

NORTH POCONO SCHOOL DISTRICT  
LACKAWANNA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2010



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

Mr. Ralph Colo, Board President  
North Pocono School District  
701 Church Road  
Moscow, Pennsylvania 18444

Dear Governor Rendell and Mr. Colo:

We conducted a performance audit of the North Pocono School District (NPSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period March 16, 2007 through June 16, 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 NPSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

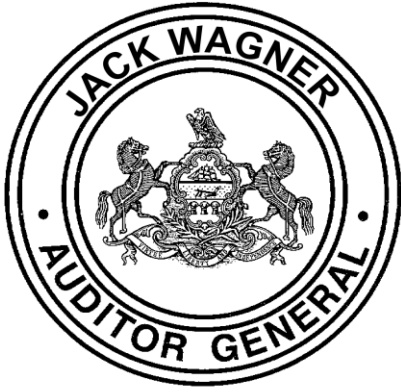
Sincerely,

/s/

JACK WAGNER  
Auditor General

June 25, 2010

cc: **NORTH POCONO SCHOOL DISTRICT** Board Members

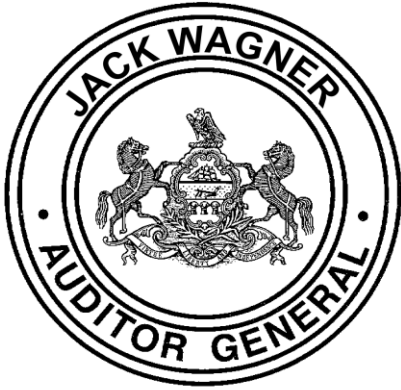


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the North Pocono School District (NPSD). 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 (NPSD) in response to our prior audit recommendations.

Our audit scope covered the period March 16, 2007 through June 16, 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**

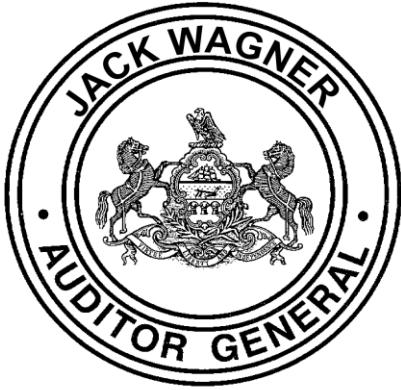
The NPSD encompasses approximately 198 square miles. According to 2000 federal census, it serves a resident population of 18,429. According to District officials, in school year 2007-08 the NPSD provided basic educational services to 3,236 pupils through the employment of 236 teachers, 113 full-time and part-time support personnel, and 11 administrators. Lastly, the NPSD received more than \$13.8 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the NPSD complied, in all significant respects, with applicable state laws, regulations, 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 NPSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the NPSD had taken appropriate corrective action in implementing our recommendations pertaining to transportation subsidy (see page 7) and internal control weaknesses in administrative policies regarding bus driver qualifications (see page 8).





## Audit Scope, Objectives, and Methodology

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### 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 March 16, 2007 through June 16, 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

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 NPSD'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?
- ✓ 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 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

NPSD 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 and pupil transportation.

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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 23, 2008, we reviewed the NPSD's response to DE dated March 12, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the North Pocono School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the North Pocono School District (NPSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to transportation subsidy and the observation pertained to internal control weaknesses in administrative policies regarding bus driver qualifications. 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 NPSD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the NPSD did implement recommendations related to transportation subsidy and internal control weaknesses in administrative policies regarding bus driver qualifications.

<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: Transportation Errors Resulted in Subsidy Underpayments</i></u></p> <ol style="list-style-type: none"> <li>1. Review contractor payment data for vehicles providing transportation to and from school to ensure accurate reporting of data that is in compliance with DE reporting guidelines.</li> <li>2. Review records of the number of children attending nonpublic and charter schools for which transportation was provided for accuracy.</li> <li>3. Review transportation reports submitted for years subsequent to the audit years and submit revisions, if necessary.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit revealed the following transportation reporting errors:</p> <ol style="list-style-type: none"> <li>1. Amounts paid to various contractors were underreported for the 2004-05 school year resulting in a reimbursement net underpayment of \$179,346;</li> <li>2. Errors in reporting the number of nonpublic and charter school pupils transported during the 2004-05 and 2003-04 school years resulting in a reimbursement net underpayment of \$40,425; and</li> <li>3. Absence of negotiated and executed contracts or agreements between the school board and the District's contracted carriers.</li> </ol>	<p><b>Current Status:</b></p> <p>We followed up on the NPSD transportation records and found that the District did take appropriate corrective action in implementing our recommendations pertaining to reviewing contractor payment data and to ensure accurate reporting of data is in compliance with DE reporting guidelines. The District <u>did</u> review records of the number of children attending nonpublic and charter schools for which transportation was provided for accuracy. The District <u>did</u> review transportation reports submitted for years subsequent to the audit years.</p> <p>DE has not adjusted the District's allocations to resolve the net underpayments of \$219,771 as of our fieldwork completion date.</p>

<p>4. Execute contracts with the District's contracted carriers in compliance with Section 23.4 of the Regulations of the State Board of Education of Pennsylvania.</p> <p>5. DE should adjust the District's allocations to resolve the net underpayments of \$219,771.</p>		<p>Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this finding.</p>
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<p><u>II. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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.</p> <p>2. Implement written policies and procedures to ensure 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.</p>	<p><b>Background:</b></p> <p>Our prior audit found that neither the District nor the transportation contractors have 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.</p>	<p><b>Current Status:</b></p> <p>Our current audit of bus drivers' qualifications and administrative policies found that the NPSD District administration did adopt a policy to determine, on a case-by-case basis, whether prospective and current employees of the District 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. NPSD <u>did</u> implement written policies and procedures to ensure 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.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
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Harrisburg, PA 17120

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Acting Secretary of Education  
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Harrisburg, PA 17126

The Honorable Robert M. 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

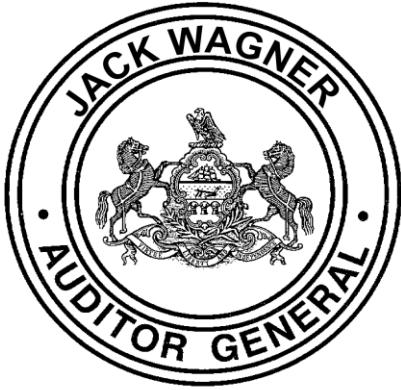
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