



**TUSSEY MOUNTAIN SCHOOL DISTRICT  
BEDFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**NOVEMBER 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Rodney Figard, Board President  
Tussey Mountain School District  
199 Front Street  
Saxton, Pennsylvania 16678

Dear Governor Corbett and Mr. Figard:

We conducted a performance audit of the Tussey Mountain School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period June 11, 2010 through May 30, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2011, 2010, and 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements, except as detailed in one finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE  
Auditor General

November 15, 2013

cc: **TUSSEY MOUNTAIN SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period June 11, 2010 through May 30, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

### **District Background**

The District encompasses approximately 173 square miles. According to 2010 federal census data, it serves a resident population of 7,325. According to District officials, the District provided basic educational services to 1,175 pupils through the employment of 92 teachers, 61 full-time and part-time support personnel, and nine (9) administrators during the 2011-12 school year. Lastly, the District received \$10,952,214 in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance related matters reported as a finding.

#### **Finding: Errors in Reporting Pupil Membership Data Resulted in a Net Tuition Underpayment Totaling \$14,670.**

Our audit of the Tussey Mountain School District (District) membership reports submitted to the Pennsylvania Department of Education found errors in the reporting of non-resident children placed in private homes. These errors resulted in a net tuition underpayment of \$14,670 (see page 5).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the District from an audit released on November 29, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting district-operated vocational education membership (see page 9).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 June 11, 2010 through May 30, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through May 13, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 2009-10, and 2008-09 school years.

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 (PDE) 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 District's compliance with certain relevant 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 received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

## **Methodology**

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the

*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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 29, 2010, we reviewed the District's response to PDE dated March 27, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Errors in Reporting Pupil Membership Data Resulted in a Net Tuition Underpayment Totaling \$14,670

*Criteria relevant to the finding:*

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database call the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. 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; Limited English Proficiency Participation; Migrant Status; and Location of Residence. Therefore, PDE requires that student records are complete with these data fields.

Our audit of the Tussey Mountain School District's (District) pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the school years ending June 30, 2011 and 2010 found errors in the reporting of pupil membership days for children placed in private homes (foster students). These errors resulted in a net underpayment to the District of \$14,670.

PDE bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives through the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (12) public education systems.

PDE began calculating the LEA's state subsidy using the data the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives its proper state subsidy. For the 2009-10 school year, the District's non-resident secondary membership days were understated 408 days. The underpayment was caused by District personnel failing to review the residency classification coding prior to uploading the data into PIMS.

For the 2010-11 school year, one non-resident secondary student had an incorrect resident school district code, and another non-resident secondary student was reported with 178 non-resident membership days but should have been reported as 71 non-resident membership days and 107 resident membership days.



*Criteria relevant to the finding (continued):*

Additionally, according to the *Federal Information System Controls Audit Manual*, 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.

Section 1305 of the Public School Code (PSC), 24 P.S. § 1305, provides for Commonwealth payment of tuition for nonresident children placed in private homes.

Section 2503 (c) of the PSC, 24 P.S. § 2503 (c), specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any nonresident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per secondary pupil as the case may be . . .”

These miscoded students and funding school districts resulted in an underpayment of \$20,051 to the District for the 2009-10 school year, and an overpayment of \$5,381 to the District for the 2010-11 school year. Therefore, the District is entitled to a net underpayment of \$14,670.

In the 2009-10 school year, the errors were the result of District personnel being unfamiliar with the changes made to the coding requirements of PIMS. Therefore, the District miscoded the resident and funding school districts of non-resident students.

In the 2010-11 school year, the District educated one non-resident student who turned 18 during the school year and became independent. At that point, he became a resident of the school district, and the days of membership from his birthday forward should have been recorded as resident days.

In April of each school year, PDE provides the District with a preliminary Summary of Child Accounting report that should be reviewed by the District to verify that the data reported was accurate. This report also provides the District the opportunity to make corrections, if necessary, prior to submitting the final Summary of Child Accounting report in June. Had the District performed a proper review of the reported data, they would have noticed that the data was not on the preliminary report.

It is the responsibility of District management to have internal policies and procedures in place to ensure that student data is accurately collected and properly reported to PDE. Without internal controls, the District cannot be assured that it is reporting correct data or receiving the appropriate subsidy.

We have provided PDE with reports detailing the errors for use in recalculating the District’s children placed in private homes reimbursement.

## **Recommendations**

The *Tussey Mountain School District* should:

1. Adopt internal controls over the child accounting collection and reporting.
2. Thoroughly review all child accounting data for accuracy prior to submission to PDE.
3. Perform a detailed review of PDE's Preliminary Summary of Child Accounting report to ensure accurate reporting of pupils.
4. Review subsequent year PIMS reports for errors and resubmit to PDE, if necessary.

The *Pennsylvania Department of Education* should:

5. Adjust future District allocations to correct the net underpayment of \$14,670.

## **Management Response**

Management stated the following:

“The 2009-10 school year was the first year of submitting membership reports via PIMS (Pennsylvania Information Management System). There was very little direction given on using the system, which was not user friendly and the manuals provided weren't very informative. District staff attended webinars to learn about the system, but not everything could be covered in these sessions.

In 2010-11, district staff had a better understanding of PIMS, but mistakenly reported the wrong resident school district for a non-resident (foster) student.

In addition, one of the foster students living in the district turned 18 during the 2010-11 school year, which made that student ineligible for foster placement. However, the student continued living at the home of the foster family as an adult resident student for the remainder of the year, but district staff failed to change the resident status. This resulted in claiming too many non-resident days for that student in 2010-11.

District staff continues to attend informational sessions to stay current with reporting through PIMS. The staff also has implemented procedures to review all PIMS reports thoroughly for all students periodically to insure correct reporting of membership.”

### **Auditor Conclusion**

While we are encouraged that the District has taken steps to address the deficiencies in its pupil membership data reporting, we again stress the importance of appropriate internal controls over the data collection and reporting process. We will re-evaluate the District’s pupil membership reporting during our next cyclical audit.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Tussey Mountain School District (District), released on November 29, 2010, resulted in one finding. The finding pertained to the reporting of district-operated vocational education membership. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior finding. As shown below, we found that the District did implement our recommendations related to district-operated vocational education membership.

### Auditor General Performance Audit Report Released on November 29, 2010

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**Finding:** **Errors in Reporting District-Operated Vocational Education Membership Resulted in a Subsidy Underpayment of \$8,295**

Finding Summary: Our prior review of the district-operated vocational education membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2007-08 school year were understated by 2,886 days. This resulted in a vocational education subsidy (VES) underpayment of \$8,295.

Recommendations: Our audit finding recommended that the District:

1. Require District personnel responsible for reporting district-operated vocational education membership to familiarize themselves with PDE instructions.
2. Review reports submitted to PDE subsequent to the years audited and submit revised reports if error are found.

The Pennsylvania Department of Education should:

3. Adjust the District's future allocations to correct the underpayment of VES.

Current Status: During our current audit, we found that the District did implement our recommendations. The District correctly reported membership days, instead of days of attendance, for reimbursement.

As of May 30, 2013, PDE had not corrected the VES underpayment.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
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Harrisburg, PA 17120

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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).