

LIGONIER VALLEY SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2010

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

Mr. Bruce Robinson, Board President
Ligonier Valley School District
339 West Main Street
Ligonier, Pennsylvania 15658

Dear Governor Rendell and Mr. Robinson:

We conducted a performance audit of the Ligonier Valley School District (LVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 9, 2007 through October 14, 2009, 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 LVSD complied, in all significant respects, with applicable state laws, regulations, 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 LVSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve LVSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the LVSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

October 1, 2010

cc: **LIGONIER VALLEY 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 Ligonier Valley School District (LVSD). 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 LVSD in response to our prior audit recommendations.

Our audit scope covered the period November 9, 2007 through October 14, 2009, 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 LVSD encompasses approximately 230 square miles. According to 2000 federal census data, it serves a resident population of 16,959. According to District officials, in school year 2007-08 the LVSD provided basic educational services to 1,997 pupils through the employment of 156 teachers, 87 full-time and part-time support personnel, and 10 administrators. Lastly, the LVSD received more than \$9.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the LVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Police Departments of Two Local Municipalities Failed to Provide the District with an Updated Memorandum of Understanding. Our audit of the LVSD's records found that the Memoranda of Understanding (MOU) between the LVSD and two local law enforcement agencies were signed on November 10, 1998, but had not been updated since. This was also the subject of an observation in the prior audit (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the LVSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the LVSD had taken appropriate corrective action in implementing our recommendations pertaining to board members failing to file financial statements (see page 8). We found the LVSD has tried to get two local municipalities to sign updated MOU's with the LVSD but the municipalities had not yet signed them (see page 9).



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 November 9, 2007 through October 14, 2009, except for the verification of professional employee certification which was performed for the period August 31, 2007 to June 30, 2009.

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 (DE) 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 LVSD'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

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.

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.

LVSD management is responsible for establishing and maintaining effective internal controls to provide 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.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 23, 2008, we reviewed the LVSD's response to DE dated January 20, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Police Departments of Two Local Municipalities Failed to Provide the District with an Updated Memorandum of Understanding

Criteria relevant to this finding:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions, item B of this sample states:

This memorandum may be amended, expanded, or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our audit of the District's records found that Memoranda of Understanding (MOU) between the District and two of its local law enforcement agencies were signed on November 10, 1998, but had not been updated since. This was also the subject of an observation in our prior audit (see page 9). The District's attempts to obtain the MOUs have been unsuccessful.

The failure to obtain an updated MOU from two local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or a school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Ligonier Valley School District* should:

1. In consultation with its solicitor, attempt again to work with the solicitors of the municipalities to update the MOUs.

2. Review, update and re-execute the MOUs between the District and all law enforcement agencies every two years.

Management Response

Management waived the opportunity to respond to this finding at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Ligonier Valley School District (LVSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one finding and one observation. The finding pertained to board members failing to file Statements of Financial Interests. The observation pertained to two local municipalities failing to sign an updated Memorandum of Understanding (MOU). 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 LVSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the LVSD did implement recommendations related to the finding; however, the two local municipalities still have not provided an updated MOU.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District’s solicitor in regard to the board’s responsibility when a board member fails to file a Statement of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit found that certain board members did not file Statements of Financial Interests. Four board members did not file the required form for the 2005 calendar year and three board members did not file the required form for the 2003 calendar year.</p>	<p>Current Status:</p> <p>Our current audit found that all board members filed their Statements of Financial Interests for the calendar years 2007 and 2008.</p> <p>Based on the results of our current audit, we found the District did take appropriate corrective action to address this finding.</p>

<p><u>II. Observation: Two Local Municipalities Did Not Provide School District with an Updated Memorandum of Understanding</u></p> <p>1. The District administration, in consultation with its solicitor, should work with the solicitor of the two municipalities that failed to update the MOU.</p> <p>2. The District administration should continue to review, update and re-execute the MOUs between the District and the law enforcement agencies every two years.</p>	<p>Background:</p> <p>Our prior audit of the District's records found that MOU between the District and four local law enforcement agencies were signed on November 10, 1998, but had not been updated since.</p> <p>During the course of our prior audit the District obtained two updated MOU's, but two municipalities failed to update them.</p>	<p>Current Status:</p> <p>Our current audit found the District again updated the MOU with two law enforcement agencies. However, the other two municipalities still had not provided updated MOUs, although the District has made several attempts to obtain them (see the current finding on page 6).</p>
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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:

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