

SULLIVAN COUNTY SCHOOL DISTRICT  
SULLIVAN COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2012





**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

Ms. Nancy L. Craft, Board President  
Sullivan County School District  
P.O. Box 346  
Dushore, Pennsylvania 18614

Dear Governor Corbett and Ms. Craft:

We conducted a performance audit of the Sullivan County School District (SCSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 3, 2010 through May 8, 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 SCSD 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 presented in the Executive Summary section of the audit report.

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

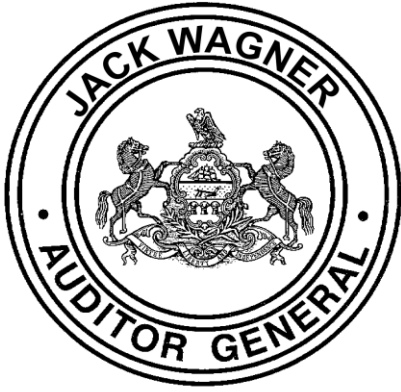
Sincerely,

/s/

**JACK WAGNER**  
Auditor General

December 20, 2012

cc: **SULLIVAN COUNTY 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 – Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Subsidy .....	6
Status of Prior Audit Findings and Observations .....	9
Distribution List .....	11



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Sullivan County School District (SCSD). Our audit sought to answer certain questions regarding the SCSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SCSD in response to our prior audit recommendations.

Our audit scope covered the period February 3, 2010 through May 8, 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**

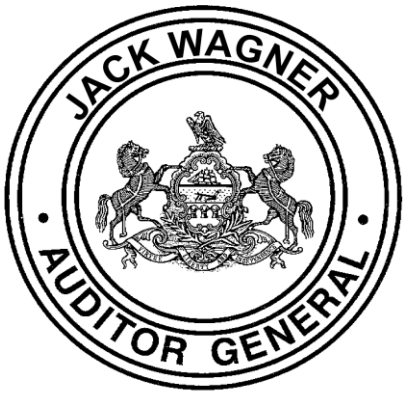
The SCSD encompasses approximately 479 square miles. According to 2010 federal census data, it serves a resident population of 6,428. According to District officials, in school year 2009-10 the SCSD provided basic educational services to 622 pupils through the employment of 61 teachers, 43 full-time and part-time support personnel, and 5 administrators. Lastly, the SCSD received more than \$4 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

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

**Finding: Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Subsidy.** Our audit of SCSD's pupil membership reports submitted to the Pennsylvania Department of Education for the 2009-10 school year found reporting errors as well as the lack of internal controls (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

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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 February 3, 2010 through May 8, 2012, except for, the verification of professional employee certification which was performed for the period July 1, 2011 through March 27, 2012.

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 SCSD'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?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?

## **Methodology**

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

*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.

SCSD 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

## Findings and Observations

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### Finding

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### Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Subsidy

*Criteria relevant to the finding:*

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code.

In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; LEP Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the Federal Information Systems Control Manual (FISCAM), a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Our audit of the Sullivan County School District's pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors as well as the lack of internal controls. District personnel inaccurately reported resident area vocational technical school (AVTS) membership. The lack of internal controls resulted in District personnel failing to reconcile preliminary data reports from PDE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days for resident secondary AVTS students were overstated by 1,930 days.

The error was due to District personnel incorrectly entering AVTS data as if the students attended the high school 100 percent of the time when in fact they attended only 50 percent of the time and the other 50 percent of the time was at the AVTS.

PDE has been provided a report detailing the errors for use in recalculating the District's subsidy.

**Recommendations**

The *Sullivan County School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Verify that the Preliminary Reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the Final Reports from PDE are correct.

The *Pennsylvania Department of Education* should:

3. Revise all reports that have been incorrectly completed and adjust the District subsidies affected by the error.

**Management Response**

Management stated the following:

The Sullivan County School District has sufficient internal controls in place for both the Sullivan County High School and Sullivan County Elementary School to ensure correct data is submitted to PIMS. When submitting templates for state reporting using our student information system all [vendor] template reports are checked with the HS guidance office/elementary records office and any inaccurate data entries are corrected before final templates are created. At this point the templates are submitted to PIMS and any formatting errors that the PIMS system identifies are corrected during the PIMS upload. After the templates are submitted to the PIMS batch process, the templates are checked in the “Validation” portion of PIMS. Every PIMS collection period involves all members of the PIMS team in all schools. All [vendor] SIS data is formatted using the [vendor] PIMS handbook and the PIMS manual. Updated manuals are printed as new manuals become available. All data is constantly checked for accuracy. The Sullivan County School District submits updates during all collection periods to ensure that all student data submitted to PIMS is current and accurate at all times. District personal attend all PIMS training sessions as provided by PDE. The submission in question includes the district’s Child Accounting data and students attending our Vo-Tech program. District students attending NTCC (Northern Tier Career Center – Vo-Tech) are reported by the high school and NTCC 90 days’ attendance each totaling 180 days. Our high school office attendance

reports only 90 days of attendance but the master student record in PIMS reports reflects 180 days. The issue found during the audit is a data reporting error caused by a [vendor] template format error which will be corrected by contacting [vendor] and having the vendor correct the template to correctly reflect the PIMS reporting requirement. After this issue is addressed, the PIMS help-desk will be contacted to update the 2009-10, 2010-11 and 2011-12 Child Accounting templates.

**Auditor Conclusion**

Although this is a vendor template format error, the reconciliation of the PIMS student data list with the vendor student data list would have uncovered this error.

Therefore, the finding stands as written.

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

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**O**ur prior audit of the Sullivan County School District resulted in no findings or observations.





## **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:

The Honorable Tom Corbett  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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