

PERFORMANCE AUDIT

North Clarion County School District Clarion County, Pennsylvania

January 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Scott Daum, Board President
North Clarion County School District
10439 Route 36
Tionesta, Pennsylvania 16353

Dear Governor Corbett and Mr. Daum:

We conducted a performance audit of the North Clarion County 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 October 12, 2012 through October 3, 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.

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

January 15, 2015

cc: **NORTH CLARION COUNTY SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the North Clarion County School District (District) in Clarion 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 October 12, 2012 through October 3, 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 112 square miles. According to 2010 federal census data, it serves a resident population of 4,857. According to District officials, the District provided basic educational services to 598 pupils through the employment of 50 teachers, 23 full-time and part-time support personnel, and three (3) administrators during the 2011-12 school year. The District received \$4,780,624 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. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the North Clarion County School District (District) from an audit released on March 27, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation (see page 6). In addition, the District has taken appropriate corrective action in implementing our recommendations pertaining to our observation on the Pennsylvania Information Management System (see page 7).

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 October 12, 2012 through October 3, 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:

- ✓ 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?

- ✓ 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 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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, state ethics compliance, financial stability, 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 March 27, 2013, we reviewed the District's response to PDE dated May 13, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the North Clarion County School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the North Clarion County School District (District) released on March 27, 2013, resulted in one (1) finding and one (1) observation. The finding pertained to inaccuracies in pupil transportation. The observation pertained to the Pennsylvania Information Management System (PIMS) data submission. 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 and observation. As shown below, we found that the District did implement our recommendations related to the finding regarding pupil transportation and the observation regarding student record data.

Auditor General Performance Audit Report Released on March 27, 2013

Finding: **Errors in Reporting Pupil Transportation Data Resulted in a Net Subsidy Underpayment of \$12,358**

Finding Summary: Our audit of the 2008-09 and 2009-10 school years found errors in the reporting of contracted transportation costs to PDE, resulting in transportation subsidy underpayments of \$5,124 and \$15,704, respectively. Additionally, the District was overpaid for nonpublic transportation subsidies by \$3,465 for the 2008-09 school year and \$5,005 for the 2009-10 school year.

For both years of audit, the contracted cost errors were the result of the District personnel omitting the cost of health insurance premiums for the contractors reported to PDE.

Recommendations: Our audit finding recommended that the District should:

1. Thoroughly review all transportation data for accuracy before submitting reports to PDE.
2. Ensure that District personnel responsible for the submission of reports are aware of PDE guidelines and regulations.
3. Perform a review of subsequent years' data for accuracy and submit reports, if necessary, to PDE.

We also recommended that PDE should:

4. Adjust the District's transportation subsidy to correct the net underpayment of \$12,358.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. Our audit of the 2011-12 school year found, the District included district-paid contractor health insurance payments as part of the contracted costs reported to PDE. Also, the current audit found no errors in reporting nonpublic students transported.

As of October 3, 2014, PDE had not adjusted the transportation subsidy to correct the net underpayment of \$12,358.

Observation:

North Clarion County School District Lacks Sufficient Internal Controls Over Its Student Record Data

Observation Summary:

Our review of the District's controls over data integrity found that internal controls need to be improved. Specifically, our review found that the District does not have adequate procedures in place to ensure continuity over the PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

Recommendations:

Our audit finding recommended that the 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. Adhere to board policy and require proof of residency for all students enrolling in the District.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. The District developed procedures to ensure continuity over its PIMS data submission. These procedures included steps for registering students and inputting information into PIMS. Four (4) separate District employees have the ability to access the child accounting section of PIMS and mitigate any sudden change in personnel. Additionally, for all students enrolling in the District, proof of residency is now mandatory.

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:

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

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

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.