

JUNIATA COUNTY SCHOOL DISTRICT
JUNIATA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

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

Mr. Gary Zeiders, Board President
Juniata County School District
75 South Seventh Street
Mifflintown, Pennsylvania 17059

Dear Governor Rendell and Mr. Zeiders:

We conducted a performance audit of the Juniata County School District (JCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 25, 2006 through January 29, 2010, 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 JCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

September 3, 2010

cc: **JUNIATA COUNTY 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 Juniata County School District (JCSD). 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 JCSD in response to our prior audit recommendations.

Our audit scope covered the period April 25, 2006 through January 29, 2010, 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 JCSD encompasses approximately 372 square miles. According to 2000 federal census data, it serves a resident population of 22,273. According to District officials, in school year 2007-08 the JCSD provided basic educational services to 3,189 pupils through the employment of 231 teachers, 155 full-time and part-time support personnel, and 18 administrators. Lastly, the JCSD received more than \$15.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the JCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: District's Entitlement to \$11,385,026 of Subsidies and Reimbursements is Questionable as a Result of Insufficient Documentation to Support Reported Membership. Our audit of the JCSD's 2007-08 school year child accounting data found that JCSD personnel were unable to locate the documentation supporting the membership data reported to Department of Education, resulting in our inability to verify the JCSD's entitlement to subsidies totaling \$11,385,026 (see page 6).

Finding No. 2: Certification Deficiency. Our audit of professional employees' certification found one individual did not hold the appropriate certificate for her assignment (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the JCSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the JCSD:

- Had not taken appropriate corrective action in implementing our recommendations pertaining to insufficient documentation to support membership and instructional time (see page 10).

- Had taken appropriate corrective action in implementing our recommendations pertaining to the board members' failure to file Statements of Financial Interests (see page 11).
- Had taken appropriate corrective action in implementing our recommendations pertaining to bus drivers' inability to provide licenses and clearances that are required to operate school buses (see page 11).
- Had not taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 12).
- Had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses regarding bus drivers' qualifications (see page 12).

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 April 25, 2006 through January 29, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 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 (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

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.

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 JCSD'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:

- ✓ 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?
- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 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.

JCSD 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.

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 and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 28, 2006, we reviewed the JCSD's response to DE dated June 21, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

Section 518 of the Public School Code requires that records be retained for a period of not less than six years.

The Department of Education (DE) guidelines and instructions require the maintenance and retention of adequate documentation to verify the district's entitlement to state payments. Failure to maintain and retain this documentation could result in the loss of state funding.

District's Entitlement to \$11,385,026 of Subsidies and Reimbursements is Questionable as a Result of Insufficient Documentation to Support Reported Membership

Our audit of the District's 2007-08 school year child accounting data found that District personnel were unable to locate the documentation supporting the membership data reported to DE, resulting in our inability to verify the District's entitlement to subsidies totaling \$11,385,026, as follows:

<u>Identification</u>	<u>2007-08</u>
Basic Education Funding	\$ 9,632,912
Tuition for Children Placed in Private Homes	30,152
Vocational Education Subsidy	80,434
Special Education Subsidy	<u>1,641,528</u>
Total	<u>\$11,385,026</u>

Furthermore, while the reports for the other three audit years were available, our review found some unexplained discrepancies with the data reported to DE

Insufficient documentation of membership data was also the subject of a finding in our prior audit report (see page 10).

During our audit, District personnel were able to print out membership reports for the 2007-08 school year. However, they were unable to locate the "attendance" binders that contained the original membership printouts and adjustments for the 2007-08 school year. Our review of the printouts found discrepancies with the data reported to DE. Therefore, the District's membership data could not be audited and no audit adjustments could be made to the District's reported membership because of the questionable accuracy of the resident, nonresident, and district-operated vocational membership data.

Internal controls are the responsibility of management. Weaknesses in the District's retention of records procedures, as detailed in this finding, did not provide management with the assurance that documentation supporting the District's child accounting and instructional time data was collected, recorded and reported accurately, in accordance with DE instructions during the 2007-08 school year.

Recommendations

The *Juniata County School District* should:

Develop and implement procedures to ensure supporting documentation for child accounting data, which supports the membership data, reported to DE, is retained in a manner that it can be retrieved and will be available for audit purposes.

The *Department of Education* should:

Require the District to maintain sufficient and relevant evidence to ensure proper justification for the receipt of state funds. Moreover, in view of the lack of documentation, DE should review the propriety of the \$11,385,026 in subsidies received by the District.

