

LOWER DAUPHIN SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. Todd Kreiser, Board President
Lower Dauphin School District
291 East Main Street
Hummelstown, Pennsylvania 17036

Dear Governor Corbett and Mr. Kreiser:

We conducted a performance audit of the Lower Dauphin School District (LDSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 17, 2009 through August 16, 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 LDSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

We appreciate the LDSD's cooperation during the conduct of the audit.

Sincerely,

January 31, 2012

JACK WAGNER
Auditor General

cc: **LOWER DAUPHIN 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 Lower Dauphin School District (LDS). 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 LDS in response to our prior audit recommendations.

Our audit scope covered the period April 17, 2009 through August 16, 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

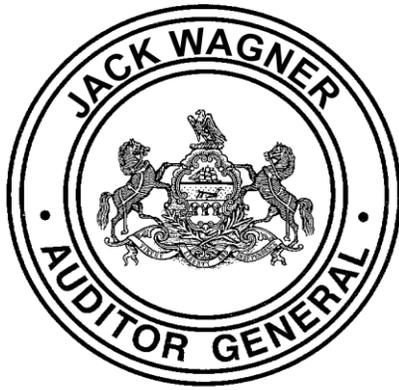
The LDS encompasses approximately 89 square miles. According to 2000 federal census data, it serves a resident population of 22,546. According to District officials, in school year 2009-10 the LDS provided basic educational services to 3,938 pupils through the employment of 326 teachers, 213 full-time and part-time support personnel, and 22 administrators. Lastly, the LDS received more than \$17.3 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the LDS complied, in all significant respects, with applicable state laws, 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 LDS from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the LDS had taken appropriate corrective action in implementing our recommendations pertaining to a certification deficiency (see page 7), internal control weaknesses in student activities fund operation (see page 8), and Memoranda of Understanding that were not updated timely (see page 8).



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 April 17, 2009 through August 16, 2011 except for the verification of professional employee certification which was performed for the period July 1, 2008 through July 8, 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 (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 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 LDSD'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?
- ✓ 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?
- ✓ 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, 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.

LDSD 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 bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 25, 2010, we reviewed the LDSO's response to DE dated July 19, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Lower Dauphin School District (LDSD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in two reported findings and one observation. The first finding pertained to a certification deficiency, and the second finding pertained to internal control weaknesses in student activity fund operation. The observation pertained to Memoranda of Understanding that were not updated timely. 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 LDSD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the LDSD did implement recommendations related to the certification deficiency, internal control weaknesses in student activity fund operation, and the Memoranda of Understanding.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding No. 1: Certification Deficiency

Finding Summary:

Our prior audit of professional employees' certifications found one individual cited in our audit of the 2003-04, 2002-03, 2001-02 and 2000-01 school years continued to be employed during the 2005-06 school year in a locally titled position of student assistance/attendance program coordinator. The Bureau of School Leadership and Teacher Quality (BSLTQ) issued its final review dated July 21, 2009, upholding this deficiency, and the resulting subsidy forfeiture was \$2,954.

Recommendations:

Our audit finding recommended that the LDSD:

Obtain BSLTQ's determination of certification requirements for all locally titled positions prior to employment.

We also recommended that DE:

Recover the subsidy forfeiture resulting from BSLTQ's determination.

Current Status:

Our current audit found that the LDSD did implement our recommendation by obtaining a determination from BSLTQ for all locally titled positions prior to employment.

Additionally, DE deducted \$2,954 from the District's allocations on June 1, 2010, to resolve this finding.

Finding No. 2: Internal Control Weaknesses in Student Activity Fund Operation

Finding Summary: Our prior audit of the student activity fund for the 2007-08 school year found the District had not taken appropriate corrective action on the following four conditions cited in our preceding audit:

1. Unused monies in five inactive student activity accounts.
2. Board policy allows the transfer of funds to private accounts.
3. Board policy does not allow funds to be carried over from one year to the next.
4. Existence of a general fund account within the student activity fund.

Recommendations: Our audit finding recommended that the LDSD:

1. Revise student activity fund policy to address inactive accounts, disallow the transfer of funds to a private account for graduating classes, and allow for monies to be carried over from one year to the next.
2. Determine the proper accounting and classification for monies in accounts unrelated to student run activities.

Current Status: Our current audit found that the LDSD did implement our recommendations by revising its Student Activity Policy No. 618, effective December 21, 2009.

Observation: Memoranda of Understanding Not Updated Timely

Observation Summary: Our prior audit of the District's records found that the Memorandum of Understanding (MOU) between the District and the local law enforcement agency was signed January 29, 2004, and the MOU with the state law enforcement agency was signed April 2, 2007. Neither of the MOUs had been updated.

As a result of our audit, the District and the local law enforcement agency updated their MOU as of April 13, 2009.

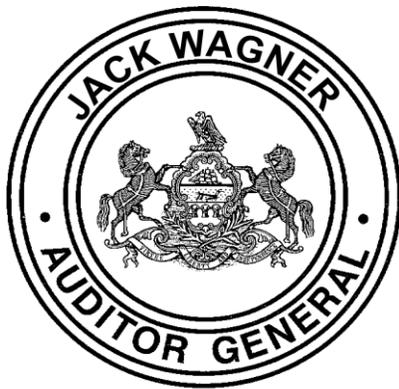
Recommendations:

Our audit observation recommended that the LDSD:

1. Review, update and re-execute the current MOU between the District and the state law enforcement agency.
2. Follow the General Provisions of the District's MOU (Section VI, item B) which state the MOUs 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 their original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOUs every two years as stated in the current MOUs.

Current Status:

Our current audit found that the LDSD implemented our recommendations.



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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