

SOUTHERN TIOGA SCHOOL DISTRICT  
TIOGA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

AUGUST 2010



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

Ms. Barbara Shull, Board President  
Southern Tioga School District  
241 Main Street  
Blossburg, Pennsylvania 16912

Dear Governor Rendell and Ms. Shull:

We conducted a performance audit of the Southern Tioga School District (STSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 19, 2008 through February 19, 2010, 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 STSD 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. 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 STSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve STSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the STSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

August 31, 2010

cc: **SOUTHERN TIOGA SCHOOL DISTRICT** Board Members

## **Table of Contents**

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Finding – Continued Failure to Obtain and Update Memorandums of Understanding .....	6
Status of Prior Audit Findings and Observations .....	8
Distribution List .....	9



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Southern Tioga School District (STSD). 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 STSD in response to our prior audit recommendations.

Our audit scope covered the period November 19, 2008 through February 19, 2010, 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 STSD encompasses approximately 486 square miles. According to 2000 federal census data, it serves a resident population of 15,182. According to District officials, in school year 2007-08 the STSD provided basic educational services to 2,169 pupils through the employment of 192 teachers, 131 full-time and part-time support personnel, and 12 administrators. Lastly, the STSD received more than \$13.6 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the STSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

#### **Finding: Continued Failure to Obtain and Update Memorandums of Understanding.**

Our audit of the STSD's records found that the STSD did not have a signed Memorandum of Understanding (MOU) with the Mansfield Borough Police Department and the Pennsylvania State Police. Also, the STSD did not have an updated MOU with the Blossburg Borough Police Department (see page 6).

#### **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the STSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the STSD had not taken appropriate corrective action in implementing our recommendations pertaining to their MOUs (see page 8).





## Audit Scope, Objectives, and Methodology

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### 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 19, 2008 through February 19, 2010.

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

*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 STSD'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. based education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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?
- ✓ 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, observations and conclusions based on our audit objectives.

STSD 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, and financial stability.
- Items such as Board meeting minutes and pupil membership records.
- Tuition receipts.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 23, 2009, we reviewed the STSD's response to DE dated July 16, 2009. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Continued Failure to Obtain and Update Memorandums of Understanding

*Public School Code section and criteria relevant to the finding:*

*Section 13-1303-A(c) requires:*

All school entities shall develop a memorandum of understanding with local law enforcement that 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 Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a draft MOU format to be used for 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 with two years of the date of its original execution and every two years thereafter.

Our audit of the Southern Tioga School District's records found that the District did not have a signed Memorandum of Understanding (MOU) with the Mansfield Borough Police Department and the Pennsylvania State Police.

Furthermore, we found that an MOU between the District and Blossburg Borough Police Department was signed May 10, 1999, and has not been updated.

The failure to obtain and update a signed MOU with all local law enforcement agencies 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 any public conveyance providing transportation to or from a school-sponsored activity. This internal control weakness could have an impact in law enforcement notification and response, and ultimately the resolution of a problem situation.

District administrative personnel stated that they had submitted MOUs to the local law enforcement agencies and the Pennsylvania State Police in July 2009. The agencies referred the documents to their respective legal departments. On February 17, 2010, the agencies returned their signed MOU to the District.

The *Southern Tioga School District* should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOUs between the District and the Blossburg and Mansfield Borough police departments and the Pennsylvania State Police.
2. Adopt a policy requiring the administration to review, update and re-execute the MOUs every two years.

**Management Response**

Management stated the following:

The Southern Tioga School District encountered various logistical and legal concerns while attaining appropriate signatures on the Memorandums of Understanding with the Blossburg Police, Mansfield Police and Pennsylvania State Police. After much persistence, diligence and cooperation, all required signatures were attained as of February 17, 2010.

## Status of Prior Audit Findings and Observations

Our prior audit of the Southern Tioga School District (STSD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to their Memorandums of Understanding (MOU). 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 STSD superintendent written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the STSD did not implement recommendations related to their MOUs.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Lack of Memoranda of Understanding and Memorandum Not Updated Timely</i></u></p> <ol style="list-style-type: none"> <li>1. In consultation with the solicitor, develop and implement a MOU between the District and all appropriate law enforcement agencies.</li> <li>2. Review, update and re-execute the current MOU between the District and the Blossburg Borough Police Department.</li> <li>3. Adopt a policy requiring the administration to review and re-execute all MOUs every two years.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the STSD’s records found that the District did not have a signed MOU from the Mansfield Borough Police Department and the Pennsylvania State Police available for audit.</p> <p>Furthermore, we found that the MOU between the District and the Blossburg Police Department was signed May 10, 1999, and has not been updated.</p>	<p><b>Current Status:</b></p> <p>The District has developed, in consultation with its solicitor, an MOU to be signed by the appropriate law enforcement agencies. However, the law enforcement agencies have stated that they are reluctant to sign-off on any agreement that will hold them responsible. The law enforcement agencies sent the documents to their legal departments for review.</p> <p>On February 17, 2010, all law enforcement agencies submitted signed agreements.</p> <p>However, since they were not updated since the prior audit a finding will result (see page 6).</p>

## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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Senator Andrew Dinniman  
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