

SALISBURY-ELK LICK SCHOOL DISTRICT
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2009

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

Mr. Wendell Yoder, Board President
Salisbury-Elk Lick School District
196 Smith Avenue
P.O. Box 68
Salisbury, Pennsylvania 15558

Dear Governor Rendell and Mr. Yoder:

We conducted a performance audit of the Salisbury-Elk Lick School District (SELSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 18, 2007 through April 3, 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, 2007, 2006 and 2005, as they were the most recent reimbursements subject to audit. 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 SELSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 10, 2009

cc: **SALISBURY-ELK LICK 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 Salisbury-Elk Lick School District (SELSD). 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 SELSD in response to our prior audit recommendations.

Our audit scope covered the period January 18, 2007 through April 3, 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, 2006-07, 2005-06 and 2004-05.

District Background

The SELSD encompasses approximately 60 square miles. According to 2000 federal census data, it serves a resident population of 3,171. According to District officials, in school year 2007-08 the SELSD provided basic educational services to 345 pupils through the employment of 40 teachers, 18 full-time and part-time support personnel, and 3 administrators. Lastly, the SELSD received more than \$2.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Finding: Internal Control Weakness Noted in Transportation Data Reporting.

Our review of pupil transportation records and reports for the 2006-07, 2005-06 and 2004-05 school years found weaknesses in the SELSD's system of internal controls (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SELSD from an audit we conducted of the 2003-04 and 2003-02 school years, we found the SELSD had taken appropriate corrective action in implementing our recommendations pertaining to vocational education membership (see page 8), and errors in reporting the number of nonpublic pupils transported (see page 9).



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 January 18, 2007 through April 3, 2009, except for the verification of professional employee certification which was performed for the period November 1, 2006 through December 31, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 SELSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

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 law, regulation, 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.

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SELSD 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, pupil transportation, and comparative financial information.

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, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 10, 2007, we reviewed the SELSD's response to DE dated October 7, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weakness Noted in Transportation Data Reporting

Criteria relevant to this finding:

Chapter 23 of the State Board of Education Regulations, Section 3.4, states in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including:

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils' distances from home to pertinent school bus loading zones.

Our audit of pupil transportation records and reports for the 2006-07, 2005-06 and 2004-05 school years found weaknesses in the District's system of internal controls. We were not able to verify the accuracy of transportation reimbursements of \$81,596, \$84,944 and \$69,523 for the respective school years.

We did not attempt to audit the records for the 2007-08 school year because the Final Summary Report for that year was not yet available from the Department of Education (DE) at the time of fieldwork for our audit.

Instructions for completing the DE's End-of-Year Pupil Transportation Reports provides 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. The instructions also state that miles with, miles without and the number of pupils assigned to each bus must be calculated using a weighted average or a sample average method. Additionally, the instructions require that procedures, information, and data used by the LEA should be retained for audit purposes.

The internal control weaknesses were the result of route evaluation sheets not being prepared by the bus drivers or District personnel. As a result, we were not able to confirm that the mileage reported was accurate. The District does not use a weighted average or sample average method of calculating miles with and miles without pupils, as required in the instructions for completing DE reports. Additionally, the District accepts the mileage reported by the contractor and reports the same to DE.

Recommendations

The *Salisbury-Elk Lick School District* should:

1. Require District personnel to prepare and maintain records of mileage data, as required by DE instructions and Chapter 23 regulations.

2. Require pupil transportation personnel to conduct an internal review to ensure accuracy of daily mileage reported to DE.

Management Response

Management stated the following:

Contractor would not supply correct paper work to use average method of computing miles with and without students. Contractor began submitting all required paper work in 2008-09.

Status of Prior Audit Findings and Observations

Our prior audit of the Salisbury-Elk Lick School District (SELSD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to vocational education membership reporting errors and the second finding pertained to errors in reporting the number of nonpublic pupils transported. 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 SELSD board’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 Salisbury-Elk Lick School District did implement recommendations related to our prior audit report findings.

<i>School Years 2004-03 and 2003-04 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Vocational Education Membership Reporting Errors Resulted in Overpayments of \$4,505</i></u></p> <ol style="list-style-type: none"> 1. Ensure that vocational education membership is reported in accordance with DE’s instructions. 2. Review reports submitted subsequent to the years audited and submit revised reports to DE, if errors are found. 3. DE should adjust the District’s future allocations to recover the vocational education subsidy (VES) overpayments of \$4,505. 	<p>Background:</p> <p>Our prior audit found that district-operated vocational membership reports submitted to DE were inaccurate, resulting in a VES overpayment of \$4,505.</p>	<p>Current Status:</p> <p>Our current audit determined the District correctly reported district-operated vocational membership.</p> <p>As of April 3, 2009, DE had not adjusted the District’s subsidy. We again recommend that DE adjust the District’s allocations to recover the VES overpayments of \$4,505.</p>

<p><u>II. Finding 2: Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in Underpayments of \$2,310</u></p> <ol style="list-style-type: none">1. Ensure that the number of nonpublic transported is reported accurately.2. Review reports submitted subsequent to the years audited and submit revised reports to DE, if errors are found3. DE should adjust the District's allocations to resolve the transportation subsidy underpayments of \$2,310.	<p>Background:</p> <p>Our prior audit of pupil transportation reports submitted to DE found that the number of nonpublic pupils transported was understated, resulting in subsidy underpayments of \$2,310 to the District.</p>	<p>Current Status:</p> <p>Our current audit determined the District correctly reported the number of nonpublic students to DE.</p> <p>As of April 3, 2009, DE had not adjusted the District's allocations.</p> <p>We again recommend that DE adjust the District's allocations to resolve the transportation subsidy underpayments of \$2,310.</p>
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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
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Senator Andrew Dinniman
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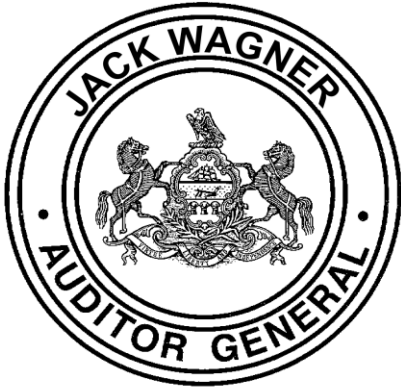
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