

TUSCARORA INTERMEDIATE UNIT #11
MIFFLIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2008

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

Mr. Dwight D. Bard, Board President
Tuscarora Intermediate Unit #11
2527 US Highway 522 South
McVeytown, Pennsylvania 17051

Dear Governor Rendell and Mr. Bard:

We conducted a performance audit of the Tuscarora Intermediate Unit #11 (TIU) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 30, 2005 through March 27, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursement was determined for the school years ended June 30, 2006 and June 30, 2005, as they were the most recent reimbursements subject to audit. 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, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 13, 2008

cc: Ms. Linda H. Garber, Board Vice-President
Ms. Lisa A. Watson, Board Treasurer
Ms. Michele A. Huntsman, Board Secretary
Ms. Deonna J. Carmack, Board Member
Ms. Donna K. Isenberg, Board Member
Ms. Karen Y. Fish, Board Member

Mr. Thomas McMath, Board Member
Ms. Elaine E. Van Horn, Board Member
Mr. Phillip C. Nash, Board Member
Ms. Bonnie K. Cramer, Board Member
Mr. Richard D. Daubert, Executive Director



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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, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the TIU in response to our prior audit recommendations.

Our audit scope covered the period November 30, 2005 through March 27, 2008, except as otherwise indicated in the audit scope, objectives and methodology section of the report. Compliance specific to state subsidy reimbursements was determined for school years 2005-06 and 2004-05, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

Intermediate Unit Background

The TIU 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 TIU 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 TIU served 17,467 students in public schools and 1,896 students in nonpublic schools. The staff consisted of 58 teachers, 265 full-time and part-time support personnel, and 17 administrators.

The accounts of the TIU are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. The TIU 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 TIU. It is used to account for all financial resources and accounts for the general governmental activities of the TIU.

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 \$6.7 million from the Commonwealth in general operating funds in school year 2005-06.

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 TIU 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 TIU 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 2005-06.

Audit Conclusion and Results

Our audit found that the TIU 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. We reported no findings or observations in our prior report for the audit we conducted of the 2003-04 and 2002-03 school years (see page 7).

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 November 30, 2005 through March 27, 2008, except for certification which was reviewed for the period July 1, 2005 through June 30, 2007. Regarding state subsidy reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

While all IUs have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with 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

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 TIU 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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the IU receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), 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.

- ✓ Did the IU follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the IU's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the IU 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 IU?
- ✓ Did the IU 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?
- ✓ Did the IU take appropriate corrective action to address recommendations made in our prior audits?

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.

TIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU 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.

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.

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

Our current audit of the Tuscarora Intermediate Unit #11 for the school years 2005-06 and 2004-05, resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Tuscarora Intermediate Unit #11 for the school years 2003-04 and 2002-03 resulted in no findings or observations.



Distribution List

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

The Honorable Edward G. Rendell
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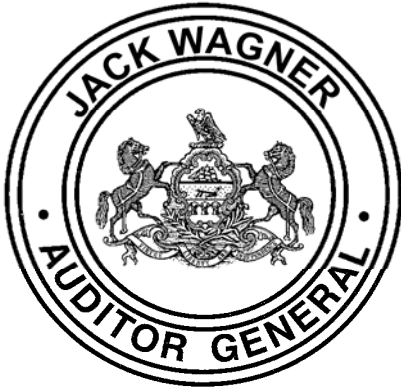
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