

MINERSVILLE AREA SCHOOL DISTRICT
SCHUYLKILL COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2009

MINERSVILLE AREA SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Fred C. Schenck, Board President
Minersville Area School District
Battlin Miner Drive & Low Road
P.O. Box 787
Minersville, Pennsylvania 17954

Dear Governor Rendell and Mr. Schenck:

We have conducted a performance audit of the Minersville 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 Minersville 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 Minersville Area School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report.

To plan and perform our audit of the Minersville 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 Minersville 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, observation and recommendations contained in our prior audit report, except as noted in the following finding and observation further discussed in the Conclusions section of this report:

Objective No. 1

Finding – Certification Irregularity

Observation – Memorandum of Understanding Not Updated Timely

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses 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 28, 2009

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

MINERSVILLE AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Minersville Area School District is located in Schuylkill County and encompasses an area of 55.1 square miles. The school district has a population of 10,732, according to the 2000 federal census. The administrative offices are located at Battlin Miner Drive, Minersville, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 1,192 pupils through the employment of 4 administrators, 79 teachers, and 27 full-time and part-time support personnel. Special education was provided by the district and the Schuylkill Intermediate Unit #29. Occupational training and adult education in various vocational and technical fields were provided by the district and the Schuylkill 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 15 through 17 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.

MINERSVILLE AREA SCHOOL DISTRICT
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OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Minersville 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 Minersville Area School District took appropriate corrective action to address the findings, observation 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.

MINERSVILLE AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Minersville 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 Minersville 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 finding listed below. Additionally, we identified internal control weaknesses as noted in the observation included in this report. The finding, observation and recommendations were reviewed with representatives of the Minersville Area School District and their comments have been included in this report.

Finding – Certification Irregularity

Our audit of the professional employees' certificates and assignments for the period April 1, 2005 through October 31, 2007, was conducted to determine compliance with the Public School Code (PSC), Bureau of Teacher Certification and Preparation (BTCPP), and Department of Education's (DE) Certification and Staffing Policies and Guidelines. We found that a teacher was employed with a lapsed certificate.

The teacher was appointed May 24, 2001, and was employed with a teaching certificate, issued in June of 1996, that lapsed in July of 2007. On December 3, 2007, the individual in question applied for permanent certification when our auditors made the administration aware of the irregularity. Subsequently, the teacher received permanent certification effective December of 2007.

Section 1202 of the PSC provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.¹

Section 2518 of the PSC mandates any school district that:

. . . has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio. . . .²

¹ 24 P.S. § 12-1202.

² 24 P.S. § 12-2518.

MINERSVILLE AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding (Continued)

Information pertaining to the assignment considered questionable was submitted to BTCP, DE, for its review. On January 4, 2008, BTCP confirmed the irregularity. Therefore, the district is subject to a subsidy forfeiture. However, the subsidy forfeiture cannot be determined until the 2008-09 market value/income aid ratio becomes available.

The irregularity occurred due to district administration's failure to accurately monitor all non-permanently certified employees' certificates.

Recommendations

The board should require the superintendent to:

- . ensure employees obtain current, valid teaching certificates; and
- . monitor years of service for all non-permanently certified employees.

After receiving the market value/income aid ratio, DE should adjust the district's allocations to recover any subsidy forfeiture deemed appropriate.

Response of Management

Management agreed with the finding and provided the following response:

Teacher failed to supply updated credentials relative to certification; i.e., credits earned for a conversion to Instructional II. Required data has been provided and forwarded to the Bureau of Teacher Certification for evaluation and issuance of proper certification.

Observation – Memorandum of Understanding Not Updated Timely

Our audit of the district's records found that the current Memorandum of Understanding (MOU) between the district and the three local law enforcement agencies: Minersville Borough, Branch Township and Cass Township police departments, was signed September 16, 1998, October 28, 1998 and October 21, 1998, respectively, and have not been updated.

