

# PERFORMANCE AUDIT

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## Pennridge School District Bucks County, Pennsylvania

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July 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Jacqueline Rattigan, Superintendent  
Pennridge School District  
1200 North Fifth Street  
Perkasie, Pennsylvania 18944

Dr. Peter A. Yarnell, Board President  
Pennridge School District  
1200 North Fifth Street  
Perkasie, Pennsylvania 18944

Dear Dr. Rattigan and Dr. Yarnell:

We conducted a performance audit of the Pennridge 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 4, 2011 through May 28, 2015, except as otherwise stated 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 significant noncompliance with relevant requirements, as detailed in the three audit findings within this report. A summary of the results is presented in the Executive Summary section of the audit report. These findings and included recommendations are aimed at the District and a number of different government entities, including the Pennsylvania Department of Education (PDE) and Public School Employees' Retirement System (PSERS).

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

July 16, 2015

cc: **PENNRIDGE 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 District. 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 4, 2011 through May 28, 2015, except as otherwise stated 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 91 square miles. According to 2010 federal census data, it serves a resident population of 41,813. According to District officials, the District provided basic educational services to 7,316 pupils through the employment of 501 teachers, 567 full-time and part-time support personnel, and 35 administrators during the 2011-12 school year. The District received \$21.3 million in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the three audit findings within this report.

#### **Finding No. 1: Two Administrators Received Excess Tuition Credit Reimbursement Totaling \$27,510.**

Our review of the District's Act 93 Agreement (Agreement) and administrative procedures found tuition credit reimbursement payments were made to two administrators in excess of the twelve credit allowance per the Agreement (see page 8).

#### **Finding No. 2: Transportation Errors Resulted in Subsidy Overpayments of \$14,552.**

Our audit of the District's pupil transportation reports for the 2010-11 and 2011-12 school years found incorrect data was submitted to PDE. The errors resulted in subsidy overpayments of \$14,552 (see page 11).

#### **Finding No. 3: Possible Inaccurate Reporting of Retirement Wages.**

Our review of the employment contracts, payroll records, and retirement records for the District's former Superintendent and former Director of Curriculum found that retirement wages may have been overstated in reports submitted to PSERS for the school years ending June 30, 2011, 2012, 2013, and 2014. The total possible ineligible payments reported to PSERS for the former Superintendent and former Director of Curriculum were \$61,578 and \$10,512, respectively (see page 13).

**Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the District from an audit released on January 20, 2012, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to transportation data (see page 17). In addition, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 18).

## 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 October 4, 2011 through May 28, 2015, except for the verification of professional employee certification which was performed for the period July 1, 2013 through April 22, 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 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:

- ü Were professional employees certified for the positions they held?
  - o To address this objective, the auditors reviewed and evaluated certification documentation for all 545 teachers and administrators employed as of April 22, 2014, for the 2013-14 school year.

- Ü In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable laws [24 P.S. § 25-2541] and procedures?
  - To address this objective, the auditors reconciled the transportation data submitted to PDE for the 2010-11 and 2011-12 school years for all of the pupils who were transported by the District or the District’s contractor and who lived on walk routes that were defined as hazardous walk routes by the Pennsylvania Department of Transportation (PennDOT) to the District’s final subsidy payment to ensure accuracy.
  
- Ü Did the District ensure that bus drivers transporting District children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 PA Code Chapter 8, and 23 PA C.S. § 58-6354, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected five drivers out of the eight “new drivers” for the 2013-14 school year, including both district-employed and contractor-employed drivers, as appropriate.
  
- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

- ü 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?
  - To address this objective, the auditors reviewed contract(s), settlement agreement(s), board meeting minutes, board policies, and payroll records for the two administrators who retired after October 4, 2011, and whose District contract may have been bought-out.
  
- ü Were votes made by the District’s Board of School Directors free from apparent conflicts of interest?
  - To address this objective, the auditors reviewed one sitting board member and one recent board members’ employment histories and their Statements of Financial Interests, and any known outside relationships with the District for the 2011, 2012, 2013, and 2014 calendar years. The auditors also reviewed board meeting minutes for the 2011, 2012, 2013, and 2014 calendar years for conflicts of interest.
  
- ü Did the District take appropriate steps to ensure school safety?
  - To address this objective, the auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District followed best practices in school safety and 24 P.S. Sect. 13-1302, 1302.1A, 13-1303.1, and 13-1303 A. Generally, the auditors evaluate the age of the plan, whether it is being practiced through training, and whether the school has an after action process for trying to improve on the results of its training exercises.



