

JERSEY SHORE AREA SCHOOL DISTRICT
LYCOMING COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2012

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

Mr. Robert Pryor, Board President
Jersey Shore Area School District
175 A & P Drive
Jersey Shore, Pennsylvania 17740

Dear Governor Corbett and Mr. Pryor:

We conducted a performance audit of the Jersey Shore Area School District (JSASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period August 18, 2009 through March 2, 2012, 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 JSASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 13, 2012

cc: **JERSEY SHORE AREA SCHOOL DISTRICT** Board Members

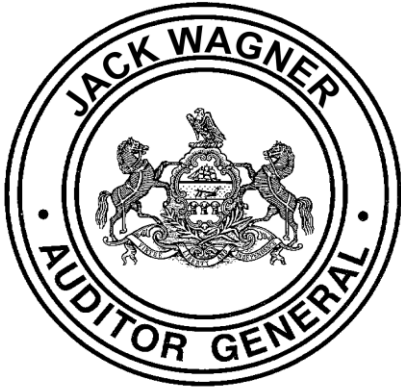
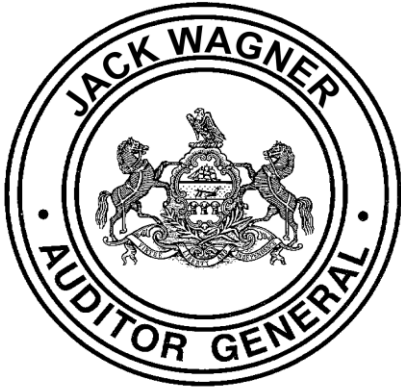


Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Continued Transportation Reporting Errors Resulted in a Net Underpayment of Reimbursement	6
Finding No. 2 – Certification Deficiencies	8
Status of Prior Audit Findings and Observations	10
Distribution List	11



Executive Summary

Audit Work

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

Our audit scope covered the period August 18, 2009 through March 2, 2012, 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 JSASD encompasses approximately 385 square miles. According to 2010 state census data, it serves a resident population of 17,858. According to District officials, in school year 2009-10 the JSASD provided basic educational services to 2,686 pupils through the employment of 212 teachers, 180 full-time and part-time support personnel, and 19 administrators. Lastly, the JSASD received more than \$18.6 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the JSASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified two compliance-related matters reported as findings.

Finding No. 1: Continued Transportation Reporting Errors Resulted in a Net Underpayment of Reimbursement. Our audit of the JSASD's pupil transportation records and reports for the 2009-10 and 2008-09 school years found continued weaknesses in the JSASD's system of internal controls.

Errors in contracted service data reported to the Pennsylvania Department of Education (PDE) resulted in a net underpayment of transportation subsidy in the amount of \$20,125 (see page 6).

Finding No. 2: Certification Deficiencies. Our audit of the JSASD's professional employees' certificates found one individual with a lapsed certificate and one individual assigned to a position without the proper certification.

The Bureau of School Leadership and Teacher Quality, PDE determined that the JSASD was subject to a subsidy forfeiture of \$2,623 for the 2009-10 school year and \$3,964 for the 2010-11 school year. The 2011-12 school year aid ratios were not available for audit; therefore, we could not determine the subsidy forfeiture (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the JSASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the JSASD had not taken appropriate corrective action in implementing our recommendations pertaining to the continued transportation reporting errors resulting in overpayments (see page 10).

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 August 18, 2009 through March 2, 2012, except for the verification of professional employee certification which was performed from August 19, 2009 through February 6, 2012.

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 JSASD'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?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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 does 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?
- ✓ Is the District taking 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 members free from apparent conflicts of interest?
- ✓ 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 and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

JSASD 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the JSASD's response to PDE dated March 15, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Continued Transportation Reporting Errors Resulted in a Net Underpayment of Reimbursement

Criteria and Public School Code relevant to the finding:

DE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, number of days the vehicle provided to and from school transportation and pupils transported to and from school be based on actual data using the district's daily records and weighted averaging of mileage and pupils.

Section 2541 provides for payment for pupil transportation.

Section 2509.3 authorizes an additional reimbursement of \$385 for each nonpublic and charter school pupil transported for the 2008-09 and 2009-10 school years.

Our audit of the Jersey Shore Area School District's (JSASD) pupil transportation records and reports for the 2009-10 and 2008-09 school years found continued weaknesses in the JSASD's system of internal controls.

Errors in contracted service data reported to the Pennsylvania Department of Education (PDE) resulted in a net underpayment of transportation subsidy in the amount of \$20,125. Errors in reporting nonpublic pupils were included in our two prior audits.

