

SCHUYLKILL VALLEY SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2010

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

Mrs. Carol E. Weyandt, Board President
Schuylkill Valley School District
929 Lakeshore Drive
Leesport, Pennsylvania 19533

Dear Governor Rendell and Mrs. Weyandt:

We conducted a performance audit of the Schuylkill Valley School District (SVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 14, 2005 through July 7, 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. 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 SVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

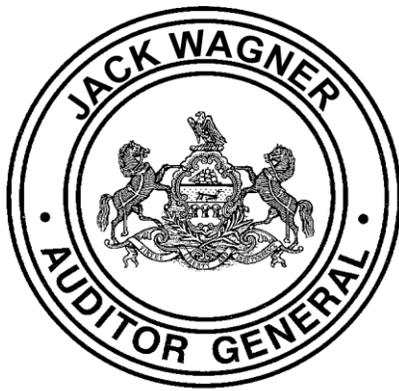
JACK WAGNER
Auditor General

April 12, 2010

cc: **SCHUYLKILL VALLEY 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 Schuylkill Valley School District (SVSD). 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 SVSD in response to our prior audit recommendations.

Our audit scope covered the period November 14, 2005 through July 7, 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 SVSD encompasses approximately 52 square miles. According to 2000 federal census data, it serves a resident population of 13,738. According to District officials, in school year 2007-08 the SVSD provided basic educational services to 2,034 pupils through the employment of 150 teachers, 108 full-time and part-time support personnel, and 13 administrators. Lastly, the SVSD received more than \$5.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SVSD 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. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Nonresident Membership Errors Resulted in a \$13,841 Overpayment.

Our audit of the SVSD's records found that 17 tuition waiver students were reported as nonresident children placed in private homes for the 2004-05 school year. In addition, SVSD personnel failed to report 41 days of membership for two nonresident children placed in private homes (see page 5).

Observation: Memorandum of Understanding Not Updated Timely.

Our audit of the SVSD's records found that the SVSD's current Memorandum of Understanding with the Northern Berks Regional Police Department has not been updated (see page 7).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SVSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found that the SVSD did not fully implement our recommendations pertaining to the nonresident membership (see page 9). The SVSD did take appropriate corrective action in implementing our recommendations pertaining to bus drivers' qualifications (see page 10), Statements of Financial Interests

(see page 10), and administrative policies regarding bus drivers' qualifications (see page 11).

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 November 14, 2005 through July 7, 2009.

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

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.

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 SVSD'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:

- ✓ 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.

SVSD 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.

Our audit examined the following:

- Records pertaining to bus drivers qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 23, 2006, we reviewed the SVSD's response to DE dated May 15, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Nonresident Membership Errors Resulted in a \$13,841 Overpayment

Criteria relevant to the finding:

Section 2503(c) of the Public School Code provides that the Commonwealth will pay tuition to districts providing education to nonresident children placed in private homes. The payments are based on the membership days reported for such children.

Nonresident pupil membership data must be maintained and reported in accordance with DE guidelines and instructions, since it is a major factor in determining the Commonwealth's payments of tuition for children placed in private homes.

Our audit of pupil membership records for the 2007-08, 2006-07, 2005-06 and 2004-05 school years found errors in the reports submitted to the Department of Education (DE) for the 2004-05 school year. The inaccurate reporting of nonresident days of membership for children placed in private homes and tuition waiver students resulted in a \$13,841 overpayment in Commonwealth-paid tuition for students placed in private homes.

Due to clerical oversight, District personnel incorrectly reported 17 tuition waiver students as children placed in private homes for the 2004-05 school year. This resulted in understatements of tuition waiver membership and overstatements of children placed in private homes membership, as follows:

- 46 days for full-time kindergarten;
- 55 days for elementary; and
- 268 days for secondary.

In addition, District personnel failed to report 41 days of membership for two secondary students who were placed in private homes during the 2004-05 school year. Therefore, the total net overstatement of secondary children placed in private homes membership was 227 days.

These errors occurred because District personnel failed to review and revise membership reports for the 2004-05 school year as we recommended in our prior audit (see page 9).

We have provided DE with reports detailing the errors for use in revising the District's reimbursement.

Recommendations

The *Schuylkill Valley School District* should:

Continue to ensure that student membership for nonresident children placed in private homes and tuition waiver students is reported correctly.

The *Department of Education* should:

Adjust the District's allocations to resolve the \$13,841 overpayment.

Management Response

Management stated the following:

As reviewed and discussed with the auditor, management agrees that error occurred in reporting of tuition waiver students for the 04/05 year.

Reporting error was corrected for subsequent years.

Auditor Conclusion

We provided management an opportunity to edit or change its response in order to address the failure to report two children placed in private homes as well as the error involving tuition waiver students; however management chose not to alter its original response.

Observation →

Criteria relevant to the observation:

Section 1303-A(c) of the Public School Code provides:

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

Additionally, the Basic Educational 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.

Memorandum of Understanding Not Updated Timely

Our audit of the District's records found that the most current Memorandum of Understanding (MOU) between the District and the Northern Berks Regional Police Department was dated April 30, 2007.

The failure to update the MOU with the local law enforcement agency 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 on any public conveyance providing transportation to or from a school or school-sponsored activity. This could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

As a result of our audit, the District obtained a signed MOU with Northern Berks Regional Police Department on June 22, 2009.

Recommendations

The *Schuylkill Valley School District* should:

Adopt a policy requiring the administration to review, update and re-execute the MOU every two years.

Management Response

Management stated the following:

No law or regulation supports the alleged [observation] nor does the Basic Education Circular currently in effect support the [observation]. Nonetheless, the issue is moot in

that a Memorandum of Understanding dated and signed June 22, 2009 is now in effect.