Ü Has the District entered into any SWAP agreements?

To address this objective:

- To address this objective, the auditors reviewed the SWAP agreement entered into by the District on September 26, 2005, which matured August 14, 2014. The auditors also reviewed financial statements and interviewed District personnel to determine if the District lost money as a result of entering into the SWAP agreement.

Ü Did the District take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed District administrators to determine whether they had taken corrective action.
- The auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or observed these changes in person.

## 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, bus driver qualifications, professional employee certification, and state ethics compliance.
- 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 January 20, 2012, we reviewed the District's response to PDE dated May 29, 2013. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding No. 1

*Criteria relevant to this finding:*

Act 93 Agreement Section II.S. states:

Graduate Study Expenses states each administrator shall be entitled to reimbursement for up to 12 graduate-level credits per school year provided only that the administrator secure prior approval by the Superintendent of Schools or his/her designee:

For a grade of "A" – up to \$200 per credit or at a reimbursement rate of 75 percent per credit, whichever is greater.

In addition, an administrator who is enrolled in a Doctoral Residency Program approved by the Superintendent of Schools will be reimbursed an additional \$1,000 above and beyond the annual twelve-credit limit.

### Two Administrators Received Excess Tuition Credit Reimbursement totaling \$27,510

Our review of the District's Agreement and administrative procedures found tuition credit reimbursement payments were made to two administrators based on their cost, instead of the 12 credit allowance and 75 percent maximum reimbursement per credit as allowed per the Agreement.

Administrator A received \$13,215 in tuition reimbursement in excess of the allowable amount during school years 2006-07 through 2010-11. The excess tuition reimbursement was due to receiving tuition reimbursement at cost instead of 75 percent of cost and being reimbursed for 18 credits during the 2007-08, 2008-09, and 2010-11 school years when 12 credits was the maximum number of credits allowed to be reimbursed annually.

The following chart shows the amount Administrator A was overpaid for each school year:

Administrator A			
<u>School Year</u>	<u>Tuition Eligible for Reimbursement per Agreement *</u>	<u>Actual Tuition Reimbursement Received</u>	<u>Amount Overpaid</u>
2006-07	\$ 2,655	\$ 3,540	\$ 885
2007-08	5,324	10,800	5,476
2008-09	7,315	10,800	3,485
2009-10	6,559	7,200	641
2010-11	<u>7,697</u>	<u>10,425</u>	<u>2,728</u>
Totals	<u>\$29,550</u>	<u>\$42,765</u>	<u>\$13,215</u>

\*Tuition eligible for reimbursement was based on 12 credit maximum at 75 percent reimbursement plus \$1,000 if individual was enrolled in a doctoral program.

Administrator B received \$14,295 for tuition credit reimbursement in excess of the allowable amount for school years 2005-06 through 2009-10. The excess tuition reimbursement was due to receiving tuition reimbursement at cost instead of 75 percent of cost and being reimbursed for 15 credits during the 2005-06, 2006-07, and 2007-08

school years when 12 credits was the maximum number of credits allowed to be reimbursed annually.

The following chart shows the amount Administrator B was overpaid for each school year:

Administrator B			
<u>School Year</u>	<u>Tuition Eligible for Reimbursement per Agreement *</u>	<u>Actual Tuition Reimbursement Received</u>	<u>Amount Overpaid</u>
2005–06	\$ 7,435	\$10,833	\$ 3,398
2006–07	7,759	11,265	3,506
2007–08	8,029	11,772	3,743
2008–09	7,200	9,600	2,400
2009–10	<u>3,744</u>	<u>4,992</u>	<u>1,248</u>
Totals	<u>\$34,167</u>	<u>\$48,462</u>	<u>\$14,295</u>

\*Tuition eligible for reimbursement was based on 12 credit maximum at 75 percent reimbursement plus \$1,000 if individual was enrolled in a doctoral program.

District personnel failed to adhere to the Agreement by providing reimbursement to the two individuals that exceeded the guidelines for college tuition reimbursement. District personnel stated that the former Superintendent verbally approved reimbursing these two individuals in excess of the 12 credit limit and at cost because the former Superintendent felt it was within his job duties to offer these benefits to administrators. These decisions were made without the approval of the District’s Board, Solicitor, and Business Manager.