Management Response

Management stated the following:

The original membership binder for 2007-2008 was not in our attendance records. The reports for the other 3 years that were audited were available. Our archived membership report for 2007-2008 did not match what was submitted to PDE for 2007-2008 since there were a few changes made after the 2007-2008 membership report was printed based on information provided by staff in our schools. In the future, any changes will be updated on the system and a final report will be prepared and maintained for audit purposes. The annual membership report to PDE will also be submitted to PDE more in line with recommendations made by [the auditor].

Finding No. 2 →*Criteria relevant to the finding:*

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certified to teach.

Section 2518 of the Public School Code provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in the Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand (\$6,000) and the district's market value/income aid ratio.

Certification Deficiency

Our prior audit identified an individual with an elementary certificate assigned to the Literacy Coach position and to teach Title I Reading. The Bureau of School Leadership and Teacher Quality (BSLTQ) confirmed that both positions required Reading Specialist K-12 certification (see page 12).

Our current audit found the same individual was assigned as a Title I Language Arts teacher with an elementary certificate, from February 1, 2006 through June 30, 2009. This assignment also required a Reading Specialist Certificate.

Information pertaining to the certificate and assignment was submitted to BSLTQ, DE, for its review. Subsequent to completion of our fieldwork for the audit, BSLTQ confirmed the deficiency; the District is therefore subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Subsidy Forfeitures</u>
2008-09	\$2,579
2007-08	2,682
2006-07	<u>2,721</u>
Total subsidy forfeitures	<u>\$7,982</u>

Recommendations

The *Juniata County School District* should:

Submit all locally titled positions to BSLTQ for review to determine the appropriate certification for the position.

The *Department of Education* should:

Adjust the District's allocations to recovery the subsidy forfeitures of \$7,982.

Management Response

Management stated the following:

The Juniata County School District questions the findings for the possible certification deficiency for the 06-07, 07-08 and 08-09 years for [the individual]. It should also be noted that [she] retired from the District in summer of 2009.

Reasons for not agreeing are as follows:

1. Title I, as of 06-07 was designated as a Language Arts program.
2. As a language arts program, Title I certification permits teachers through grade two to have early childhood education certification or elementary education or reading specialist and grade 3 through 6 for the Title I Language Arts programs can have reading specialist or elementary education certification.
3. August 28, 2008 district e-mail correspondence with [the] regional coordinator Title I at PDE questioning future certification needs. She states, "If they are in a LA [Language Arts] program they would be fine." When questioned "How long do you think these requirements will last?"- The response was "I don't see any changes in the foreseeable future."
4. District followed these guidelines.

Auditor Conclusion

The District's contention that this assignment was approved refers to an approval through DE's Division of Federal Programs, not through BSLTQ, which oversees certification issues. As noted in our finding, BSLTQ has determined that the individual was not properly certified; any further disagreement on the part of the District must be addressed to DE.

Status of Prior Audit Findings and Observations

Our prior audit of the Juniata County School District (JCSD) for the school years 2003-04 and 2002-03 resulted in four reported findings and one reported observation as shown in the table. 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 JCSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the JCSD did not implement recommendations related to membership and certification. We found that the JCSD did implement recommendations related to Statements of Financial Interests and bus drivers' qualifications.

