

SOUTHEASTERN GREENE SCHOOL DISTRICT
GREENE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Leonard Novak, Board President
Southeastern Greene School District
1000 Mapletown Road
Greensboro, Pennsylvania 15338

Dear Governor Corbett and Mr. Novak:

We conducted a performance audit of the Southeastern Greene School District (SGSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period May 6, 2009 through January 9, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 SGSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is present in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 14, 2013

cc: **SOUTHEASTERN GREENE 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 Southeastern Greene School District (SGSD). 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 May 6, 2009 through January 9, 2012, 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 2009-10 and 2008-09.

District Background

The SGSD encompasses approximately 69 square miles. According to 2000 federal census data, it serves a resident population of 4,812. According to District officials, in school year 2009-10 the SGSD provided basic educational services to 732 pupils through the employment of 59 teachers, 41 full-time and part-time support personnel, and 4 administrators. Lastly, the SGSD received more than \$6.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding: Errors in Reporting Pupil Transportation Data Resulted in a Net Reimbursement Overpayment of \$14,543.

Errors in reporting various pupil transportation data to the Pennsylvania Department of Education from the 2009-10 and 2008-09 school years resulted in a net reimbursement overpayment of \$14,543 (see page 6).

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 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 May 6, 2009 through January 9, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2010 through June 30, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 SGSD'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 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?

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buy-out 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?

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, 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, observations and conclusions based on our audit objectives.

SGSD 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. 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, professional employee certification, 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 SGSD operations.

Findings and Observations

Finding

Errors in Reporting Pupil Transportation Data Resulted in a Net Reimbursement Overpayment of \$14,543

Criteria relevant to the finding:

PDE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, number of days the vehicle provided to and from school transportation and pupils transported to and from school to be based on actual data, using the district's daily records and weighted averaging of mileage and pupils.

Our audit of the District's 2009-10 and 2008-09 pupil transportation records submitted to the Pennsylvania Department of Education (PDE) found reporting errors which resulted in an overpayment of transportation reimbursement of \$61,527 for the 2009-10 school year, and an underpayment of \$46,984 for the 2008-09 school year.

The errors in the 2009-10 school year were caused by District personnel incorrectly reporting transportation data as follows:

- The days of operation were incorrectly reported for two vehicles; and
- Daily mileage was incorrectly reported for 18 of 20 contracted vehicles. Miles with pupils were overstated by 106.8 miles, and miles without were overstated by 7.8 miles.

For 2008-09 school year, daily mileage was incorrectly reported for all 21 buses. Miles with pupils were understated by 63 miles, and miles without were understated by 128.1 miles.

Days of operation and daily mileage are critical factors in determining a district's transportation reimbursement, and must be accurately reported to ensure proper transportation reimbursement.

The reporting errors resulted from miscalculations by bus drivers when preparing odometer readings that were not detected by District personnel, as well as additional clerical errors made when District personnel prepared the reports submitted to PDE.

We have provided PDE with reports detailing the errors for use in recalculating the District's transportation reimbursement.

Recommendations

The *Southeastern Greene School District* should:

1. Develop review procedures to ensure that all future transportation data is accurately reported to PDE.
2. Review the data submitted for any subsequent school years for accuracy and submit revised reports to PDE, if necessary.

The *Pennsylvania Department of Education* should:

3. Adjust future District allocations to recover the net overpayment.

Management Response

Management provided a response agreeing with the finding, but providing no further comment at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Southeastern Greene School District resulted in no findings or observations.

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 Tom Corbett
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

