

PERFORMANCE AUDIT

Big Spring School District Cumberland County, Pennsylvania

December 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Wilbur Wolf, Jr., Board President
Big Spring School District
45 Mount Rock Road
Newville, Pennsylvania 17241

Dear Governor Corbett and Mr. Wolf:

We conducted a performance audit of the Big Spring 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 November 28, 2011 through July 21, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 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 two (2) findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings 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

December 4, 2014

cc: **BIG SPRING SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 –Inaccurate Transportation Data Resulted in Reimbursement Underpayments Totaling \$87,514	6
Finding No. 2 –Possible Certification Deficiency	10
Status of Prior Audit Findings and Observations	12
Distribution List	14

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Big Spring School District (District) in Cumberland 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 November 28, 2011 through July 21, 2014, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 198 square miles. According to 2010 federal census data, it serves a resident population of 20,667. According to District officials, the District provided basic educational services to 2,846 pupils through the employment of 228 teachers, 168 full-time and part-time support personnel, and sixteen (16) administrators during the 2011-12 school year. The District received \$15.7 million 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 two (2) compliance related matters reported as findings.

Finding No. 1: Inaccurate Transportation Data Resulted in Reimbursement Underpayments Totaling \$87,514. Our audit of the Big Spring School District's (District) pupil transportation records for the 2010-11 and 2011-12 school years found errors in the data the District submitted to the Pennsylvania Department of Education (PDE) and in the data used to calculate the amounts to be paid to the contractors. These errors resulted in transportation reimbursement underpayments of \$23,731 for the 2010-11 school year and \$63,783 for the 2011-12 school year (see page 6).

Finding No. 2: Possible Certification Deficiency. Our review of the Big Spring School District's (District) professional employees' certification for the period November 28, 2011 through July 15, 2014, found that the District had hired an individual as a Speech/Language Clinician who held only a private school certificate for Teacher-Speech Correction through April 30, 2014. This individual did obtain a Public School certificate for Speech Correction effective May 1, 2014 (see page 10).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Big Spring School District (District) from an audit released on June 19, 2012, we found that the District had taken corrective action in implementing our recommendations pertaining to pupil transportation data which resulted in a reimbursement underpayment of \$154,244 (see page 12). However, the procedures implemented were not adequate in regards to reviewing data for accuracy, because inaccurate data was still reported to the Pennsylvania Department of Education for the current audit years as noted in Finding No. 1.

Audit Scope, Objectives, and Methodology

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 November 28, 2011 through July 21, 2014, except for the verification of professional employee certification which was performed for the period November 28, 2011 through July 15, 2014.

Regarding state subsidies and reimbursements, our audit covered the 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 transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state 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?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ 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

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.

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 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, and financial stability.
- 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 June 19, 2012, we reviewed the District's response to PDE dated March 7, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Inaccurate Transportation Data Resulted in Reimbursement Underpayments Totaling \$87,514

Criteria relevant to the finding:

24 P.S. § 25-2514(a) of the Public School Code provides, in part:

“School districts shall be paid by the Commonwealth for every school year on account of pupil transportation . . .”

Daily miles traveled, the greatest number of pupils transported, days of service, and contractor cost are integral parts of the transportation reimbursement calculation. These factors must be reported accurately to the Pennsylvania Department of Education (PDE) in order to receive the correct reimbursement.

PDE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, and number of days the vehicle provided to and from school transportation, and pupils transported to and from school to be based on actual data using districts’ daily records and the averaging of mileage and pupil data.

U.S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg 1.

“Internal controls are key factors in an agency’s ability to meet its mission, improve performance, and ‘minimize operational problems.

Internal control is not an event but a series of actions and activities that occur throughout an entity’s operations and on an ongoing basis.”

Our audit of the Big Spring School District’s (District) pupil transportation records for the 2010-11 and 2011-12 school years found errors in the data the District submitted to the Pennsylvania Department of Education (PDE) and in the data used to calculate the amounts to be paid to the contractors. These errors resulted in transportation reimbursement underpayments of \$63,783 and \$23,731 for the 2010-11 and 2011-12 school years, respectively.

Errors in the number of days transported, miles with and without pupils, the number of pupils transported, and the vehicle data were not detected by District personnel for 67 vehicles for the 2010-11 school year and for six (6) vehicles for the 2011-12 school year. District personnel relied on computer-generated data and District calculations without appropriate review procedures, such as comparisons of the computer generated data and calculations to supporting documentation. We determined that the District does not have adequate review procedures in place to ensure the accuracy of the data prior to its submission to PDE.

