

GOVERNOR MIFFLIN SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. James Ulrich, Board President
Governor Mifflin School District
10 South Waverly Street
Shillington, Pennsylvania 19607

Dear Governor Rendell and Mr. Ulrich:

We conducted a performance audit of the Governor Mifflin School District (GMSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 10, 2005 through August 7, 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 GMSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the GMSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 29, 2010

cc: **GOVERNOR MIFFLIN 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 Governor Mifflin School District (GMSD). 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 GMSD in response to our prior audit recommendations.

Our audit scope covered the period November 10, 2005 through August 7, 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 GMSD encompasses approximately 40 square miles. According to 2000 local census data, it serves a resident population of 28,415. According to District officials, in school year 2007-08 the GMSD provided basic educational services to 4,325 pupils through the employment of 313 teachers, 253 full-time and part-time support personnel, and 26 administrators. Lastly, the GMSD received more than \$10.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the GMSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the GMSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the GMSD had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 7), and partially complied with our recommendations 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 November 10, 2005 through August 7, 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 GMSD'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 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.

GMSD 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 area of comparative financial information.

Our audit examined the following:

- Records pertaining to financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 13, 2006, we reviewed the GMSD's response to DE dated November 20, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Governor Mifflin School District resulted in no findings or observations.

Status of Prior Audit Finding and Observation

Our prior audit of the Governor Mifflin School District (GMSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in one reported finding 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 District to implement our prior recommendations. We analyzed the GMSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the GMSD did implement recommendations related to certification deficiencies, and partially complied with our recommendations regarding 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: Certification Deficiencies</i></u></p> <ol style="list-style-type: none"> Review controls to ensure that all positions requiring certification are staffed with persons holding proper certification. DE should adjust the District’s allocation to resolve any subsidy forfeiture which may be levied. 	<p>Background:</p> <p>Our prior audit of professional employees’ certification and assignments for the period February 27, 2002 through November 4, 2005, found that two individuals were assigned to positions without certification.</p>	<p>Current Status:</p> <p>Our current audit found that the District strengthened controls by hiring a human resource director in May 2007 to ensure that all professional employees’ are properly certified.</p> <p>Regarding the individuals cited in our prior audit, we found that in August 2005 one individual resigned and in November 2005 the other individual obtained the required certification.</p> <p>On December 27, 2007, DE deducted a subsidy forfeiture of \$4,647 from the District’s allocations to resolve this finding.</p>

<p><u>II. 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's transportation contractor 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 the transportation contractor 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 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 included in its transportation contracts a requirement that prior to the beginning of the 2008-09 school year all bus drivers must provide evidence of current clearances, and further requiring that these clearances be obtained every four years.</p> <p>We again recommend that the District also implement policies and procedures to ensure the District is immediately notified whenever drivers are charged with or convicted of serious criminal offenses.</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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