



**MARION CENTER AREA SCHOOL
DISTRICT**

**INDIANA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

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

Mr. Gregg Sacco, Board President
Marion Center Area School District
22820 Route 403, Highway North
Marion Center, Pennsylvania 15759

Dear Governor Corbett and Mr. Sacco:

We conducted a performance audit of the Marion Center Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 24, 2011 through February 13, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012 and June 30, 2011. 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

July 3, 2013

cc: **MARION CENTER AREA SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding – Internal Control Weaknesses in Reporting Pupil Transportation Data	5
Status of Prior Audit Findings and Observations	7
Distribution List	8

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Marion Center Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 24, 2011 through February 13, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12 and 2010-11 school years.

District Background

The District encompasses approximately 195 square miles. According to 2010 federal census data, it serves a resident population of 10,491. According to District officials, the District provided basic educational services to 1,426 pupils through the employment of 115 teachers, 79 full-time and part-time support personnel, and 7 administrators during the 2011-12 school year. Lastly, the District received \$13.7 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

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

Finding: Internal Control Weaknesses in Reporting Pupil Transportation Data.

Our audit of the Marion Center Area School District's (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education for the 2010-11 school year found a lack of oversight in reviewing the data received from the District's transportation contractors (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania 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 March 24, 2011 through February 13, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 school years.

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 District'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:

- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?

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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's 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. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil

transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation and bus driver qualifications.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Findings and Observations

Finding →

Internal Control Weaknesses in Reporting Pupil Transportation Data

Criteria relevant to the finding:

Chapter 23 of the State Board of Education Regulations 22 Pa Code § 23.4, provides that the board of directors of a school district is responsible for:

“(3) The establishment of routes, schedules, and loading zones which comply with laws and regulations . . .

(5) The furnishing of rosters of pupils to be transported on each school bus run and trip.”

Instructions for completing the Pennsylvania Department of Education’s End-of-Year Pupil Transportation reports provide that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle. Additionally, the instructions require information and data used by the LEA to be retained for audit purposes.

24 P.S. § 5-518 of the Public School Code requires retention of these records for a period of not less than six years.

Our audit of the Marion Center Area School District’s (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2010-11 school year found reporting errors in the following areas:

- Greatest number of pupils transported.
- Number of miles with pupils.
- Number of miles without pupils.
- Number of days pupils were transported.
- Number of nonpublic pupils transported.

The errors were due to a lack of oversight by District personnel in reviewing transportation data received from the contractors. This data is submitted to PDE for use in calculating the District’s transportation subsidy.

Although these errors did not result in a significant change to the District’s transportation subsidy, they should be corrected to avoid more significant issues going forward. The internal control weaknesses that were noted included the following examples:

- The District did not reconcile the drivers’ mileage sheets to the sample average calculation sheets that were received from the bus contractor to verify that totals for each vehicle’s miles and pupil counts were accurately reported.
- For late activity runs, the District incorrectly included days that the buses traveled to the school buildings, but did not pick up students.
- The District failed to have detailed route descriptions for all of the routes each bus traveled. As a result, the auditors could not verify the accuracy of the greatest number of pupils transported on each bus.

Lastly, the auditors were provided with a listing of nonpublic students transported during the 2010-11 school year. Our audit found that although the pupil count agreed with the number reported to PDE, the listing did not have bus assignments for the students listed. As a result, the auditors could not determine whether District personnel had properly determined that the students had rode a bus for at least one day during the school year before reporting them for reimbursement.

Daily miles with and without pupils, the greatest number of pupils transported, the number of days of service, and the number of nonpublic students are all integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with State Board of Education regulations and PDE guidelines.

Recommendations

The *Marion Center Area School District* should:

1. Conduct an annual internal review to ensure the number of days of service, daily mileage, and pupil counts are accurately recorded and reported to PDE.
2. Instruct the District's transportation coordinator to develop appropriate written procedures incorporating independent verification and defining appropriate supporting documentation, to ensure the accuracy of the District's records.
3. Perform a review of subsequent years' data to ensure supporting documentation was prepared and retained and accurate data was reported, and resubmit data to PDE if necessary.

Management Response

Management stated the following:

“The district understands the concern regarding the Internal Control weakness in reporting of Pupil Transportation data. The district will ensure the Director of Pupil Transportation verifies the transportation data from the contracted transportation company.”

Status of Prior Audit Findings and Observations

Our prior audit of the Marion Center Area School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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

The Honorable William E. Harner
Acting 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. Lori Graham
Acting 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

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