This inaccurate data reporting also affected the payments made by the District to its transportation contractors. Most of the District’s contractors were paid based on a formula that uses each vehicle’s data (number of days transportation was provided, mileage and pupils, etc.) to compute the cost to be paid for providing student transportation. As a result, the errors in days, mileage, and pupils affected the amounts to be paid to the District contractors.

District personnel recalculated the amounts due their contractors, based on the 2010-11 and 2011-12 school year transportation data reporting errors, which resulted in a net underpayment of \$27,041 as follows:

Inaccurate Reimbursements to District			
	2010-11	2011-12	Net Amount (Over)/Underpaid
Contractor A	\$ 27,512	n/a	\$ 27,512
Contractor B	2,347	\$(2,586)	(239)
Contractor C	(232)	n/a	(232)
Totals:	<u>\$ 29,627</u>	<u>\$(2,586)</u>	<u>\$ 27,041</u>

PDE's reimbursement to the District was affected because District transportation reimbursement is based on the lower of the amount paid to the contractors or PDE's transportation formula, which uses vehicle data components such as the number of days transportation was provided, mileage and pupil counts.

The District does not have written procedures on entering transportation data into the computer system, compiling the data, reviewing the data, and reporting the data to help ensure accuracy.

It is the responsibility of District management to have appropriate policies and procedures in place to ensure that the information the District receives from its computer system and the amounts paid to its contractors are accurate.

We have provided PDE with reports detailing the errors to be used in the recalculation of the District's pupil transportation reimbursement.

Recommendations

The *Big Spring School District* should:

1. Take any action necessary to resolve the over/underpayments to the vendors and submit the documents to PDE for confirmation that the over/underpayments to each contractor were resolved.
2. Develop and follow written procedures for entering data, compiling data, reviewing data, and reporting data to ensure the accuracy of the number of days transported, miles with pupils and without pupils, the

number of pupils transported, vehicle data, and amounts paid to contractors. This will help to ensure accuracy of the data being submitted to PDE.

3. When preliminary transportation reports become available, compare the amount paid to the contractor to the formula allowance and if significant differences are noted, resolve the differences between the formula allowances and the amounts paid to the contractors. If amounts are due to or from any of the contractors based on this review, these amounts should be resolved. Reported data should then be revised to correct any errors that may be noted during this review.
4. When reviewing subsequent year data, compare computer-generated data to supporting documentation (odometer sheets, pupil rosters, and documentation supporting days transported) to help ensure that the data is accurate and supported by adequate documentation. Any unusual fluctuations in miles and pupils and any differences between calculations and documentation should be resolved prior to submission of data to PDE.
5. Review subsequent years' transportation reports and revise if necessary.

The *Pennsylvania Department of Education* should:

6. Adjust the District's allocations to resolve the reimbursement underpayments of \$87,514 upon receipt of the documentation on the resolution to contractor over/underpayments from the District.

Management Response

Management stated the following:

“This problem persists since the past response in November 2011. Since then, we have the third person sitting as the Transportation Coordinator. A new software program was implemented in 2010/11 school year and it was a challenge due to personnel technology skill and acceptance by the contractor. Our primary contractor had a billing system that used the first mileage report to bill the entire year and then we did a massive year-end reconciliation to the actual miles, students and buses used.

In 2013/14 we finally convinced the contractor to convert to payment system based on the monthly mileage reports and that has been incorporated into the new contract.

The root cause of this finding was a failure to reconcile the actual mileage reports, the contractor invoices and the [software] system. In addition, there were errors in filling out the PDE reports using un-reconciled data or transcription errors.

The District will review the 2012/13 and the 2013/14 years to reconcile PDE input to actual mileage/pupil data in [software] and look for inconsistencies.

With some longevity in the position, proficiency with the software and a better invoicing system with the contractor, the District plans the following corrective action:

1. Prepare written procedures that describe the use of [software] as the transportation management system.
2. Use actual mileage reports to populate [software] for bus, pupils and mileage.
3. On a monthly basis compare the contractor payments to the PDE formula amount in [software].
4. Reconcile monthly the formula amount and the payment to the contractor.”

