

TUSCARORA INTERMEDIATE UNIT #11
MIFFLIN 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

Ms. Lisa J. Baer, Board President
Tuscarora Intermediate Unit #11
2527 US Highway 522 South
McVeytown, Pennsylvania 17051

Dear Governor Corbett and Ms. Baer:

We conducted a performance audit of the Tuscarora Intermediate Unit #11 (TIU) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period March 27, 2008 through June 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, 2009, 2008 and 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 TIU 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 TIU's management and their response is included in the audit report. We believe the implementation of our recommendations will improve TIU's operations and facilitate compliance with legal and administrative requirements. We appreciate the TIU's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 14, 2013

cc: **TUSCARORA INTERMEDIATE UNIT #11** Board Members

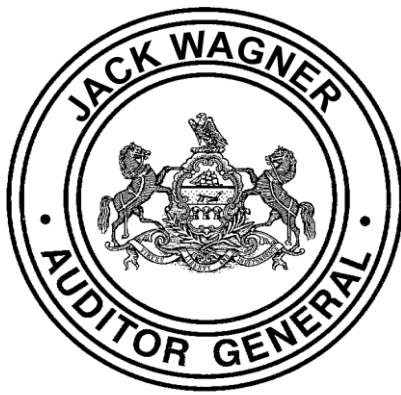
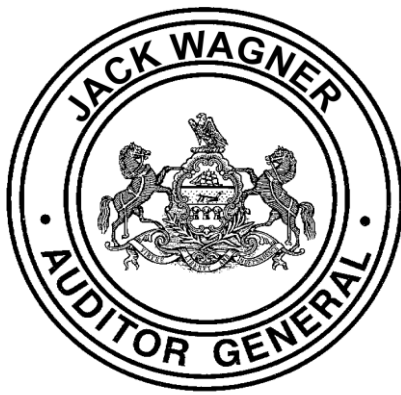


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Tuscarora Intermediate Unit #11 (TIU). Our audit sought to answer certain questions regarding the TIU's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 27, 2008 through June 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, 2008-09, 2007-08 and 2006-07.

Intermediate Unit Background

The intermediate unit (IU) is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the nine participating school districts, nonpublic schools, and institutions in Fulton, Huntingdon, Juniata and Mifflin counties. The IU is governed by a nine member board appointed by the participating school districts on a rotating basis. The administrative office is located at 2527 US Highway 522 South, McVeytown, Pennsylvania.

The programs offered by the IU served 817 students in public schools and 170 students in nonpublic schools. The staff consisted of 21 administrators, 64 teachers, and 27 full-time and part-time support personnel.

The accounts of the IU are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. IU resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs which receive Commonwealth funds are accounted for in the following:

General Fund

The general fund is the primary operating fund of the IU. It is used to account for all financial resources and accounts for the general governmental activities of the IU.

Services provided to participating school districts through the general fund included:

- . administration;
- . curriculum development and instructional improvement;
- . educational planning;
- . instructional materials;
- . management services;
- . continuing professional education;
- . pupil personnel;
- . state and federal liaison; and
- . nonpublic program subsidy - Act 89.

Lastly, the TIU received more than \$11.6 million from the Commonwealth in general operating funds in school year 2009-10.

Special Revenue Fund

The special revenue fund accounts for the financial resources received to provide, maintain, administer, supervise and operate schools, classes, service programs, and transportation for exceptional children in accordance with the school laws of Pennsylvania and the approved IU plan for special education. The special revenue fund accounts for financial resources available for programs and services for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The special education program offered services at all grade levels for pupils whose physical, mental, or emotional needs required such services. If appropriate facilities were not available in a neighborhood school, the IU provided the necessary transportation.

Special education programs included:

- . gifted support;
- . learning support;
- . life skilled support;
- . emotional support;
- . deaf or hearing impaired support;
- . blind or visually impaired support;
- . speech and language support;
- . physical support;

- . autistic support; and
- . multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. IUs received direct funding for certain institutionalized children programs, CORE services, special payments to certain IUs, and a contingency fund.

Lastly, the TIU received more than \$7.3 million from the Commonwealth in special revenue funds in school year 2009-10.

Audit Conclusion and Results

Our audit found that the TIU 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: Transportation Cost Proration Errors.

Our audit of the 2009-10 school year found transportation data was incorrectly reported to the Pennsylvania Department of Education for three buses. Also, transportation costs for one school district were allocated to another school district. The combined effect of these errors resulted in over and undercharges to TIU member districts (see page 6).

Status of Prior Audit Findings and

Observations. We reported no findings or observations 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 March 27, 2008 through June 8, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2007 through May 18, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10, 2008-09, 2007-08 and 2006-07.

