

JOHNSONBURG AREA SCHOOL DISTRICT
ELK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Robert Paladino, Board President
Johnsonburg Area School District
315 High School Road
Johnsonburg, Pennsylvania 15845

Dear Governor Rendell and Mr. Paladino:

We conducted a performance audit of the Johnsonburg Area School District (JASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 8, 2009 through August 3, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 JASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We appreciate the JASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 23, 2010

cc: **JOHNSONBURG AREA SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Johnsonburg Area School District (JASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the JASD in response to our prior audit recommendations.

Our audit scope covered the period June 8, 2009 through August 3, 2010, 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 2007-08 and 2006-07.

District Background

The JASD encompasses 227 approximately square miles. According to 2000 federal census data, it serves a resident population of 7,526. According to District officials, in school year 2007-08 the JASD provided basic educational services to 705 pupils through the employment of 56 teachers, 32 full-time and part-time support personnel, and 4 administrators. Lastly, the JASD received more than \$6.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the JASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the JASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the JASD had taken appropriate corrective action in implementing our recommendations regarding the Department of Education approval for maintenance and repair projects (see page 7).



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 June 8, 2009 through August 3, 2010, except for the verification of professional employee certification which was performed for the period March 28, 2009 through July 7, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the JASD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits.

Methodology

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

JASD management is responsible for establishing and maintaining effective internal controls to provide

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, regulations, contracts, grant requirements and administrative procedures.

reasonable assurance that the District is in compliance with applicable laws, regulations, 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, professional employee certification, state ethics compliance, 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 JASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 29, 2009, we performed audit procedures targeting the previously reported matters.

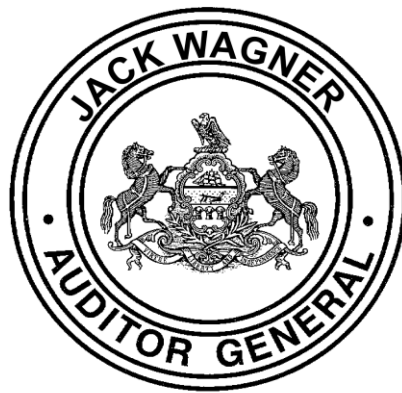
Findings and Observations

For the audited period, our audit of the Johnsonburg Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Johnsonburg Area School District (JASD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to the District's failure to obtain Department of Education (DE) approval for maintenance and repair projects exceeding \$15,000. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and questioned District personnel regarding the prior finding. As shown below, we found that the JASD did implement recommendations related to obtaining DE approval for maintenance and repair projects exceeding \$15,000.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	Implementation Status	
<p><u><i>I. Finding: Noncompliance with the Public School Code</i></u></p> <ol style="list-style-type: none"> 1. Implement corrective action to ensure DE approval is received for all projects over \$15,000 in accordance with Section 731 of the Public School Code. 2. Submit the proper documentation for the projects completed. 3. DE should require the District to submit the proper documentation for all projects completed. 	<p>Background:</p> <p>Our prior audit of the District's bid and invoice files found the District's board of directors authorized two maintenance projects without submitting proper documentation to DE for approval in accordance with the Public School Code.</p>	<p>Current Status:</p> <p>Our current audit found that the District did obtain DE approval for maintenance and repair projects exceeding \$15,000 since our last audit.</p> <p>The District also submitted applications for DE approval for the projects noted in our prior audit finding; however, DE informed the District they would not approve them retroactively.</p> <p>Based on the results of our current audit, we concluded that the District did take appropriate corrective action in implementing our recommendations.</p>



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:

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