

MIFFLIN COUNTY SCHOOL DISTRICT  
MIFFLIN COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. Walter Harpster, Board President  
Mifflin County School District  
201 Eighth Street - Highland Park  
Lewistown, Pennsylvania 17044

Dear Governor Rendell and Mr. Harpster:

We conducted a performance audit of the Mifflin County School District (MCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 15, 2005 through June 24, 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 MCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, 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 observation and recommendations have been discussed with MCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MCSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 29, 2010

cc: **MIFFLIN COUNTY SCHOOL DISTRICT** Board Members

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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 Mifflin County School District (MCSD). 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 MCSD in response to our prior audit recommendations.

Our audit scope covered the period December 15, 2005 through June 24, 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 MCSD encompasses approximately 362 square miles. According to 2000 federal census data, it serves a resident population of 46,486. According to District officials, in school year 2007-08 the MCSD provided basic educational services to 5,691 pupils through the employment of 460 teachers, 402 full-time and part-time support personnel, and 27 administrators. Lastly, the MCSD received more than \$28.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the MCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

**Observation: Memorandum of Understanding Not Updated Timely.** Our audit of the MCSD's records found the Memorandum of Understanding between the MCSD and its local law enforcement agency, the Mifflin County Regional Police Department, was last signed July 1, 2005 (see page 5).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the MCSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to nonpublic pupil transportation (see page 7), nonresident membership (see page 8), Statements of Financial Interests (see page 8), bus drivers' qualifications (see page 9), and certification (see page 9).





## **Audit Scope, Objectives, and Methodology**

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### **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 December 15, 2005 through June 24, 2009.

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 MCSD'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:

- ✓ 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 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.

MCSD 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 MCSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 10, 2006, we reviewed the MCSD's response to DE dated November 16, 2006. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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*Criteria relevant to the observation:*

Section 1303-A(c) of the Public School Code provides, in part:

All school entities shall develop a memorandum of understanding with local law enforcement which 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.

Additionally, a Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU format 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.

### Memorandum of Understanding Not Updated Timely

Our audit of the District's records found that the Memorandum of Understanding (MOU) between the District and its local law enforcement agency, the Mifflin County Regional Police Department, was last signed July 1, 2005.

The failure to update MOUs with the local law enforcement agency 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 on 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.

### Recommendations

*The Mifflin County School District* should:

1. Update and re-execute the current MOU between the District and the Mifflin County Regional Police Department.
2. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years.

**Management Response**

Management stated the following:

The Mifflin County School District is required to have a memorandum of understanding with the local police force which has jurisdiction over the areas in which the buildings and land of the school district are situated in. The memorandum of understanding must be updated and signed every two years. The Mifflin County School District is assigned a School Resource Officer through the Mifflin County Regional Police Department. Therefore, Mifflin County Regional Police Department is responsible for all of the Mifflin County School District buildings and grounds.

The district has a memorandum of understanding with the Mifflin County Regional Police Department. However, the memorandum of understanding has not been updated and signed within the past two years.

The Superintendent or his designee will work with the Mifflin County Regional Police Department to update and sign a new memorandum of understanding. The memorandum of understanding will then be placed on a schedule to be updated and signed every two years.

## Status of Prior Audit Findings and Observations

Our prior audit of the Mifflin County School District (MCSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in four reported findings and one observation, as shown in the following 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 MCSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and the observation. As shown below, we found that the MCSD did implement most of the recommendations related to our findings and observation.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01</i>		
<i>Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding No. 1:</u></i>  <i><u>Inaccurate Reporting of Nonpublic Pupils Resulted in a Net Transportation Subsidy Overpayment of \$74,050</u></i></p> <p>1. Establish procedures to ensure all nonpublic pupils who are provided transportation during the school year are reported to DE for reimbursement and that students are not counted twice.</p> <p>2. DE should adjust the District’s allocations to recover the net overpayment of \$74,050.</p>	<p><b>Background:</b></p> <p>Our prior audit of the District’s transportation reports for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found reporting errors in the number of nonpublic pupils who were transported. These errors resulted in nonpublic transportation reimbursement overpayments of \$33,495, \$25,025 and \$18,095 based on the 2003-04, 2002-03 and 2001-02 school years, respectively. For the 2000-01 school year, nonpublic transportation reimbursement was underpaid by \$2,565.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented all of our recommendations from the previous audit.</p> <p>Beginning with the 2004-05 school year an alphabetical listing of nonpublic students was created. This alphabetical list was then cross-referenced to all bus rosters. This process eliminated the double-counting of nonpublic students for transportation reimbursement.</p> <p>DE recovered the net overpayment of \$74,050 in August 2006.</p>

