

SPRING GROVE AREA SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2010

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

Mr. Douglas H. Stein, Board President
Spring Grove Area School District
100 East College Avenue
Spring Grove, Pennsylvania 17362

Dear Governor Rendell and Mr. Stein:

We conducted a performance audit of the Spring Grove Area School District (SGASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 24, 2007 through October 22, 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 SGASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

JACK WAGNER
Auditor General

April 12, 2010

cc: **SPRING GROVE 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 Spring Grove Area School District (SGASD). 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 SGASD in response to our prior audit recommendations.

Our audit scope covered the period April 24, 2007 through October 22, 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

SGASD encompasses approximately 96 square miles. According to 2000 federal census data, it serves a resident population of 24,401. According to District officials, in school year 2007-08 SGASD provided basic educational services to 3,829 pupils through the employment of 295 teachers, 161 full-time and part-time support personnel, and 20 administrators. Lastly, SGASD received more than \$16.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that SGASD 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 SGASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the SGASD:

- had taken appropriate corrective action in implementing our recommendations pertaining to former board members failing to file Statements of Financial Interests as required by the Public Official and Employees Ethics Act (see page 7).
- had taken appropriate corrective action in implementing our recommendations pertaining to transportation data reporting errors (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 April 24, 2007 through October 22, 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 SGASD'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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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.

SGASD 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, state ethics compliance, and financial stability; and
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 11, 2007, we reviewed SGASD's response to DE dated November 19, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Spring Grove Area School District (SGASD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to the failure of former board members to file Statements of Financial Interests and the second finding pertained to transportation data reporting errors. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed SGASD 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 SGASD did implement recommendations related to former board members failure to file Statements of Financial Interests and did implement recommendations related to transportation data reporting errors.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Former Board Members Failed to File Statements of Financial Interests as Required by the Public Official and Employee Ethics Act</i></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 Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. 	<p>Background:</p> <p>Our prior audit of District records, conducted on April 17, 2007, found that two former board members failed to file Statements of Financial Interests for the year ended December 31, 2003.</p>	<p>Current Status:</p> <p>Our current audit review found that District personnel complied with our recommendations and all board members' Statements of Financial Interests were on file for the 2008 calendar year.</p>

<p><u>II. Finding No 2:</u> <u>Transportation Data</u> <u>Reporting Errors</u></p> <ol style="list-style-type: none">1. Review and verify DE reporting requirements, and understand the correct reporting for kindergarten transportation.2. Ensure miles with and without pupils are accurately computed and reported to DE.3. Ensure the number of pupils transported is accurately computed and reported to DE.4. Review reports submitted for years subsequent to the current audit period and, if errors are found, submit revised reports to DE.5. DE should adjust the District's allocations and pay the District to resolve the reimbursement underpayment of \$71,730.	<p>Background:</p> <p>Our prior audit of the District's pupil transportation records for the 2003-04 and 2002-03 school years found errors in data reported to DE for the 2003-04 school year only. Errors were noted in daily mileage and the number of pupils transported, resulting in a transportation reimbursement underpayment of \$71,730.</p>	<p>Current Status:</p> <p>Our current audit found that District personnel complied with our recommendations and no significant errors were noted in the District's transportation data reported to DE for the 2004-05 operation year.</p> <p>As of October 22, 2009, resolution of the \$71,730 underpayment was still pending final review by DE personnel. Therefore, the department again recommends that DE adjust the District's allocations to pay the \$71,730 owed to the District.</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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