

SELINGROVE AREA SCHOOL DISTRICT
SNYDER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2010

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

Mr. Eric L. Rowe, Board President
Selinsgrove Area School District
401 North 18th Street
Selinsgrove, Pennsylvania 17870

Dear Governor Rendell and Mr. Rowe:

We conducted a performance audit of the Selinsgrove Area School District to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 21, 2007 through November 6, 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 SASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the SASD's cooperation during the conduct of the audit.

Sincerely,

April 12, 2010

JACK WAGNER
Auditor General

cc: **SELINGROVE AREA 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 Selinsgrove Area School District. 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 SASD in response to our prior audit recommendations.

Our audit scope covered the period February 21, 2007 through November 6, 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 SASD encompasses approximately 105 square miles. According to 2000 federal census data, it serves a resident population of 21,015. According to District officials, in school year 2007-08 the SASD provided basic educational services to 2,704 pupils through the employment of 204 teachers, 145 full-time and part-time support personnel, and 13 administrators. Lastly, the SASD received more than \$11.6 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SASD 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 SASD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the SASD had taken appropriate corrective action in implementing our recommendations pertaining to pupil membership (see page 7) and pupil transportation (see page 8).



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 February 21, 2007 through November 6, 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 SASD'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:

- ✓ 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?
- ✓ 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?

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.

- ✓ 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?
- ✓ 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

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.

SASD 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.

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.

Our audit examined the following:

- Records pertaining to pupil transportation and bus driver qualifications.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 13, 2007, we reviewed the SASD's response to DE dated June 24, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Selinsgrove Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Selinsgrove Area School District for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two continuation findings. The first finding pertained to pupil membership, and the second finding pertained to pupil transportation. 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 Superintendent’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 SASD did implement recommendations related to pupil membership and pupil transportation.

<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 1: Continued Pupil Membership Errors Resulted in Overpayments</i></u></p> <ol style="list-style-type: none"> Compare letters for children placed in private homes with nonresident students reported on their child accounting reports which are sent to DE. DE should adjust the District’s allocations to recover the reimbursement overpayment for children placed in private homes as cited in our prior audit report as well as our current audit in the amount of \$26,593. Also, DE should adjust the District’s special education subsidy in the amount of \$8,228 as cited in our prior audit report. 	<p>Background:</p> <p>Our prior two audits of pupil membership reports submitted to DE for the 2002-03, 2001-02 and 2000-01 school years found errors in the reporting of nonresident membership data.</p>	<p>Current Status:</p> <p>We followed up on SASD pupil membership reports and determined that the District <u>did</u> take proper corrective action to address the prior audit recommendations.</p> <p>DE has not adjusted the \$4,618 from the prior audit report which was for children placed in private homes. They did adjust the \$21,975 for children placed in private homes in the June 2005 basic education funding unipay from two audits ago. DE has not adjusted the District’s special education subsidy in the amount of \$8,228.</p>

<p><i><u>II. Finding 2: Continued</u></i> <i><u>Pupil Transportation</u></i> <i><u>Reporting Errors Resulted</u></i> <i><u>in Reimbursement</u></i> <i><u>Underpayments</u></i></p> <ol style="list-style-type: none"> 1. Reconcile District data submitted to DE to final reports sent from DE to ensure accurate reporting of data. 2. Report all nonpublic pupils who are eligible for reimbursement. 3. Revise the 2005-06 school year reports, if necessary, since the final DE report was not available at the completion of the audit. 4. DE should adjust the District's allocations to resolve the net underpayments of \$20,490. 	<p>Background:</p> <p>Our prior audit of the District's contracted pupil transportation records and other financial related data found discrepancies in reports submitted to DE for the 2004-05, 2003-04 and 2002-03 school years. The discrepancies resulted in a reimbursement subsidy net underpayments of \$20,490.</p>	<p>Current Status:</p> <p>We followed up on SASD pupil transportation and determined that the District <u>did</u> take proper corrective action to address the prior audit recommendations.</p> <p>As of our fieldwork completion date of November 6, 2009, DE had not adjusted the District's allocations to resolve the net underpayments of \$20,490.</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:

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