MINERSVILLE AREA SCHOOL DISTRICT
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Observation (Continued)

Section 1303-A(c) of the PSC provides:

All school entities shall develop a memorandum of understanding with local law enforcement that 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.³

Additionally, the Basic Education Circular issued by DE 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. (Emphasis added)

The failure to update MOUs with all 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 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 district administration, in consultation with the solicitor, should review, update and re-execute the current MOU between the district and the three local law enforcement agencies.

Additionally, the board should adopt a policy requiring the administration to review and re-execute the MOU every two years.

³ 24 P.S. § 13-1303-A(c).

MINERSVILLE AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Response of Management

Management agreed with the observation and provided the following response:

District will mail requests to all regional police departments to update the “Memorandum of Understanding.”

It was my understanding that the prior documents were in effect unless revoked by either party.

MINERSVILLE AREA SCHOOL DISTRICT
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CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Minersville Area School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report for the years ended June 30, 2004, 2003, 2002 and 2001 and in certain areas extending beyond June 30, 2004. The status of these findings and observation, 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 January 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, 2003, 2002 and 2001 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, observation and recommendations.

Finding No. 1 – Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in a Net Reimbursement Overpayment of \$17,910

Our prior audit of the district's pupil transportation reports and other financial related records for the 2002-03, 2001-02 and 2000-01 school years found errors in the data reported to the Department of Education (DE) for nonpublic pupils transported. The errors resulted in a net reimbursement overpayment of \$17,910.

We recommended that district personnel:

- . strengthen controls to ensure accurate reporting of the number of nonpublic pupils transported;
- . thoroughly reconcile all transportation data for accuracy prior to submission of reports to DE; and
- . review reports submitted subsequent to the audit period and, if similar errors were found, submit revised reports to DE.

We further recommended that DE adjust the district's allocations to resolve the net reimbursement overpayment of \$17,910.

MINERSVILLE AREA SCHOOL DISTRICT
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Finding No. 1 (Continued)

The board, in its written response, provided the following:

The total number of non-public school students transported will be accurately tabulated. Subsequent year reports were verified to be accurate.

Our current audit found that district personnel:

- strengthened controls to ensure accurate reporting of the number of nonpublic pupils transported;
- thoroughly reconciled all transportation data for accuracy prior to submission of reports to DE; and
- reviewed reports submitted subsequent to the audit period and found no significant errors.

DE adjusted the district's August 2006 basic education funding to recover the \$17,910 reimbursement overpayment.

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 – District's General Fund Had a Deficit Balance

Our prior audit found that the district had a deficit fund balance in the general fund of \$121,870 as of June 30, 2004.

We recommended that the board provide for the systematic reduction of the fund balance deficit by using its monthly budget status reports to scrutinize proposed expenditures for current operations and limit them to revenues available and the amounts appropriated.

The board, in its written response, provided the following:

The deficit was primarily the result of prolonged (18 months) negotiations to settle a teacher contract which obligated expenditures beyond budgeted amounts. In addition, unforeseen costs related to contracted special education services exceeded the budget amount.

The district took appropriate action resulting in a positive fund balance for the subsequent fiscal year.

MINERSVILLE AREA SCHOOL DISTRICT
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Finding No. 2 (Continued)

The board followed our recommendation to provide for the systematic reduction of the deficit balance in the general fund.

Our current audit found that the district had a fund balance surplus of \$437,857 and \$1,204,182 as of the fiscal years ending June 30, 2005 and 2006, respectively. Revenues exceeded expenditures and expenditures were within budgetary limitations.

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

Finding No. 3 – Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our prior audit of district records found that two board members failed to file their Statement of Financial Interests forms for the 2001 calendar year, one board member failed to file their statement for the 2002 calendar year, four board members failed to file their statements for the 2003 calendar year, and three board members failed to file their statements for the 2004 calendar year.

We recommended that the board:

- seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests form; and
- develop procedures to ensure that all individuals required to file a Statement of Financial Interests form do so in compliance with the Ethics Act.

The board, in its written response, provided the following:

The board will seek the advice of its solicitor in regard to the boards' responsibility when an elected board member fails to file a Statement of Financial Interests.