<p><u>II. Finding No. 2: Pupil Membership Reporting Errors Resulted in a Net Subsidy and Reimbursement Overpayment of \$24,810</u></p> <ol style="list-style-type: none"> <li>1. Ensure that all nonresident students are reported accurately in accordance with DE guidelines. In addition, district personnel should review reports for years subsequent to our audit and, if errors are found, submit revised reports to DE.</li> <li>2. DE should adjust the District's future allocations to recover the net overpayment of \$24,810.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of documentation supporting pupil membership reports submitted to DE for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found errors in resident and nonresident data. The errors resulted in a net overpayment of \$24,810.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented procedures to review membership reports and submit the revisions to DE, if applicable, beginning with the 2004-05 school year.</p> <p>We found that the District reviewed the 2004-05 school year membership reports, found errors and submitted the revisions to DE. Our audit of these revisions found one insignificant error in reporting one individual as a nonresident child placed by court student when the student should have been reported as a resident student. This insignificant error has been addressed with District personnel.</p> <p>DE recovered \$5,870 on August 30, 2007 and \$21,317 on May 30, 2008, for tuition for children placed in private homes. DE also made basic education funding adjustments to correct overpayments of \$1,161 on August 30, 2007, and \$1,235 on May 30, 2008. However, DE did not take action to recover the \$19 in special education funding that was overpaid.</p>
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<p><u>III. Finding No. 3: Board Members Failed to File Statement of Financial Interests</u></p> <ol style="list-style-type: none"> <li>1. Develop procedures to help ensure that all individuals required to file Statements of Financial Interests (SFI) do so in compliance with the Public Official and Employee Ethics Act.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of District records for the years ended December 31, 2004, 2003, 2002 and 2001, found that one of the elected board members failed to file a SFI for the year ended December 31, 2003, and that three of the elected board members failed to file SFIs for the year ended December 31, 2001.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the board developed procedures during the 2005 calendar year to comply with the Ethics Act and all SFIs were properly filed.</p>
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<p><u>IV. Finding No. 4: Certification Deficiencies</u></p> <ol style="list-style-type: none"> <li>1. Ensure individuals are properly certified for their assignments.</li> <li>2. DE should take action to recover the subsidy forfeiture based on the Bureau of School Leadership and Teacher Quality's final determination.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of professional employees' certification for the period July 25, 2002 through October 20, 2005, found the following deficiencies:</p> <ol style="list-style-type: none"> <li>1. One individual taught on a lapsed certificate from September of 2005 to fieldwork completion.</li> <li>2. One individual taught on a lapsed certificate from January of 2004 to June 2004.</li> <li>3. One individual taught on a lapsed certificate from September of 2003 to January 2004.</li> </ol>	<p><b>Current Status:</b></p> <p>Our current audit found that two of the individuals cited in our prior audit received proper certification during fieldwork for the prior audit and the third individual received proper certification in January 2006.</p> <p>Additionally, we found that District personnel implemented additional review procedures to help ensure individuals are properly certified for their assignments.</p> <p>DE recovered subsidy forfeitures of \$3,006 on December 19, 2006.</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"> <li>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractor 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.</li> <li>2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that neither the District nor the transportation contractors had written policies or procedures in place to ensure that they were notified if current employees were 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><b>Current Status:</b></p> <p>Our current audit found the District implemented a verbal procedure to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children. At the time of hiring the drivers are told they must contact the District and the contractor if accused of or convicted of a crime. Beginning with the 2009-10 school year, the District intends to revise the driver's handbook to include language that states their responsibility to contact both the District and the contractors. Additionally, the transportation contract will be renewed in 2010, at which time the administration intends on including language which would require the District's contractors to notify</p>
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<p>contact with children.</p>		<p>the District when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p> <p>We again recommend the school board and district administrators, in consultation with the solicitor, implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
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Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
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Senator Jeffrey Piccola  
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Senator Andrew Dinniman  
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