

HOMER-CENTER SCHOOL DISTRICT
INDIANA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FEBRUARY 2012

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

Mrs. Vicki Smith, Board President
Homer-Center School District
65 Wildcat Lane
Homer City, Pennsylvania 15748

Dear Governor Corbett and Mrs. Smith:

We conducted a performance audit of the Homer-Center School District (HCSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 11, 2010 through September 27, 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 HCSD 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 HCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve HCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the HCSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

February 24, 2012

cc: **HOMER-CENTER SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Errors in Pupil Transportation Reports Resulted in a Net Overpayment of \$17,587	6
Status of Prior Audit Findings and Observations	9
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Homer-Center School District (HCS D). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period February 11, 2010 through September 27, 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 HCS D encompasses approximately 42 square miles. According to 2000 federal census data, it serves a resident population of 6,720. According to District officials, in school year 2009-10 the HCS D provided basic educational services to 907 pupils through the employment of 72 teachers, 57 full-time and part-time support personnel, and 6 administrators. Lastly, the HCS D received more than \$7.1 million in state funding in school year.

Audit Conclusion and Results

Our audit found that the HCS D 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: Errors in Pupil Transportation Reports Resulted in a Net Overpayment of \$17,587. Our audit of transportation records for the 2009-10 and 2008-09 school years found HCS D personnel made reporting errors; the errors were clerical in nature (see page 6).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.



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 February 11, 2010 through September 27, 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 Department of Education reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the HCSD'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:

- ✓ 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 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?
- ✓ 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?

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, 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, observations and conclusions based on our audit objectives.

HCSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

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, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Findings and Observations

Finding

Errors in Pupil Transportation Reports Resulted in a Net Overpayment of \$17,587

Criteria relevant to the finding:

Section 2541 of the Public School Code provides that school districts shall be paid by the Commonwealth for every school year on account of pupil transportation.

Daily miles traveled, the greatest number of pupils transported, days of service, and nonreimbursable pupils are integral part of the transportation reimbursement calculation. These factors must be reported accurately to DE in order to receive the correct reimbursement.

Section 2509.3 of the Public School Code provides that school districts shall be paid by the Commonwealth for each nonpublic and charter school pupil transported.

Our audit of the pupil transportation records submitted to the Department of Education (DE) for the 2009-10 and 2008-09 school years found District personnel made reporting errors by adding mileage and pupil data for an after school activity run to the regular transportation route. In addition, the District underreported the number of non-reimbursable pupils transported for both years of audit and the number of nonpublic pupils transported in the 2009-10 school year. These errors resulted in a net overpayment of \$12,158 for the 2009-10 school year and an overpayment of \$5,429 for the 2008-09 school year.

The greatest number of pupils transported, nonpublic pupils, non-reimbursable pupils, daily mileage, and days of service are integral parts of the transportation subsidy formula and must be reported accurately and in accordance with DE instructions to ensure the correct subsidy is received.

Late Runs/Activity Runs

For a portion of the 2009-10 and 2008-09 school years, the District provided transportation to the Boys and Girls Club for an after school program. However, when District personnel compiled the end-of-the-year transportation information they mistakenly included the mileage and the pupils transported to the Boys and Girls Club with the regular transportation route information, thereby inflating the mileage and pupils on the original route.

Non-Reimbursable Pupils

Non-reimbursable pupils are elementary pupils living within one and a half miles of their school or secondary pupils living within two miles of their school who are transported by the District. Such pupils are not to be included in the calculation of the District's transportation reimbursement unless they are classified as exceptional children, are being transported to area vocational-technical

schools, or are transported over Pennsylvania Department of Transportation certified hazardous walking routes.

District personnel underreported the number of non-reimbursable pupils by 15 in 2009-10 and 9 in 2008-09.

The errors were clerical in nature.

Non-Public Pupils

The District transports resident students to nonpublic educational facilities that are within the District's boundaries or within 10 miles of their boundaries. DE then provides the District with a subsidy of \$385 per student.

In the 2009-10 school year, District personnel made a clerical error that resulted in the number of nonpublic pupils being underreported by one.

We have provided DE with reports to be used for the recalculation of the District's pupil transportation reimbursement.

Recommendations

The *Homer-Center School District* should:

1. Conduct an internal review to ensure the daily mileage, pupil count, days of service, nonreimbursable pupils, and nonpublic pupils are accurately recorded and reported to DE.
2. Perform a review of subsequent years' data for accuracy and resubmit reports if necessary.

The *Department of Education* should:

3. Adjust the District's allocations to correct the reimbursement overpayment of \$17,587.

Management Response

Management stated the following:

Mileage for the first trip home for students participating in an after school Boys & Girls Club program was reported improperly. In most cases, the transportation would be reported as an activity run. In the year prior to the audit

period (the first year of the after school Boys & Girls Club program), PDE guidance was provided to the school District that indicated that the mileage should be reported as “regular” transportation when a vehicle is not otherwise used for a first trip home. For the current audit period, the guidance was mistakenly applied when reporting all after school transportation for Boys & Girls club. In the future, mileage for Boys & Girls club after school transportation will be reported as activity runs unless a vehicle is not otherwise used for a first trip home.

Status of Prior Audit Findings and Observations

Our prior audit of the Homer-Center School District resulted in no findings or observations.



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
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
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. Nichole Duffy
Director, Bureau of Budget and
Fiscal Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.