**Recommendation**

The *Pennridge School District* should:

Establish oversight procedures to ensure the provisions in the Agreement, specifically Section II.S. *Graduate Study Expenses*, are adhered to.

## **Management Response**

Management stated the following:

“Administrator ‘A’ was a member of the Act 93 group. Administrator ‘A’ was a valued member of the District’s administrative staff and when offered a position with another District, the Former Superintendent offered to pay tuition at a level greater than the Act 93 agreement. The Former Superintendent believed it was within his job duties to offer this benefit to the employee. During the 2010/2011 Fiscal Year, the Superintendent, Board and the District’s solicitor were made aware by the Business Administrator that the amounts paid were in excess of the Act 93 agreement and that Board approval would have been necessary to grant payment arrangements outside the Act 93 agreement.

Administrator ‘B’ is a Cabinet level employee whose contract contains ‘me to’ language in regard to benefits. The Former Superintendent believed it was within his job duties to offer a benefit greater than the Act 93 agreement, as this type of arrangement had been previously approved for a former Cabinet level employee. During the 2010/2011 Fiscal Year, the Former Superintendent, Board and the District’s solicitor were made aware by the Business Administrator that the amounts paid were in excess of the Act 93 agreement and that Board approval would have been necessary to grant payment arrangements outside the Act 93 agreement.

Corrective Action: The District will adhere to the Act 93 agreement. Any deviations from the agreement will require Board approved.”

## **Auditor Conclusion**

We are pleased management intends on implementing procedures to address the issues noted in the finding. Our review during the next audit will determine the effectiveness of those procedures.

## Finding No. 2

### Transportation Reporting Errors Resulted in Subsidy Overpayments of \$14,552

*Criteria relevant to the finding:*

Chapter 23 of the State Board of Education Regulations, Section 3.4, states in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including:

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils' distances from home to pertinent school bus loading zones

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

Our audit of the District's pupil transportation reports for the 2010-11 and 2011-12 school years found that incorrect data was submitted to PDE. The errors resulted in subsidy overpayments of \$14,552.

Districts receive a different subsidy amount for the transportation of pupils that live on hazardous walk routes, which are designated by the Pennsylvania Department of Transportation based on the amount of traffic and the types of vehicles that are common on these routes. The District overstated the number of students transported by 89 pupils and 77 pupils for the 2010-11 and 2011-12 school years, respectively, due to double counting students living on hazardous walk routes. These errors resulted in overpayments of \$7,995 and \$6,557 for the 2010-11 and 2011-12 school years, respectively.

The errors were undetected during the input and reconciliation of transportation pupil data, which indicates that the District lacked sufficient internal controls over the reporting of the data.

PDE has been provided reports detailing the errors for use in recalculating the District's transportation subsidies.

#### Recommendations

The *Pennridge School District* should require the transportation coordinator to:

1. Ensure the process for reporting pupil data to PDE is sufficient to provide reasonable assurance of complying with PDE reporting guidelines.
2. Review transportation reports submitted for years subsequent to the audit years and, if errors are found, submit revisions to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to resolve the overpayments of \$14,552.

## **Management Response**

Management stated the following:

“During the preparation and review of the 2012-2013 transportation report, the department secretary found that students in the hazardous walk zone had been counted twice. She corrected the report for 2012/2013 and reviewed 2010/2011 and 2011/2012, identified the errors, but did not take action to file amended reports for the previous years where the errors were found.

Corrective Action: The department secretary will provide all backup information for the annual report to the Director of Transportation in order to complete a thorough review of the report. The Department secretary will immediately report any errors found directly to the Director of Transportation so that any and all amended reports can be filed. Amended reports for 2010/2011 and 2011/2012 will be filed.”

## **Auditor Conclusion**

We are pleased management intends to implement procedures to address the issues noted in the finding. Our review during the next audit will determine the effectiveness of those procedures.

**Finding No. 3** →

**Possible Inaccurate Reporting of Retirement Wages**

*Criteria relevant to the finding:*

PSERS allows only qualified salary and wages to be included for retirement purposes.

PSERS Employers Reference Manual, Chapter 8, states in part:

Retirement Code defines “compensation” generally to mean any remuneration received as a school employee excluding the following:

1. reimbursement for expenses, incidental to employment.
2. bonus.
3. severance payment.
4. payments not based on the standard salary schedule.
5. payments for unused vacation and sick leave.
6. compensation for attending seminars and conventions.
7. any other payment that the Board determines is for the purpose of enhancing final average salary.

