



**PENNS MANOR AREA SCHOOL DISTRICT
INDIANA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JUNE 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Robert Packer, Board President
Penns Manor Area School District
6003 Route 553 Highway
Clymer, Pennsylvania 15728

Dear Governor Corbett and Mr. Packer:

We conducted a performance audit of the Penns Manor Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 17, 2010 through October 18, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings 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

June 10, 2013

cc: PENNS MANOR AREA SCHOOL DISTRICT Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Penns Manor 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 September 17, 2010 through October 18, 2012, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 80 square miles. According to 2010 federal census data, it serves a resident population of 6,118. According to District officials, the District provided basic educational services to 985 pupils through the employment of 80 teachers, 48 full-time and part-time support personnel, and 7 administrators during the 2009-10 school year. Lastly, the District received \$9.8 million in state funding in the 2009-10 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 two compliance-related matters reported as findings.

Finding No. 1: Internal Control Weaknesses and Errors in Pupil Transportation Reports Resulted in a Net Underpayment of \$38,496. Our audit of the District's pupil transportation records found reporting errors and internal control weaknesses, which resulted in a net underpayment of \$38,496 (see page 5).

Finding No. 2: Certification Deficiency. Our audit of the District's professional employees' certification found one teacher was not properly certified for the 2009-10 through 2011-12 school years (see page 8).

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 September 17, 2010 through October 18, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2009 through August 7, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ 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?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

Methodology

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.

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.

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 objective. 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, pupil membership, bus driver qualifications, professional employee certification, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- 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 No. 1 →

Internal Control Weaknesses and Errors in Pupil Transportation Reports Resulted in a Net Underpayment of \$38,496

Criteria relevant to the finding:

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

Instructions for completing the Pennsylvania Department of Education's End-of-Year Pupil Transportation reports provide that the local 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 provide information, that data used by the LEA should be retained for audit purposes.

Our audit of the Penns Manor Area School District's (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 and 2008-09 school years found reporting errors and a lack of supporting documentation. These errors resulted in an underpayment of \$50,460 for the 2009-10 school year and an overpayment of \$11,964 for the 2008-09 school year, for a total net underpayment of \$38,496.

Our audit found the following reporting errors for the 2009-10 school year:

- Contractor cost was understated by \$151,589.
- The number of days pupils were transported was reported incorrectly for 13 late activity runs.
- Miles with pupils were reported incorrectly for 25 vehicles, resulting in a net understatement of 121.7 miles.
- Miles without pupils were reported incorrectly for 39 vehicles, resulting in a net understatement of 202.8 miles.
- The greatest number of pupils transported was reported incorrectly for two vehicles resulting in a net overstatement of 3.2 pupils.

Our audit also found the following reporting errors for the 2008-09 school year:

- Contractor cost was understated by \$131,111.
- The number of days pupils were transported was reported incorrectly for 13 late activity runs.

- Miles with pupils were reported incorrectly for 28 vehicles, resulting in a net understatement of 15.1 miles.
- Miles without pupils were reported incorrectly for 28 vehicles, resulting in a net understatement of 6.2 miles.
- The greatest number of pupils transported was reported incorrectly for one vehicle, resulting in an overstatement of 2.0 pupils.

In addition, the District did not have proper documentation to support the pupil totals it reported using the sample average method for regular bus runs for the 2009-10 and 2008-09 school years.

The errors in reporting for the 2009-10 and 2008-09 school years were caused by the following internal control deficiencies:

- Failure to perform an internal review of contractor invoices to ensure the accuracy of final year expenditures reported to PDE.
- Failure to review the mileage sheets received from the bus contractor to verify that totals for each vehicle's miles and pupil counts were accurately reported.
- Improper use of both the sample average weighting method and the daily weighted average method for reporting mileage, while PDE instructions require districts to use of one method or the other.
- Failure to report miles for the trip home for K-4 kindergarten students during the 2009-10 school year, and a lack of internal processes to ensure all miles reported appropriately.

For example, failure to maintain procedures for ensuring all activity runs were accounted for properly for late activity runs, District personnel incorrectly counted days the buses did not pick up students, and trips the baseball team took for practice after which the buses returned to school.

- Failure to require the contractor to provide documentation to support the pupil count it reported on the sample average worksheet.

All of these reporting areas are integral parts of the transportation reimbursement formula and must be maintained accurately. Therefore, incorrectly reporting these records and reports can result in the District losing transportation funds. Moreover, without proper internal controls to ensure its reporting is accurate the District increases the likelihood of these errors occurring.

Recommendations

The *Penns Manor Area School District* should:

1. Conduct an annual internal review to ensure the number of days of service, daily mileage, pupil counts, and the amount paid to the contractor 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 that accurate data was reported, and resubmit reports to PDE, if necessary.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future allocations to correct the net underpayment of \$38,496.

Management Response

Management indicated they agreed with the finding and provided no additional comment.

Finding No. 2

Certification Deficiency

Criteria relevant to the finding:

Public School Code (PSC)
Section 1202 (24 P.S. § 12-1202)
provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certified to teach.”

Section 1212 of the PSC
(24 P.S. § 12-1212) provides, in part:

“Every district superintendent shall keep an accurate record of valid certificates held by teachers of the school within his jurisdiction.”

Section 2518 of the PSC
(24 P.S. § 25-2518) provides, in part:

“[Any] school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certified for his position by the Pennsylvania 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.”

Our audit of Penns Manor Area School District’s (District) professional employees’ certification for the period July 1, 2009 through August 7, 2012, found one employee was improperly assigned to a professional position without holding proper certification.

According to District records the individual was teaching physics one period per day for the 2009-10, 2010-11, and 2011-12 school years without the proper certification.

Information pertaining to the assignment in question was submitted to the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ), for its review.

On September 29, 2012, BSLTQ made its final determination, stating the employee was issued an emergency permit for the 2008-09 school year only, and had been employed by the District for one of nine periods per day during the 2008-09, 2009-10, 2010-11 and 2011-12 school years without proper certification.

This deficiency appears to be the result of the District’s failure to maintain an effective system of tracking and maintaining staff’s professional certification status.

As a result of this assignment, the District is subject to small subsidy forfeitures for the 2010-11 school year and the 2011-12 school year.

Of greater concern is that the students of the District are entitled to an education by appropriately certificated personnel. It is the responsibility of the District to ensure that all of its employees are current with their appropriate certifications.

Recommendations

The *Penns Manor Area School District* should:

Put procedures in place to compare employees’ certifications to the certification requirements of the assignments the District intends to give the employees.

The *Pennsylvania Department of Education* should:

Adjust the District's future allocations to recover the appropriate subsidy forfeitures.

Management Response

Management indicated they agreed with the finding and provided no additional comment.

Status of Prior Audit Findings and Observations

Our prior audit of the Penns Manor 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:

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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.