Auditor Conclusion

We recognize that the Public School Code does not require periodic updates of MOUs; for that reason we present this as an observation rather than a finding. However, it is the opinion of the Department of the Auditor General that the re-execution period suggested by the basic education circular issued by DE is prudent. Therefore, the observation will remain as presented.

Status of Prior Audit Findings and Observation

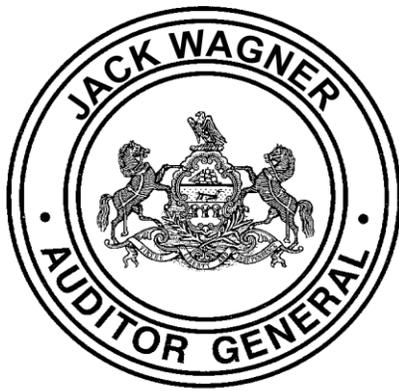
Our prior audit of the Schuylkill Valley School District (SVSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in three reported findings and one reported observation, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the SVSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the SVSD did not fully implement our recommendations related to the nonresident membership finding. However, the District did implement our recommendations related to bus drivers’ qualifications, Statements of Financial Interests, and administrative policies regarding bus drivers’ qualifications.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Nonresident Membership Errors Resulted in Overpayments of \$45,849</i></u></p> <ol style="list-style-type: none"> 1. District personnel should ensure that student membership reported as nonresident children placed in private homes is supported by adequate documentation. 2. District personnel should review reports submitted to DE for the subsequent school year, and if errors are noted, submit revised reports. 3. DE should adjust the District’s allocations to resolve the overpayments of \$45,849. 	<p>Background:</p> <p>Our prior audit of pupil membership records for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found errors in the reports submitted to DE for the 2002-03, 2001-02 and 2000-01 school years. The errors were in nonresident membership and resulted in overpayments in tuition for children placed in private homes of \$45,849.</p>	<p>Current Status:</p> <p>Our current audit found that the District implemented our recommendations for the 2005-06 school year by reconciling nonresident membership reports before submitting membership data to DE.</p> <p>However, the District did not submit corrected reports for 2004-05 as we recommended, and as a result we found errors in the 2004-05 nonresident membership, as detailed in the current finding in our report (see page 5).</p> <p>DE deducted \$45,849 from the SVSD’s basic education funding to correct the overpayments, as follows: \$19,837 on August 30, 2007, and \$26,012 on May 30, 2008.</p>

<p><u>II. Finding No. 2: School Bus Drivers' Qualifications Irregularities</u></p> <ol style="list-style-type: none"> 1. Immediately obtain from the transportation contractor the missing documentation referred to in our finding, in order to ensure that drivers transporting students in the District possess proper qualifications. 2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students. 3. Work with the current contractor to ensure that files documenting bus drivers' qualifications are up-to-date and complete. 	<p>Background:</p> <p>We audited the personnel records of all 34 drivers employed by the District's transportation contractors at the start of the 2005-06 school year. Our review found that:</p> <ul style="list-style-type: none"> • one driver's file did not contain a child abuse clearance statement; • one driver's criminal history record was not on file, but was obtained and provided as a result of the audit; • another driver's file did not contain a criminal history or a child abuse clearance statement; and • nine additional drivers' files did not contain a current criminal history record. 	<p>Current Status:</p> <p>Our current audit found that as of January 2006 the SVSD complied with our recommendations by obtaining all required documentation and reconciling bus drivers' documentation with a checklist of required documentation for the 12 bus drivers cited in the prior audit.</p> <p>In addition, our audit of the 2008-09 bus drivers' qualifications found all documentation was complete and up-to-date.</p>
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<p><u>III. Finding No. 3: Board Member Failed to File Statement of Financial Interests</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit of District board members' Statements of Financial Interests for the years ended December 31, 2004, 2003, 2002 and 2001 found that one board member failed to file a statement for 2003.</p>	<p>Current Status:</p> <p>Our current audit found the individual who failed to file the 2003 statement subsequently filed it on February 16, 2006.</p> <p>In addition, our current audit found that all statements reviewed were filed timely.</p> <p>The District implemented procedures to request the Statements of Financial Interests in January of each year and then track each member for proper filing. In March, if a statement is not filed another notice to complete the statement is sent to the board member.</p>
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<p><u>IV. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District's transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children. 2. Implement 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. 	<p>Background:</p> <p>Our prior audit found that neither the District nor the transportation contractor had written policies or procedures in place to ensure that they were notified if current employees had 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>Current Status:</p> <p>Our current audit found that the District revised board policy to require the contractor to notify the District when drivers are charged with or convicted of crimes that may have a negative impact on their suitability to have contact with students.</p> <p>The contractor was notified of this policy change verbally. During our audit, the contractor was sent a copy of the policy to help ensure compliance.</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
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.
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The Honorable Robert M. McCord
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Senator Jeffrey Piccola
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173 Main Capitol Building
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Senator Andrew Dinniman
Democratic Chair
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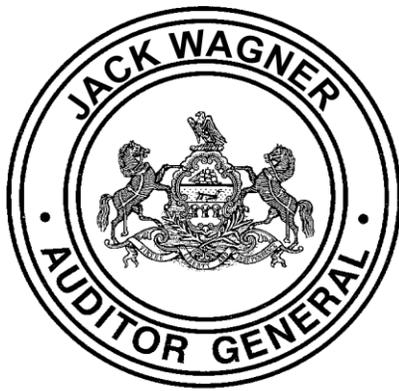
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