

ANTIETAM SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Ms. Ann Sellers, Board President
Antietam School District
100 Antietam Road
Stony Ck Mills
Reading, Pennsylvania 19606

Dear Governor Rendell and Ms. Sellers:

We conducted a performance audit of the Antietam School District (ASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 2, 2007 through June 18, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the ASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with ASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve ASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the ASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 13, 2010

cc: **ANTIETAM SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Antietam School District (ASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the ASD in response to our prior audit recommendations.

Our audit scope covered the period April 2, 2007 through June 18, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

The ASD encompasses approximately 5 square miles. According to a federal census, it serves a resident population of 7,494. According to District officials, in school year 2007-08 the ASD provided basic educational services to 1,084 pupils through the employment of 92 teachers, 85 full-time and part-time support personnel, and nine administrators. Lastly, the ASD received more than \$4.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the ASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Certification Deficiency. Our audit of professional employees' certification and assignments for the period February 21, 2007 through May 14, 2010, found one individual was employed as a German teacher without proper certification (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the ASD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the ASD had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 8) and an internal control weakness regarding the school violence Memorandum of Understanding (see page 9).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period April 2, 2007 through June 18, 2010, except for the verification of professional employee certification which was performed for the period February 21, 2007 through May 14, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the ASD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

ASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

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/reimbursement, pupil membership and pupil transportation

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

Additionally, we interviewed selected administrators and support personnel associated with ASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 17, 2007, we reviewed the ASD's response to DE dated June 23, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to this finding:

Section 1202 of the Public School Code provides, in part:

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

Section 2518 of the Public School Code provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the 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.

Certification Deficiency

Our audit of professional employees' certification and assignments for the period February 21, 2007 through May 14, 2010, was performed to determine compliance with the Public School Code and the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education's (DE), Certification and Staffing Policies and Guidelines. We found one individual was employed as a German teacher without the proper certification during the 2009-10 school year.

Information pertaining to this matter was submitted to BSLTQ, DE, for its review. BSLTQ confirmed the deficiency. The subsidy forfeiture resulting from this deficiency could not be calculated at the time of the audit because the aid ratio necessary to compute the calculation was not yet available from DE.

Recommendations

The Antietam School District should:

Ensure all individuals obtain proper certification prior to employment and/or assignment.

The Department of Education should:

Adjust the District's allocations to recover the subsidy forfeiture resulting from BSLTQ's determination.

Management Response

Management stated the following:

The District did not receive notice that the emergency certification reissuance was on-hold until mid-November, 2009. The teacher in question started the 2009-2010

semester teaching German, so upon receipt of the November 2009 notification the District allowed him to continue in that capacity with the expectation that he would take and pass the Praxis exam in March 2010.

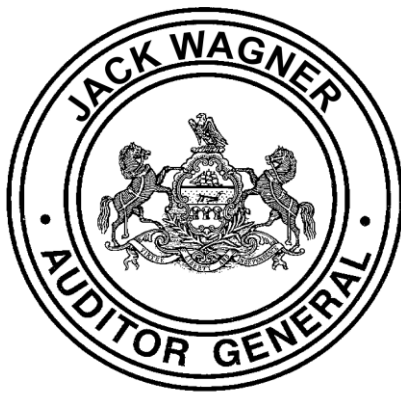
The teacher is scheduled to retake the German Praxis test in June 2010. The teacher will not teach German classes until he passes the Praxis test.

Status of Prior Audit Findings and Observations

Our prior audit of the Antietam School District (ASD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two matters unrelated to compliance that were reported as observations. The first observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications and the second observation pertained to an internal control weakness regarding the school violence Memorandum of Understanding (MOU). As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the ASD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the ASD did implement recommendations related to the internal control weaknesses in administrative policies regarding bus drivers' qualifications and the internal control weakness regarding the school violence MOU.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation No. 1:</i></u> <u><i>Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</p> <p>2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p>	<p>Background:</p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found the District adopted board policy in compliance with our recommendations.</p>

<p><u>II. Observation No. 2:</u> <u>Internal Control</u> <u>Weaknesses Regarding</u> <u>School Violence</u> <u>Memorandum of</u> <u>Understanding</u></p> <p>1. The school board and District administrators, in consultation with the District's solicitor, should review and update the current MOU with its local law enforcement agencies.</p>	<p>Background:</p> <p>Our prior audit of the District's records found that the District had on file a properly signed MOU between itself and its local law enforcement agencies; however, the MOU had not been updated since June 6, 2003.</p>	<p>Current Status:</p> <p>Our current audit found the District complied with our recommendations by updating the MOU with its local law enforcement agencies on June 23, 2009. The District included in its MOU a policy requiring the administration to review and re-execute the MOU every two years.</p>
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Distribution List

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

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

The Honorable Thomas E. Gluck
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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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