The board leadership will assume a proactive role in insisting upon membership compliance with the Public Official and Employee Ethics Act.

MINERSVILLE AREA SCHOOL DISTRICT
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Finding No. 3 (Continued)

According to the superintendent, the board followed our recommendations and sought the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests form and developed procedures to ensure that all individuals required to file Statement of Financial Interests forms do so in compliance with the Ethics Act.

Our current audit found that all Statement of Financial Interests forms were filed timely.

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

Finding No. 4 – Lack of Documentation to Support Compliance with Laws Governing Bus Drivers' Qualifications

Our prior audit found that neither the district nor the district's contracted transportation providers had proper documentation on file for three bus drivers.

We reviewed the personnel records of all 13 of the bus drivers employed by the district's two transportation contractors during the 2004-05 school year. We found that a child abuse clearance statement was not on file for one driver, and neither child abuse clearance statements nor criminal history records were on file for two drivers.

We recommended that the school board and district administrators:

- ensure that the district's transportation coordinator reviews each driver's qualifications prior to that person transporting students; and
- maintain files, separate from the contractors, for all district bus drivers and work with the contractors to ensure that the district's files are up-to-date and complete.

The board, in its written response, provided the following:

- the contractors will be required to immediately notify the district of any change in personnel;
- the district will require proper documentation as stipulated by Penn DOT, the School Code, and the Child Protective Services Law; and
- the district will maintain a separate file for bus drivers and ensure all records are reviewed and in compliance with legal requirements.

MINERSVILLE AREA SCHOOL DISTRICT
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Finding No. 4 (Continued)

Our current audit found that district administrators:

- . ensured the district's transportation coordinator reviewed each driver's qualifications prior to that person transporting students; and
- . maintained files separate from the contractors, for all district bus drivers and worked with the contractors to ensure that the district's files are up-to-date and complete.

District personnel obtained the required documents for our current audit.

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

Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Our prior audit found that neither the district nor the transportation contractor had written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.

We recommended the school board and district administrators consider, in consultation with the district's solicitor:

- . developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district and/or the district's transportation contractors have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children; and
- . implementing written policies and procedures to ensure that the district is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

The board responded to our disclosure of missing documentation, as shown in Finding No. 4. The board did not comment on our further recommendations, as presented in this observation, regarding crimes not barred by state law and charges or convictions of employees subsequent to the date of hire.

MINERSVILLE AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Our current audit found that the board and district administrators followed our recommendations by:

- developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district and/or the district's transportation contractors have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children; and
- implementing written policies and procedures to ensure that the district is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Our current audit found that the contractors had written procedures requiring drivers to notify them if they receive a transportation violation or are arrested.

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

MINERSVILLE AREA SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$6,178,092 and \$5,842,598, respectively, for the years ended June 30, 2006 and 2005, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>
STATE REVENUE		
Basic Education	\$4,301,917	\$4,100,814
Charter Schools	13,905	7,064
Tuition for Orphans and Children Placed in Private Homes	27,533	18,582
Homebound Instruction	47	-
Vocational Education	4,759	11,960
Special Education	631,956	619,768
Transportation	331,088	334,791
Rental and Sinking Fund Payments	295,825	234,407
Health Services	26,295	27,714
PA Accountability	169,705	169,705
Social Security and Medicare Taxes	201,264	190,763
Retirement	125,859	105,715
Other Program Subsidies/Grants:		
Project 720/High School Reform	47,304	-
Drug Abuse Resistance Education	635	-
Demonstration	-	21,315
<u>TOTAL STATE REVENUE</u>	<u>\$6,178,092</u>	<u>\$5,842,598</u>

MINERSVILLE 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.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school-age special education students.

MINERSVILLE AREA SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION
[UNAUDITED]

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 of PA 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.

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.auditorgen.state.pa.us, and the following:

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

The Honorable Gerald Zahorchak, D.Ed.
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The Honorable Robert McCord
State Treasurer
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173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
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183 Main Capitol Building
Harrisburg, PA 17120

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Harrisburg, PA 17120



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

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Mechanicsburg, PA 17055

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.