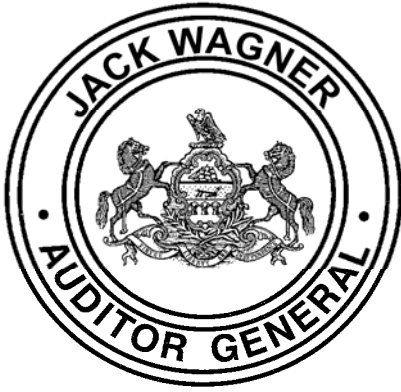


LEWISBURG AREA SCHOOL DISTRICT
UNION COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2009

LEWISBURG AREA SCHOOL DISTRICT
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background	3
Objectives, Scope and Methodology	4
Conclusions	5
Objective No. 1	5
Objective No. 2	8
Supplementary Information: Schedule and Description of State Revenue Received	11
Audit Report Distribution List	15



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

Ms. Kathy K. Swope, Board President
Lewisburg Area School District
P.O. Box 351
Lewisburg, Pennsylvania 17837

Dear Governor Rendell and Ms. Swope:

We have conducted a performance audit of the Lewisburg Area School District for the years ended June 30, 2006 and 2005, 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 Lewisburg Area 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 Lewisburg Area 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 Lewisburg Area 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 Lewisburg Area 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 findings further discussed in the Conclusions section of this report:

Objective No. 1

Finding No. 1 – Bus Contractor's Billing Error Resulted in Incorrect District Reimbursement

Finding No. 2 – Board Members Failed to File Statement of Financial Interests Forms in Violation of the Ethics Act

We believe that our recommendations, if implemented by the district, will improve the internal control weakness identified and 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

January 29, 2009

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

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Lewisburg Area School District is located in Union County and encompasses an area of 44.5 square miles. The school district has a population of 17,279, according to the 2000 federal census. The administrative offices are located at 1951 Washington Avenue, Lewisburg, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 1,813 pupils through the employment of 7 administrators, 125 teachers, and 79 full-time and part-time support personnel. Special education was provided by the district and the Central Susquehanna Intermediate Unit #16. Occupational training and adult education in various vocational and technical fields were provided by the district and the SUN Area 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 11 through 14 of this report for a listing of the state revenue the district received during the 2005-06 and 2004-05 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.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Lewisburg Area 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 Lewisburg Area 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 and 2005, 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.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Lewisburg Area 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 Lewisburg Area 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 findings listed below. The findings and recommendations were reviewed with representatives of the Lewisburg Area School District, and their comments have been included in this report.

Finding No. 1 – Bus Contractor’s Billing Error Resulted in Incorrect District Reimbursement

Our audit of the district’s pupil transportation records and reports submitted to the Department of Education (DE) found that district personnel underpaid one bus contractor in the amount of \$32,446, resulting in a reimbursement underpayment of \$32,446 for the 2004-05 school year.

Contracted cost is an integral part of the transportation formula. This factor must be accurately reported and calculated in accordance with DE guidelines and instructions.

According to the contract held by the district for one contractor, the district was to pay for services based on state formula. However, the contractor incorrectly calculated the amount owed by the district resulting in the district paying the contractor \$32,446 less than state formula. This mistake resulted in the district being underpaid \$32,446 in reimbursement for the 2004-05 school year. District personnel noted that they are currently working with the contractor to resolve the error.

We noted no significant errors for the 2005-06 school year.

Recommendations

District personnel should reconcile all figures at the end of the school year and make final payment adjustments to contractors, as necessary.

DE should adjust the district’s allocation to resolve the reimbursement underpayment.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Response of Management

Management agreed with the finding and offered the following response:

District paid the contractor the actual invoiced amount. Contractor did not invoice nor calculate the final adjusted amount for the year prior to the district submitting the PDE-2518 summary on pupil transportation by vehicle.

Finding No. 2 – Board Members Failed to File Statement of Financial Interests Forms in Violation of the Ethics Act

Our audit of district records for calendar years ended December 31, 2006 and 2005 found that one member did not file his Statement of Financial Interests form for the calendar year ended December 31, 2006 and three members did not file their Statements of Financial Interests forms for the calendar year ended December 31, 2005.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa. C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa. C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Section 1109(b), 65 Pa C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The board should:

- contact the State Ethics Commission in regard to the board's responsibility when a member fails to file a Statement of Financial Interests form; and
- develop procedures to ensure all individuals required to file Statements of Financial Interests forms do so in compliance with the Ethics Act.

Response of Management

Management agreed with the finding and offered the following response:

Board members not seeking re-election did not realize that the Ethics Act form was for the prior calendar year. In the interim, the recording secretary retired and her replacement did not realize the information was not submitted.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Lewisburg Area School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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 October 26, 2006, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding specific prior years' findings and recommendations.