The Reference Manual further states:

Incentive payments refer to payments made by an employer, typically in a one-time amount. Based on a Commonwealth Court decision, incentive payments are retirement-covered compensation. The following criteria must be met:

- The payment must be tied to work performance standards agreed upon in advance.
- There is an objective means to calculate the payment.
- The employer is contractually obligated to make the payment if the performance standards are met and are not discretionary or subjective.
- If the above criteria are met, report the incentive payment.

Our review of the District’s former Superintendent’s and Director of Curriculum’s employment contracts, payroll records, and retirement records found that retirement wages may have been overstated in reports submitted to PSERS for the school years ending June 30, 2011, 2012, 2013, and 2014. The total possible ineligible payments reported to PSERS for the former Superintendent and former Director of Curriculum were \$61,578 and \$10,512, respectively.

The former Superintendent had two contracts during his employment with the District. The first contract began on July 1, 2007, and terminated on June 30, 2011. The second contract began on July 1, 2011, and terminated on June 30, 2015. His last day of full-time employment with the District before retiring was on October 31, 2013.

Our review found the District paid the former Superintendent benefits of \$61,578 that were reported to PSERS as eligible retirement wages during the school years ending June 30, 2011, 2012, 2013, and 2014, which were in addition to his base salary. These payments consisted of (1) annual payments of \$9,000 for an automobile allowance per the contract, (2) annual payments of \$6,600 to a 403(b) Tax Sheltered Annuity (TSA) per contract, (3) additional annual payments to a TSA (in accordance with the District’s Act 93 Agreement), which were calculated based on the number of service years the individual provided to the District, and (4) a payment of \$6,519 for unused vacation days during the 2012–13 school year.

Former Superintendent				
School Year	Travel	TSA	Unused Vacation Days	Total Questionable PSERS Wages
2010-11	\$ 9,000	\$ 7,918	\$ -	\$16,918
2011-12	9,000	8,295	-	17,295
2012-13	9,000	8,800	6,519	24,319
2013-14	-	3,046	-	3,046
	<b><u>\$27,000</u></b>	<b><u>\$28,059</u></b>	<b><u>\$6,519</u></b>	<b><u>\$61,578</u></b>



*Criteria relevant to the finding  
(continued):*

In addition, the Public School Code, 24 Pa.C.S. § 8102, defines compensation, in part as follows:

Pickup contributions plus any remuneration received as a school employee excluding reimbursements for expenses incidental to employment and excluding any bonus, severance payments, any other remuneration or other emolument received by a school employee during his school service which is not based on the standard salary schedule under which he is rendering service, payments for unused sick leave or vacation leave, bonuses or other compensation for attending school seminars and conventions . . .

The former Director of Curriculum's employment consisted of one contract. It began on September 1, 1996, and did not include an end date. The contract indicated that the individual will have access to the same benefits plan provided to all members of the District administration. The former Director of Curriculum's last day of full-time employment with the District was on September 6, 2012, when she retired.

Our review found the District paid the former Director of Curriculum benefits of \$10,512 that were reported to PSERS as eligible retirement wages during the school years ending June 30, 2011, 2012, and 2013, which were in addition to her base salary. She was paid annual TSA payments (in accordance with the District's Act 93 Agreement) of \$4,600, \$4,989, and \$923 for the school years ending June 30, 2011, 2012, and 2013, respectively. These payments may not be eligible for inclusion as retirement wages because they consisted of annual TSA payments per her employment contract plus annual payments that were calculated based on the number of years of service the individual provided to the District.

We question the propriety of including these amounts as eligible retirement compensation based on the criteria in the box to the left.

The possible inaccurate reporting of compensation to PSERS may be the result of personnel at the District misunderstanding the PSERS compensation reporting guidelines.

PSERS has been provided reports detailing the questionable retirement compensation reporting for determination of eligibility and possible adjustments to the individuals' retirement calculations.

### **Recommendations**

The *Board*, in conjunction with PSERS' determination, should:

1. Ensure that District personnel understand and report to PSERS only those wages allowable for retirement purposes, as stated in PSERS regulations and guidelines.

The *Public School Employees' Retirement System* should:

2. Review the compensation reported for the former Superintendent and Director of Curriculum for the school years ending June 30, 2011, 2012, 2013, and 2014, and render an opinion on the propriety of the wages reported as eligible for retirement purposes by the District.
3. Make the necessary corrections to individual pension benefit contributions for any amounts determined to be ineligible for retirement compensation.

