



**CONEMAUGH VALLEY SCHOOL DISTRICT  
CAMBRIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**MAY 2014**

**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. Mark Vibostok, Board President  
Conemaugh Valley School District  
1451 Frankstown Road  
Johnstown, Pennsylvania 15902

Dear Governor Corbett and Mr. Vibostok:

We conducted a performance audit of the Conemaugh Valley 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 10, 2010 through August 8, 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, 2009, 2010, 2011, and 2012. 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 (1) 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

May 15, 2014

cc: **CONEMAUGH VALLEY 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 Conemaugh Valley School District (District) in Cambria County. 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 10, 2010 through August 8, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

### **District Background**

The District encompasses approximately 22 square miles. According to 2010 federal census data, it serves a resident population of 6,960. According to District officials, the District provided basic educational services to 899 pupils through the employment of 73 teachers, 58 full-time and part-time support personnel, and five (5) administrators during the 2011-12 school year. The District received \$7,825,229 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 (1) compliance related matter reported as a finding.

#### **Finding: The Conemaugh Valley School District Lacks Sufficient Internal Controls Over Its Student Record Data.**

Our audit found that Conemaugh Valley School District personnel incorrectly reported pupil membership data to the Pennsylvania Department of Education. We also found internal control weaknesses and lack of supporting documentation to verify student existence and residency classification (see page 5).

#### **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the Conemaugh Valley School District (District) from an audit released on November 24, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding not being updated timely (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 10, 2010 through August 8, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through June 15, 2013.

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

### *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.

*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 District’s compliance with relevant requirements, and

administrative procedures 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.

To determine the status of our audit recommendations made in a prior audit report released on November 24, 2010, we reviewed the District's response to PDE dated December 9, 2011. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding →

*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 called 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 Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

### **The Conemaugh Valley School District Lacks Sufficient Internal Controls Over Its Student Record Data**

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in 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 that 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 the proper state subsidy.

Our review of the Conemaugh Valley School District's (District) controls over data integrity found that internal controls need to be improved. Specifically, our review found:

***Lack of Support Documentation:*** District personnel in charge of child accounting and PIMS reporting did not print out and maintain copies of PDE's validation reports from PIMS or the necessary supporting documents from the District's Student Information System's (SIS) vendor software for the 2009-10 school year. We also noted that the District did not reconcile their SIS vendor membership reports with the PIMS reports to verify the totals reported were accurate.



*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 2503 (C) of the Public School Code, Section 24 P.S. § 25-2503 provides, 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 . . .”

District personnel attempted to provide our auditors with the necessary 2009-10 reports from their SIS at the time of our audit. However, the data had already rolled over into the next school year and could not be used to support the reported child accounting totals.

For the 2010-11 school year, District personnel determined that the same situation had occurred and that no documentation was available. Therefore, no additional testing was conducted.

Without these reports, we could not verify the accuracy of the District’s child accounting software data submitted to PIMS for the 2009-10, 2010-11, and 2011-12 school years.

***Lack of Internal Review:*** In addition to the not having the necessary support documentation, our audit found that there was no internal review of the Preliminary Summary of Child Accounting report. This report is supplied to the Commonwealths’ school districts in April of each year to allow districts to verify the accuracy of the data reported into PIMS. Without an internal review, the District and its taxpayers could not be guaranteed of the accuracy of the funding it received.

***Non-resident Reporting Errors Noted:*** Our audit determined that in the 2009-10 school year, one (1) elementary student and one (1) secondary student were coded as residents when documentation on file indicated that they should have been coded as foster children. Our audit noted that the funding for tuition for children placed in private homes (foster children) in the payable year 2010-11 (operational school year 2009-10) was greatly reduced from the other years in our trend review. As a result, membership days for these students were understated by 177 and 81 days, respectively. These errors resulted in the District being underpaid \$11,256 for the 2009-10 school year.

We have provided PDE with reports detailing the errors for the 2009-10 school year for use in revising the District’s reimbursement.

***Continuity of Personnel:*** Our audit found that the District had three (3) individuals responsible for the reporting of child accounting data. We could not find any indication that the District had procedures in place to ensure business continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors. Both situations were experienced by the District during the years of our audit.

It is the responsibility of District management to have in place the proper internal policies and procedures to ensure that student data is accurate and reported correctly to PDE. Without such internal controls, the District cannot be assured that its student data is accurate or that it is receiving the appropriate state subsidy reimbursement.

### **Recommendations**

The *Conemaugh Valley School District* should:

1. Prepare documented procedures (e.g. procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
2. Cross-train individual(s) to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures in the event of a sudden change in personnel.
3. Printout SIS membership reports and PIMS reports after the PIMS upload is completed for each school year and perform reconciliations between the District's child accounting software data and the PIMS reports and retain them for audit purposes.
4. Contact their SIS software vendor to determine whether the vendor's SIS software has the capability of backing up school year specific data.
5. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students are classified correctly and all membership days are accurate.

6. Review membership reports for school years subsequent to our audit years for pupil classification accuracy, and revise them, if necessary.

The *Pennsylvania Department of Education* should:

7. Adjust the District's allocations to resolve the underpayment of \$11,256.

### **Management Response**

Management waived the opportunity to reply at this time.

### **Auditor Conclusion**

We will follow up on this finding and our accompanying recommendations during our next cyclical audit of the District.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Conemaugh Valley School District (District) released on November 24, 2010, resulted in one (1) observation. The observation pertained to the Memorandum of Understanding not being updated timely. 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 observation. As shown below, we found that the District did implement our recommendations related to the Memorandum of Understanding being updated timely.

### **Auditor General Performance Audit Report Released on November 24, 2010**

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**Observation:**

**Memorandum of Understanding Not Updated Timely**

Observation Summary:

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and two (2) local law enforcement agencies have not been updated since February 12, 2003.

Recommendations:

Our audit observation recommended that the District should:

1. Review, update, and re-execute the MOUs between the District and the two (2) local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two (2) years.

Current Status:

During our current audit, we found that the District did implement our recommendations.

## **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  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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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).