve the reporting discrepancies, has created a documents folder of accumulated and corrected material, and will do any amended reporting required to ensure proper accounting of student data for the year affected. The data team has contacted PDE on multiple occasions throughout the audit window and has not been provided a reconciliation method from PDE/PIMS that is congruent with the auditor general's requests. The Administration and Board of Directors are committed to curing this finding by doing full and proper reporting in future years."

Status of Prior Audit Findings and Observations

Our prior audit of the Hempfield School District (District) released on November 4, 2010, resulted in two reported findings. The first finding pertained to certification, and the second finding pertained to Memoranda 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 analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings. As shown below, we found that the District partially implemented recommendations related to certification and fully implemented recommendations related to Memoranda of Understanding.

Auditor General Performance Audit Report Released on November 4, 2010

Finding No. 1: Certification Deficiencies

Finding Summary: Our prior audit of professional employees' certification for the period December 14, 2005 through September 10, 2009, found the Bureau of School Leadership and Teacher Quality (BSLTQ) upheld the deficiencies for the seven individuals that were cited. The total subsidy forfeiture that was owed by the District was \$68,499.

Recommendations: Our audit finding recommended that the District:

1. Require the individuals cited in the finding to immediately obtain proper certification for the positions assigned or reassign them to positions for which they are properly certified.
2. Submit all locally titled positions to BSLTQ for review and determination of the required certification before assigning individuals to such positions.

The Pennsylvania Department of Education:

3. Recover the subsidy forfeitures resulting from the deficiencies.

Current Status: Our current audit found that the District did not implement both recommendations. The District does contact BSLTQ for locally titled positions. However, the District did not obtain proper certification for four of the seven individuals cited in the prior audit (refer to Finding No. 1, see page 6). In addition, the auditors found three additional employees with improper certification. On June 1, 2011, PDE withheld the subsidy forfeiture of \$68,499.

Finding No. 2: Failure to Obtain Memoranda of Understanding

Finding Summary: Our prior audit of the District's records found that the District did not have a Memoranda of Understanding (MOU) with its four local law enforcement agencies.

Recommendations: Our audit finding recommended that the District:

1. Develop and obtain current MOUs between the District and all of the local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status: Our current audit found that the District implemented our recommendations from the prior audit, MOUs were developed and obtained from its four local law enforcement agencies and a policy was adopted requiring the administration to review and re-execute the MOUs every two years.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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

The Honorable William E. Harner
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

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

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

