

HANOVER PUBLIC SCHOOL DISTRICT  
YORK COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2010



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

Mr. Art Smith, Board President  
Hanover Public School District  
403 Moul Avenue  
Hanover, Pennsylvania 17331

Dear Governor Rendell and Mr. Smith:

We conducted a performance audit of the Hanover Public School District (HPSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 15, 2009 through September 13, 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 HPSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

December 27, 2010

cc: **HANOVER PUBLIC SCHOOL DISTRICT** Board Members



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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 Hanover Public School District (HPSD). 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 HPSD in response to our prior audit recommendations.

Our audit scope covered the period January 15, 2009 through September 13, 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 HPSD encompasses approximately 4 square miles. According to 2000 federal census data, it serves a resident population of 14,535. According to District officials, in school year 2007-08 the HPSD provided basic educational services to 1,614 pupils through the employment of 148 teachers, 130 full-time and part-time support personnel, and 17 administrators. Lastly, the HPSD received more than \$4.3 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the HPSD 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 HPSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the HPSD had taken appropriate corrective action in implementing our recommendations pertaining to a licensed practical nursing reimbursement overpayment of \$5,116 (see page 7).





## Audit Scope, Objectives, and Methodology

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### 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 January 15, 2009 through September 13, 2010, except for the verification of professional employee certification which was performed for the period December 3, 2008 through August 23, 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 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 HPSD'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?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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.

HPSD 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 state subsidies/reimbursement.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes,

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 24, 2009, we performed audit procedures targeting the previously reported matters.

## **Findings and Observations**

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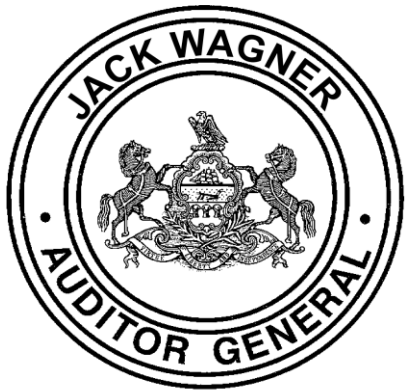
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**F**or the audited period, our audit of the Hanover Public School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Hanover Public School District (HPSD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to a licensed practical nursing reimbursement overpayment. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the HPSD did implement recommendations related to licensed practical nursing reimbursement overpayment.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Licensed Practical Nursing Reimbursement Overpayment of \$5,116</i></u></p> <ol style="list-style-type: none"> <li>1. Implement a review system to ensure the accuracy of the schedule of student hours used to report quarterly totals for reimbursement.</li> <li>2. Ensure that out-of-state student hours are not reported for reimbursement on the Practical Nursing Student Instructional Hours form.</li> <li>3. Review the reports submitted for years subsequent to the current audit period; if errors are noted, submit revised reports to the Department of Education (DE).</li> <li>4. DE should adjust the District's allocations to recover the \$5,116 overpayment.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the licensed practical nursing reimbursement for the years ended June 30, 2006 and 2005 found that District personnel incorrectly included 2,714 out-of-state student hours for the January–March 2006 reporting period. Additionally, during the same period the District over reported 696 hours for other students.</p> <p>As a result of these two reporting errors, the District received a reimbursement overpayment of \$5,116.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that HPSD implemented our recommendations. No significant errors were found during our current audit.</p> <p>As of September 13, 2010, DE had not adjusted the District's allocations to recover the \$5,116 overpayment. Therefore, we again recommend that DE recover the overpayment.</p>



## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://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  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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