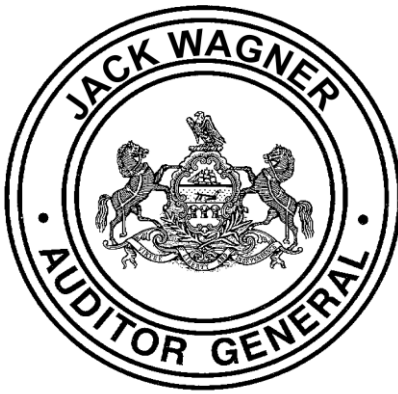
<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>1. Finding No. 1: District's Entitlement to \$20,334,118 of Subsidies and Reimbursements is Questionable as a Result of Insufficient Documentation to Support Reported Membership and Instructional Time</i></u></p> <p>1. Develop and implement procedures to ensure supporting documentation for child accounting data reported to DE is retained and available for audit.</p> <p>2. DE should require the District to maintain sufficient and relevant evidence to ensure proper justification for the receipt of state funds. Moreover, in view of the lack of documentation, DE should review the propriety of the \$20,334,118 in subsidies received by the District.</p>	<p>Background:</p> <p>Our prior audit of the District's 2003-04 and 2002-03 school year child accounting data found that not all documentation was retained for audit purposes, resulting in our inability to verify the District's entitlement to subsidies totaling \$20,334,118.</p> <p>The following weakness in record retention were noted:</p> <ul style="list-style-type: none"> • The official 2003-04 school calendars could not be located. • Building bell schedules for the 2003-04 school year could not be located. • Grade level membership day totals on District computer printouts for both the 2003-04 and 2002-03 school years did not agree with the totals reported to DE. District worksheets explaining the differences could not be located. • Documentation for 3 of 11 nonresident children placed in private homes reported for the 2003-04 school year could not be located. • Documentation for 2,060 and 6,147 days of district-operated vocational membership for the 2003-04 and 2002-03 school years, respectively, could not be located. 	<p>Current Status:</p> <p>Our current audit of membership found that the District did not implement procedures consistent with our recommendations.</p> <p>We found that the District did have official school calendars and bell schedules. However, the District was unable to provide grade level membership data to support the membership days reported to DE for the 2007-08 school year.</p> <p>Since membership reports were not available, we could not audit data reported for resident pupils, nonresident children placed in private homes and district-operated vocational education. This issue is addressed in Finding No. 1 of our current audit report (see page 6).</p> <p>Furthermore, membership data for the 2006-07, 2005-06 and 2004-05 school years again showed unexplained differences from data reported to DE.</p>

<p><u>II. Finding No. 2: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when elected board members fail to file their Statements of Financial Interests (SFI). 2. Develop procedures to ensure that all individuals required to file SFIs do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit of District records found that four former board members failed to file SFIs for the year ended December 31, 2003, and one former board member failed to file a statement for the year ended December 31, 2002.</p>	<p>Current Status:</p> <p>Our current audit of SFIs found that all members of the board had filed their SFIs.</p> <p>Furthermore, the District's solicitor now annually reviews with the board members their responsibility for filing of SFIs accurately and on time.</p>
<p><u>III. Finding No. 3: Certain of the District's Contracted Bus Drivers Could Not Provide Licenses and Clearances Required to Operate School Buses in Pennsylvania</u></p> <ol style="list-style-type: none"> 1. Immediately obtain, from the transportation contractor, the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications. 2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students. 3. Maintain files, separate from the transportation contractors, and work with the contractors to ensure that files are up-to-date and complete. 	<p>Background:</p> <p>Our prior audit of personnel records of a random sample of 22 of the 69 drivers employed the District's transportation contractors found that District personnel could not provide documentation to verify that:</p> <ul style="list-style-type: none"> • One driver held a current, valid school bus driver's license; and • One driver had the required criminal record check. <p>Additionally, two drivers employed August 29, 2005 and January 3, 2006, respectively, did not have the required criminal record check or the child abuse clearance. As a result of our audit, these drivers applied for and received their criminal record checks, dated March 6, 2006, and their child abuse clearances, dated March 10, 2006.</p>	<p>Current Status:</p> <p>Our current audit of bus drivers' qualifications found that the District implemented procedures consistent with our recommendations. These procedures were implemented for the 2006-07 school year.</p>

<p><u>IV. Finding No. 4:</u> <u>Certification Deficiencies</u></p> <ol style="list-style-type: none"> 1. Take the necessary action required to ensure compliance with certification regulations. 2. Implement procedures to track years of service for all individuals who are not permanently certified. 3. Ensure only properly certified individuals holding current and valid certificates are allowed to teach District students. 4. DE should take action to adjust the District's allocations to recover the appropriate subsidy forfeitures. 	<p>Background:</p> <p>Our prior audit of the professional employees' certification for the period December 13, 2003 through January 31, 2006, found three certification deficiencies.</p>	<p>Current Status:</p> <p>Our current audit of certification found that beginning with the 2009-10 school year the District had implemented recommendations made in our prior audit. However, one individual cited in our prior audit, whose position title was changed, is again cited as a certification deficiency, as detailed in Finding No. 2 of this report (see page 8).</p> <p>DE determined that the District was subject to subsidy forfeitures of \$9,308 for the prior audit certification deficiencies; this amount was deducted from the District's June 1, 2007, basic education funding payment.</p>
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<p><u>V. Observation: Internal control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that 	<p>Background:</p> <p>Our prior audit found that, while the District does have a procedure to make a written request for information, the District's transportation contractors did not provide any written policies or procedures to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit of bus drivers' qualifications found that the District implemented procedures consistent with our recommendations during the 2007-08 school year.</p>
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call into question their suitability to continue to have direct contact with children.		
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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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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