While all LEAs have the same school years, some LEAs 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 TIU'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the IU 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 IU have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the IU receives transportation subsidies, are the IU and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the IU, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the IU's fiscal viability?
- ✓ Did the IU 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 IU taking appropriate steps to ensure school safety?
- ✓ Did the IU have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the IU'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 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.

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.

TIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU 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 IU'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 pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Findings and Observations

Finding

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, the number of days the vehicle provided transportation, and the number of pupils transported to be based on actual data, using the LEA's daily records and weighted averaging of mileage and pupils.

Transportation Cost Proration Errors

Our audit of the Tuscarora Intermediate Unit #11's (TIU) transportation records for the 2009-10 school year found errors in data reported to the Pennsylvania Department of Education (PDE), detailed as follows:

Contractor Cost Allocation

In the 2009-10 school year, the TIU provided transportation services to nine member school districts. Our audit of the contractor invoices found that transportation costs for two districts were incorrectly reported to PDE.

We noted that \$24,491 of the total transportation costs were incorrectly allocated to the Southern Huntingdon County School District, but should have been allocated to the Forbes Road School District.

If the transportation department personnel had performed a detailed review of the contractor invoices the misallocation would have been noticed prior to submitting the transportation reports to PDE.

Mileage With Pupils/Number of Days Transported

Our audit of the 30 contractor vehicles selected for testing found reporting errors on three vehicles. For two vehicles, the approved daily miles with pupils were overstated by a total of 2 miles, and for one vehicle the number of days transported was understated by 22 days.

The errors resulted in the nine member districts being incorrectly charged for their share of transportation costs.

The changes in proration are as follows:

Criteria relevant to the finding:

Section 2509.1 of the Public School Code provides, in part:

“(g)(2)[T]he district shall pay to the Commonwealth on account of transportation by the intermediate unit of pupils to and from classes and schools for exceptional children and of eligible young children to and from early intervention programs, whether or not conducted by the intermediate unit, an amount to be determined by subtracting from the cost of transportation per pupil the reimbursement due the district on account of such transportation.

“(g)(3) In order to facilitate such payments by the several school districts, the Secretary of Education shall withhold from any moneys due to such districts out of a State appropriation . . . the amounts due by such district to the Commonwealth.”

<u>School District</u>	<u>Original Deduction</u>	<u>Revised Deduction</u>	<u>(Over)/Under Deduction</u>
Central Fulton	\$ 1,795	\$ 1,790	\$ (5)
Forbes Road	9,698	26,225	16,527
Southern Fulton	27,756	27,674	(82)
Huntingdon Area	30,731	30,647	(84)
Juniata Valley	41,493	41,349	(144)
Mt. Union Area	23,246	23,145	(101)
Southern Huntingdon County	184,286	167,091	(17,195)
Juniata County	351,255	350,419	(836)
Mifflin County	<u>71,078</u>	<u>70,832</u>	<u>(246)</u>
Total	<u>\$741,338</u>	<u>\$739,172</u>	<u>\$ 2,166</u>

We have provided PDE with reports, detailing the errors, to be used in the recalculation of the proration of transportation costs.

Recommendations

The *Tuscarora Intermediate Unit #11* should:

1. Strengthen internal controls to ensure accurate reporting of mileage, days of service and contractor cost allocations.
2. Thoroughly reconcile all transportation data for accuracy prior to submission to PDE.
3. Review reports subsequent to the audit period and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the member districts’ future allocations to correct the revisions in the proration of TIU pupil transportation costs.

Management Response

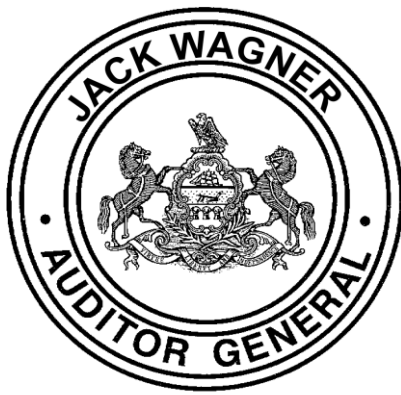
Management stated the following:

The Transportation Coordinator had a calculation error on the spreadsheet.

TIU will have a support staff person review the end of year cost allocation spreadsheet prepared by the transportation coordinator for accuracy of calculation and completeness of all details.

Status of Prior Audit Findings and Observations

Our prior audit of the Tuscarora Intermediate Unit #11 resulted in no findings or observations.



Distribution List

This report was initially distributed to the executive director of the intermediate unit, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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