

EASTERN LANCASTER COUNTY SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Loren L. Martin, Board President
Eastern Lancaster County School District
669 East Main Street
New Holland, Pennsylvania 17557

Dear Governor Rendell and Mr. Martin:

We conducted a performance audit of the Eastern Lancaster County School District (ELCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period October 25, 2005 through May 28, 2009, 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, 2007, 2006 and 2005. 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 ELCSD 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 ELCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve ELCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the ELCSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 21, 2010

cc: **EASTERN LANCASTER COUNTY 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 Eastern Lancaster County School District (ELCSD). 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 ELCSD in response to our prior audit recommendations.

Our audit scope covered the period October 25, 2005 through May 28, 2009, 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, 2006-07, 2005-06 and 2004-05.

District Background

The ELCSD encompasses approximately 95 square miles. According to 2009 local census data, it serves a resident population of 30,069. According to District officials, in school year 2007-08 the ELCSD provided basic educational services to 3,379 pupils through the employment of 247 teachers, 215 full-time and part-time support personnel, and 18 administrators. Lastly, the ELCSD received more than \$9 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Finding: Internal Control Weakness Regarding Memorandum of Understanding

Our audit of the district's records found that the current Memorandum of Understanding with the New Holland Police Department was not updated within the last two years (see page 5).

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the ELCSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the ELCSD had taken appropriate corrective action in implementing our recommendations pertaining to pupil membership errors for children placed in private homes (see page 6), certification deficiencies (see page 7), failure to file Statements of Financial Interests (see page 7), and internal control weaknesses regarding bus drivers' qualifications (see page 8).



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 October 25, 2005 through May 28, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 ELCSD'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:

- ✓ 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 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.

ELCSD 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.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 18, 2006, we reviewed the ELCSD's response to DE dated April 17, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weakness Regarding Memorandum of Understanding

Criteria relevant to the finding:

The MOU with the New Holland Police Department, Section VI, B, states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter (emphasis added).

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and the New Holland Police Department was dated February 28, 2007, and had not been updated as of our fieldwork completion date, May 28, 2009.

The failure to update the MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Eastern Lancaster County School District* should:

1. Review, update and re-execute the current MOU between the District and the New Holland Police Department.
2. Follow the General Provisions of the District's MOU (Section VI, item B) requiring that the MOU must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

Management Response

Management stated the following:

Management will implement the appropriate procedures to ensure that MOUs are completed/updated every two years.

Status of Prior Audit Findings and Observation

Our prior audit of the Eastern Lancaster County School District (ELCSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in three reported findings and one reported observation, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the ELCSD to implement our prior recommendations. We analyzed the ELCSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned ELCSD personnel regarding the prior findings. As shown below, we found that the ELCSD did implement recommendations related to pupil membership errors, certification deficiencies, failure to file Statements of Financial Interests, and bus drivers’ qualifications.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Pupil Membership Errors Resulted in Tuition for Children Placed in Private Homes Overpayment of \$11,460</i></u></p> <ol style="list-style-type: none"> Strengthen controls to help ensure that membership for children placed in private homes is properly classified and reported to DE. Review reports for years subsequent to the audit and, if errors are noted, submit revisions to DE. 	<p>Background:</p> <p>Our prior audit of documentation supporting pupil membership reports submitted to DE for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found errors in resident and nonresident membership in the 2003-04 school year, which resulted in an \$11,460 overpayment in tuition for children placed in private homes.</p>	<p>Current Status:</p> <p>Our current audit found that the District strengthened controls by transferring the membership coordinator under the leadership of the Special Services department, effective September 2008. Our audit of nonresident membership for children placed in private homes for the current audit period found that District personnel complied with our recommendations, and no significant errors were noted.</p> <p>DE deducted \$11,460 from ELCSD’s allocations on May 30, 2008, to resolve this finding.</p>

<p><u>II. Finding No. 2: Certification Deficiencies</u></p> <ol style="list-style-type: none"> 1. Take the necessary action required to ensure compliance with certification regulations. 2. Establish a review process to ensure that all professional employees' certificates are current and valid. 3. Ensure that all teachers are assigned to courses that they are properly certificated to teach. 4. DE should take action to recover the subsidy forfeitures of \$4,841. 	<p>Background:</p> <p>Our prior audit of professional employees' certification and assignments for the period September 21, 2002 through October 25, 2005, found certification deficiencies involving three individuals.</p>	<p>Current Status:</p> <p>Our current audit found the District complied with our recommendations, and as of June 2005 all three individuals had obtained the required certification for their assignments.</p> <p>DE deducted \$4,841 from the District's allocations on June 1, 2006, to resolve this finding.</p>
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<p><u>III. Finding No. 3: Board Member Failed to File Statement of Financial Interests</u></p> <ol style="list-style-type: none"> 1. The board should seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file Statements of Financial Interests. 	<p>Background:</p> <p>Our prior audit of District records found that one board member failed to file his Statement of Financial Interest for the year ended December 31, 2002.</p>	<p>Current Status:</p> <p>Our current audit found that the ELCSD implemented our recommendations and all board members' Statements of Financial Interests selected for review were on file.</p>
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<p><u>IV. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> 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 charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure 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>Background:</p> <p>Our prior audit found that neither the District nor four of the five transportation contractors had 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 purposes of determining an individual's continued suitability to be in direct contract 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 complied with our recommendations by including in its transportation contracts a requirement that the contractor notify the District when a school bus driver has been charged with or convicted of crimes that affect their suitability to have direct contact with children.</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:

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