

TRI-VALLEY SCHOOL DISTRICT
SCHUYLKILL COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Daniel W. Wagner, Board President
Tri-Valley School District
110 West Main Street
Valley View, Pennsylvania 17983

Dear Governor Rendell and Mr. Wagner:

We conducted a performance audit of the Tri-Valley School District (TVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period October 13, 2006 through March 13, 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 the TVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding, observation and recommendations have been discussed with TVSD management and their responses are included in the audit report. We believe the implementation of our recommendations will improve TVSD operations and facilitate compliance with legal and administrative requirements. We appreciate the TVSD cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 15, 2010

cc: **TRI-VALLEY 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 Tri-Valley School District (TVSD). 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 TVSD in response to our prior audit recommendations.

Our audit scope covered the period October 13, 2006 through March 13, 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

The TVSD encompasses approximately 103 square miles. According to 2008 local census data, it serves a resident population of 6,479. According to District officials, in school year 2007-08 the TVSD provided basic educational services to 906 pupils through the employment of 83 teachers, 49 full-time and part-time support personnel, and 6 administrators. Lastly, the TVSD received more than \$6 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the TVSD 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 and one matter unrelated to compliance that is reported as an observation.

Finding: Nonresident Membership

Reporting Errors. The TVSD's pupil membership reports submitted to the Department of Education for the 2005-06 school year were inaccurate. Errors in reporting nonresident membership days resulted in a nonresident children placed in private homes reimbursement overpayment of \$4,044. Nonresident children placed in private homes membership was overstated 82 days for the 2005-06 school year. Furthermore, the TVSD underreported membership for district-paid students by 356 days (see page 7).

Observation: Memorandum of

Understanding Not Updated Timely. Our audit of the TVSD's records found that its current Memorandums of Understanding (MOU) with two local law enforcement agencies: Hegins Township Police Department and the Pennsylvania State Police, Reedsville Barracks were signed March 13, 2002 and May 9, 2002, respectively, and have not been updated (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the TVSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the TVSD had taken appropriate corrective action in implementing our recommendations pertaining to overpayments to a transportation contractor (see page 10).

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 October 13, 2006 through March 13, 2009, except for the verification of professional employee certification which was performed for the period September 19, 2006 through February 6, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2008-07, 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 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 TVSD'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:

- ✓ 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?

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.

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), 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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 finding, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding, observation and conclusions based on our audit objectives.

TVSD 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, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 2, 2007, we reviewed the TVSD's response to DE dated January 18, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

DE child accounting guidelines and instructions require accurate reporting of pupil membership days, student classification, and residency information, since these are major factors in calculating various district subsidies and reimbursements.

Nonresident Membership Reporting Errors

Our audit found that the District's pupil membership reports submitted to the Department of Education (DE) for the 2005-06 school year were inaccurate. Errors in reporting nonresident membership days resulted in a nonresident children placed in private homes reimbursement overpayment of \$4,044. Nonresident children placed in private homes membership was overstated by 82 days for the 2005-06 school year. Furthermore, the District underreported membership for district-paid students by 356 days. The two students were from the Pine Grove Area School District.

This clerical error was caused by reporting district-paid students as nonresident children placed in private homes for the 2005-06 school year.

Recommendations

The *Tri-Valley School District* should:

1. Provide regular in-service training to staff responsible for recording and reporting membership.
2. Perform an internal review of membership reports and summaries prior to submission of final reports to DE.

The *Department of Education* should:

3. Adjust the District's allocations to resolve the reimbursement overpayment of \$4,044.

Management Response

Management stated the following:

This was an oversight on the part of the employee assigned to this report. Employee was informed of the error and correct recording procedures will take place in subsequent years.

Observation

Public School Code section relevant to this observation:

Section 1303-A(c) provides:

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 sample MOU to be used by 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 within two years of the date of its original execution and every two years thereafter. (Emphasis added)

Memorandum of Understanding Not Updated Timely

Our audit of the District's records found that its current Memorandums of Understanding (MOU) with two local law enforcement agencies: Hegins Township Police Department and the Pennsylvania State Police, Reedsville Barracks were signed March 13, 2002 and May 9, 2002, respectively, and have not been updated.

The failure to update MOUs with all local law enforcement agencies and the state police 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 or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

During our current audit, on February 19, 2009 and March 4, 2009, respectively, District personnel and personnel of the two law enforcement agencies signed an updated version of the MOU.

Recommendations

The *Tri-Valley School District* should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the District and the two local law enforcement agencies.
2. The District should adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

While Management confirms that a Memorandum of Understanding (MOU) between the district and two local law enforcement agencies: Hegins Township Police Department and the Pennsylvania State Police-Reedsville Barracks was signed on March 13, 2002 and May 9, 2002, respectively, it disagrees with the audit observation specific to the subject of updating.

Neither Section 1303-A(c) of the Public School Code or Basic Education Circular (BEC) Safe Schools and Possession of Weapons , BEC 24 P. S. &13-1317.2, require updating of the MOU after its initial execution. While the BEC does provide a sample MOU for school entities to utilize, said entities are not required to do so. It is within this sample MOU that the reference to scheduled updating exists.

Alternatively, the current MOU was developed by district administration in consultation with the district solicitor, and as per Public School Code, in cooperation with local law enforcement and the Pennsylvania State Police. Management acknowledges that the MOU may be amended, expanded or modified at any time upon written consent of the parties, and furthermore understands the importance of periodic review.

In a show of good faith, Management has reviewed and is in the process of re-executing the current MOU between the district and the two local law enforcement agencies.

Auditor Conclusion

Although neither the Public School Code, nor a basic education circular specifically require that local education agencies update their MOUs every two years, the department considers it a best practice that could improve the coordination and direction of an emergency response effort. Therefore, the department is pleased that management has agreed to re-execute its current MOUs.

Status of Prior Audit Findings and Observations

Our prior audit of the Tri-Valley School District (TVSD) for the school years 2003-04 and 2002-03 resulted in one finding. The finding pertained to overpayments to a transportation contractor. 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 TVSD Board’s 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 TVSD did implement recommendations related to overpayments to a transportation contractor.

<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: Overpayments to Transportation Contractor</i></u></p> <p>1. The board should, in conjunction with its solicitor, make a motion to approve rates paid for the 1999-2000 school year through the 2006-07 school year as per their intentions at the next board meeting.</p>	<p>Background:</p> <p>Our prior two audits found that TVSD overpaid one contractor \$48,203 for the 2003-04, 2002-03, 2001-02 and 2000-01 school years. Additionally, the contractor was also overpaid based on the District’s contract in 2005-06 and 2004-05.</p>	<p>Current Status:</p> <p>We followed up on TVSD transportation contractors and determined that TVSD <u>did</u> take corrective action to address our prior audit recommendations.</p>

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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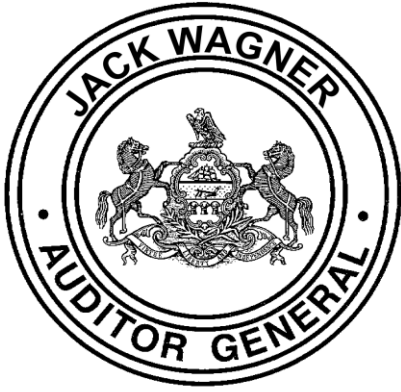
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