### **Management Response**

Management stated the following:

“The Former Superintendent had been employed for 18 years. In August of 2014 during the setup of the newly appointed Superintendent’s fringe benefits it was discovered that the Superintendent’s 403(b) contributions had been incorrectly tagged as PSERS eligible wages. The current Superintendent, Board and Solicitor were notified of the error. The District’s Solicitor at that time contacted PSERS to confirm the treatment of 403(b) contributions. The District was notified that the earnings were incorrectly reported as PSERS eligible wages. The District reported to PSERS a reduction of \$59,146.33 of PSERS eligible wages, which covered all years during which these monies were reported incorrectly to PSERS.

The Former Director of Curriculum had been employed for 16 years. In August of 2014 when it was discovered the Former Superintendent’s 403(b) wages had been incorrectly reported to PSERS, the Business Office began a review of all District employees who had received 403(b) payments. The District reported to PSERS a reduction of \$28,739.87 of PSERS eligible wages, which covered all years during which these monies were reported to PSERS for the Former Director of Curriculum.

Corrective Action: The District discontinued longevity payments to employee 403(b) accounts. All employees who are responsible for setting the parameters for payroll processing will be provided the opportunity to attend training offered by PSERS and will be provided access to

PSERS guidelines to ensure proper reporting of wages. The District reported to PSERS all 403(b) payments tagged as PSERS wages associated with longevity. The District will review all employees who may have requested payout of vacation days into 403(b) accounts to ensure the payout was not reported as PSERS wages. Any payouts found to have been reported to PSERS in error will be identified and a reduction will be reported to PSERS.”

### **Auditor Conclusion**

We are pleased management intends on implementing procedures to address the issues noted in the finding. Our review during the next audit will determine the accuracy of the reduction of PSERS eligible wages for both individuals and the effectiveness of any revised PSERS wage reporting procedures.

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

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Our prior audit of the District, released on January 20, 2012, contained two findings. The first finding pertained to transportation errors, and the second finding pertained to certification deficiencies. As part of our current audit, we determined the status of corrective action taken by the District in response to our prior audit recommendations. We analyzed the District's written response provided to PDE, performed audit procedures, and interviewed District personnel regarding the prior recommendations. As shown below, we found that the District did implement our recommendations related to certification deficiencies but did not implement our recommendations related to transportation errors.

### **Auditor General Performance Audit Report Released on January 20, 2012**

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**Finding No. 1:                      Transportation Errors Resulted in Subsidy Underpayment of \$61,487**

Finding Summary:                      Our prior audit of the District found that, during the 2009-10 school year, District personnel inaccurately reported non-reimbursable and hazardous pupils transported to PDE. These errors resulted in a reimbursement underpayment of \$61,487.

Recommendations:                      Our audit finding recommended that the District should:

1. Review pupil records to ensure accurate reporting of data that is in compliance with PDE reporting guidelines.
2. Implement a system of final review to ensure accurate reporting of transportation data to PDE.
3. Review transportation reports submitted for years subsequent to the audit years and submit revisions, if necessary.

We also recommended that PDE should:

4. Adjust the District's allocations to resolve the underpayment of \$61,487.

Current Status:                      During our current audit, we found that the District did not implement our prior recommendations (see Finding No. 2 of the current audit page 11). As of May 28, 2015, the District did not provide us with documentation that PDE resolved the \$61,487 underpayment. Therefore, we recommend the District contract PDE to get resolution to the underpayment.

**Finding No. 2: Certification Deficiencies**

Finding Summary: Our prior audit of the District’s professional employees’ certification and assignments found six possible certification deficiencies. If the Bureau of School Leadership and Teacher Quality (BSLTQ) confirmed the deficiencies, the District would be subject to a subsidy forfeiture of \$23,494 for the 2008-09, 2009-10, and 2010-11 school years.

Recommendations: Our audit finding recommended that the District should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

We also recommended that PDE should:

3. In conjunction with BSLTQ’s determination, adjust the District’s allocations to recover any subsidy forfeitures deemed necessary.

Current Status: During our current audit, we found that the District did implement our prior recommendations. However, as of May 28, 2015, the District did not provide the auditors with BSLTQ’s final determination, nor were they able to provide documentation of whether a forfeiture was withheld. Therefore, we recommend the District contact BSLTQ to determine the status of the possible deficiencies and obtain documentation from PDE regarding any possible forfeiture to be withheld.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf  
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