The JSASD's report overstated one vehicle's miles with pupils and miles without pupils in the 2009-10 school year resulting in an overpayment of \$702.

The JSASD also incorrectly reported the number of days pupils were transported for two vehicles, and understated the miles with pupils and miles without pupils for four vehicles in the 2008-09 school year resulting in an underpayment of \$9,662.

In addition, the JSASD overreported seven charter school pupils and underreported 22 nonpublic pupils for the 2009-10 school year, resulting in an underpayment of \$5,775. The JSASD overreported three charter school pupils and underreported 17 nonpublic pupils for the 2008-09 school year, resulting in an underpayment of \$5,390.

The errors were due to the JSASD personnel's failure to reconcile their final reports.

Recommendations

The *Jersey Shore Area School District* should:

1. Report eligible nonpublic and charter pupils only once for reimbursement purposes.

2. Strengthen controls to ensure accurate reporting of nonpublic and charter pupils transported.
3. Thoroughly reconcile all transportation data for accuracy prior to submission of reports to PDE.
4. Review subsequent reports submitted to PDE and revise if necessary.

The *Pennsylvania Department of Education* should:

5. Adjust the JSASD's allocations to resolve the net reimbursement underpayment of \$20,125.

Management Response

Management stated the following:

This was a personnel issue. The district has replaced the Transportation Director. We feel this will address the issue.

Finding No. 2 →

Public School Code relevant to the finding:

Section 1202 provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 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.

Certification Deficiencies

Our audit of the Jersey Shore Area School District's (JSASD) professional employees' certificates and assignments was conducted to determine compliance with the Public School Code, Bureau of School Leadership and Teacher Quality (BSLTQ), and the Pennsylvania Department of Education's (PDE) Certification and Staffing Policies and Guidelines.

Our audit of the professional employees' certificates found one individual with a lapsed certificate and one individual assigned to a position without the proper certification.

One teacher was employed with a lapsed temporary certificate in Spanish. The temporary certificate had expired at the end of the 2008-09 school year and the individual had continued to teach for the 2009-10, 2010-11 and the 2011-12 school years.

Also, an individual with School Psychologist and Supervisor of Pupil Personnel Services certificates was hired on March 15, 2010, as the director of special education which requires a Supervisor of Special Education certificate. This individual held the position of director of special education in the 2009-10, 2010-11 and 2011-12 school years without holding the required certificate for the assignment.

BSLTQ, PDE confirmed these deficiencies. Subsequently, the JSASD is subject to a subsidy forfeiture of \$2,623 for the 2009-10 school year and \$3,964 for the 2010-11 school year. The 2011-12 school year's aid ratios were not available for audit; therefore, we could not determine the subsidy forfeiture.

Recommendations

The *Jersey Shore Area School District* should:

1. Assign employees to areas in which they have proper certification.
2. Before the start of each school year verify that all teachers not permanently certified are qualified to teach and still have years remaining on their temporary certificate.

The *Pennsylvania Department of Education* should:

3. Adjust the JSASD's allocations to recover any subsidy forfeiture deemed necessary.

Management Response

Management stated the following:

We have a system using a spreadsheet to identify certifications, seniority and assignments.

- We will review certifications in August of every year.
- We will review teachers' files and the information on our spreadsheet, addressing discrepancies and then signing off on the spreadsheet.

Status of Prior Audit Findings and Observations

Our prior audit of the Jersey Shore Area School District (JSASD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to their continued transportation reporting errors resulting in overpayments of reimbursement. 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 JSASD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the JSASD did not implement recommendations related to their transportation reports.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Finding: **Continued Transportation Reporting Errors Resulted in Overpayments of Reimbursement**

Finding Summary: Our prior audit of the District's pupil transportation records and reports submitted to PDE found that District personnel continued to incorrectly report nonpublic pupils for the 2006-07 and 2007-08 school years resulting in overpayments of \$22,330.

Recommendations: Our audit finding recommended that the JSASD:

1. Report eligible nonpublic pupils only once for reimbursement purposes.
2. Strengthen controls to ensure accurate reporting of nonpublic pupils transported.
3. Thoroughly reconcile all transportation data for accuracy prior to submission of reports to PDE.
4. Review subsequent reports submitted to PDE and revise if necessary.

The *Pennsylvania Department of Education* should:

5. Adjust the District's allocations to resolve the net reimbursement overpayments of \$22,330.

Current Status: During our current audit procedures we found that the JSASD did not implement the recommendations (See Finding No.1 on page 6).

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
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

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.