Auditor Conclusion

While we understand the learning curve associated with the implementation of a new software system, having appropriate internal controls in place to verify data is key to ensuring correct data reporting, and therefore, correct subsidy reimbursement. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Finding No. 2

Possible Certification Deficiency

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) states:

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

Section 2518 of the PSC mandates that any intermediate unit that:

“. . . has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio . . . ”

Our review of the Big Spring School District’s (District) professional employees’ certification for the period November 28, 2011 through July 15, 2014, found that the District had hired an individual as a Speech/Language Clinician who held only a Private School certificate for Teacher-Speech Correction through April 30, 2014. This individual did obtain a Public School certificate for Speech Correction effective May 1, 2014.

According to the Pennsylvania Department of Education’s Division of Professional Education and Teacher Quality, Bureau of School Leadership and Teacher Quality (BSLTQ), a private school certificate cannot be used in a public school district because the program to get a private school certificate does not require student teaching or any praxis or other tests.

Information pertaining to the assignment and certificates was submitted to BSLTQ for its review and determination. If BSLTQ confirms the certification deficiency, the District could be subject to possible subsidy forfeitures of \$2,146 and \$2,588 for the 2012-13 and 2013-14 school years, respectively.

The District noted that only professional staff (teachers) can apply on-line through the Teacher Information Management System (TIMS) website for an Emergency certificate through their account. This is a "new" process when applying for an Emergency certificate. District personnel believed that this process had been completed by the staff member. The failure of District personnel to confirm that emergency certification was obtained resulted in the possibility that an individual without the proper PDE certification was employed by the District.

It is the responsibility of District management to have internal policies and procedures in place to ensure that employees are properly certified for the positions they are assigned prior to employment. Failure to confirm that professional employees maintain proper certification jeopardizes the District’s ability to ensure that students receive instruction from qualified employees.

Recommendations

The *Big Spring School District* should:

1. Upon receipt of BSLTQ's determination, take necessary action to ensure compliance with certification regulations.
2. Review current certification procedures to insure timely submission and receipt of emergency certification through the new on-line process.

The *Pennsylvania Department of Education* should:

3. Take action to recover any subsidy forfeitures that may be levied.

Management Response

Management stated the following:

“The certification deficiency was overlooked due to the ‘new’ process requiring the responsibility of the professional staff (teacher) to apply for emergency certificate. District office did not have safeguards to show that the process was completed by staff and there was no official review that the individual completed the process.

The District will ensure that all professional staff (teachers) that require an emergency certificate will be advised of the ‘new’ process of accessing TIMS on-line through the Pennsylvania Department of Education. The professional staff involved in certification function will be trained in the requirements set forth by the Bureau of School Leadership and Teacher Quality (BSLTQ). The District will follow-up weekly to guarantee that any professional staff that requires an emergency certificate is processing the information through the TIMS on-line system.”

Auditor Conclusion

We are encouraged that the District is taking action to address this deficiency. We will follow up on the status of our recommendations during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Big Spring School District (District) released on June 19, 2012, resulted in one (1) finding. The finding pertained to a reporting error in pupil transportation data that resulted in a reimbursement underpayment of \$154,244. 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 the pupil transportation reporting error.

Auditor General Performance Audit Report Released on June 19, 2012

Finding:	Error in Reporting Pupil Transportation Data Resulted in a Reimbursement Underpayment of \$154,244
<u>Finding Summary:</u>	Our prior audit of the District's 2009-10 pupil transportation records submitted to PDE found a reporting error, which resulted in a transportation reimbursement underpayment of \$154,244.
<u>Recommendations:</u>	<p>Our audit finding recommended that the District should:</p> <ol style="list-style-type: none">1. Ensure PDE's end-of-year transportation instructions are reviewed annually prior to submission of data to PDE for reimbursement.2. Establish a procedure to ensure that all data reported to PDE is reviewed for accuracy, prior to submission, so that the District will receive proper reimbursement.3. Establish a procedure to compare data from year-to-year to help ensure consistency and accuracy. <p>We also recommended that PDE should:</p> <ol style="list-style-type: none">4. Adjust the District's allocations to resolve the underpayment of \$154,244.
<u>Current Status:</u>	During our current audit, we found that the District implemented our prior audit recommendations by implementing procedures designed to ensure transportation data reported to PDE is accurate. However, we found that the procedures implemented for those recommendations were inadequate and, again, transportation errors were noted, as detailed in Finding No. 1 of this report. It should be noted, however,

that the errors in the prior audit were different from the errors noted during the current audit.

During our current audit, we also found that PDE had recalculated the subsidy and determined that the District was due \$152,544. This underpayment was resolved on February 27, 2014.

Distribution List

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

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This report is a matter of public record and is available online at 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.