Finding No. 1 – Errors in Reporting Nonpublic Pupils Transported Resulted in an Underpayment of \$16,170

Our prior audit of the district's pupil transportation records and reports submitted to the Department of Education (DE) for the 2002-03 and 2003-04 school years found that district personnel underreported the number of nonpublic pupils transported, resulting in a reimbursement underpayment of \$16,170 for the 2003-04 school year.

We recommended that district personnel strengthen controls to ensure that the number of nonpublic pupils transported is reconciled to the number reported to DE; review reports submitted subsequent to our audit period, and if similar errors were found, submit revised reports to DE.

We also recommended that DE adjust the district's allocations to resolve the reimbursement underpayment of \$16,170.

The board, in its written response, agreed with the finding and offered the following:

Nonpublic pupils transported were underreported by 42 for the 2003-04 school year. District will have reports reviewed by another employee if an employee has adequate time to review the data prior to the submission of our PDE-1049 and PDE-2089 reports.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Our current audit found that district personnel implemented our recommendations. Moreover, on October 26, 2006, DE paid the district an additional \$16,170 to resolve the reimbursement underpayment.

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 – Nonresident Membership Reporting Errors Resulted in a Reimbursement Underpayment

Our two prior audit reports found errors in the reporting of nonresident pupil membership to DE for the 2000-01, 2002-03, and 2003-04 school years, resulting in a reimbursement underpayment of \$6,612 for the 2000-01 school year and the incorrect subsidy and reimbursements being paid to three neighboring school districts for the 2003-04 school year and four neighboring school districts for the 2002-03 school year.

We recommended that district management provide for continued training for the individual responsible for child accounting functions and DE adjust the underpayment of \$6,612 to the district as well as the affected school districts' allocations to resolve the errors.

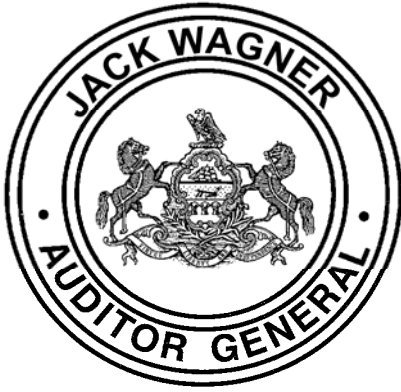
The board, in its written response, agreed with the finding and offered the following:

Human error occurred when the district recorded data on the incorrect line of the final report. District will have reports reviewed by another employee if an employee has adequate time to review the data.

Our current audit found that district management implemented our recommendation by providing continued training for the individual responsible for child accounting functions.

As of our fieldwork completion date of February 8, 2008, DE had not adjusted the reimbursement underpayment of \$6,612, nor did it adjust the affected school districts' allocations to resolve the errors. Therefore, we again recommend that DE make the necessary adjustments to resolve these errors.

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



LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$5,319,199 and \$5,150,000, respectively, for the years ended June 30, 2006 and 2005, as detailed in the following schedule:

STATE REVENUE	<u>2006</u>	<u>2005</u>
Basic Education	\$2,737,629	\$2,643,607
Charter Schools	38,095	26,813
Tuition for Orphans and Children Placed in Private Homes	24,162	16,841
Homebound Instruction	166	25
Vocational Education	4	8
Driver Education	3,360	2,730
Migratory Children	-	34
Special Education	953,624	934,925
Transportation	581,644	582,140
Rental and Sinking Fund Payments	269,643	269,897
Health Services	33,237	34,109
PA Accountability	94,774	94,774
Social Security and Medicare Taxes	365,859	346,396
Retirement	214,604	197,701
Alternative Education-Disruptive Youth Grant	<u>2,398</u>	<u>-</u>
<u>TOTAL STATE REVENUE</u>	<u>\$5,319,199</u>	<u>\$5,150,000</u>

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

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.

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.

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.

Migratory Children

Revenue received from the Commonwealth as subsidy for the attendance of migratory children in accordance with Sections 2502 and 2509.2 of the Public School Code.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

PA Accountability

Revenue received from the Commonwealth authorized by Act 48 of 2003 for school districts to implement research-based programs to boost student achievement.

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.

LEWISBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

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
333 Market Street
Harrisburg, PA 17126

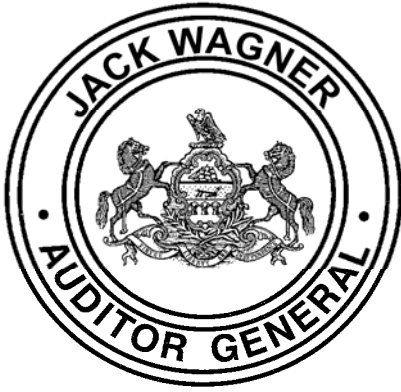
The Honorable Robert McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

Ms. Barbara Nelson
Acting 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

Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

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.