

HEMPFIELD SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2010

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

Mr. Bill Jimenez, Board President
Hempfield School District
200 Church Street
Landisville, Pennsylvania 17538

Dear Governor Rendell and Mr. Jimenez:

We conducted a performance audit of the Hempfield School District (HSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 6, 2006 through September 11, 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 HSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

November 4, 2010

cc: **HEMPFIELD 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 Hempfield School District (HSD). 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 HSD in response to our prior audit recommendations.

Our audit scope covered the period January 6, 2006 through September 11, 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 HSD encompasses approximately 44 square miles. According to a 2009 local census, it serves a resident population of 43,792. According to District officials, in school year 2007-08 the HSD provided basic educational services to 7,169 pupils through the employment of 526 teachers, 345 full-time and part-time support personnel, and 29 administrators. Lastly, the HSD received more than \$22 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the HSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: Certification Deficiencies.

Our audit of professional employees' certification for the period December 14, 2005 through September 10, 2009, found 11 individuals who were not properly certified (see page 6).

Finding No. 2: Failure to Obtain

Memoranda of Understanding. Our audit of the HSD's records found that the HSD does not have Memoranda of Understanding with its four local law enforcement agencies (see page 10).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the HSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the HSD had taken appropriate corrective action in implementing our recommendations pertaining to the failure to file Statements of Financial Interests (see page 12).



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 January 6, 2006 through September 11, 2009, except for the verification of professional employee certification which was performed for the period December 14, 2005 through September 10, 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 HSD'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?
- ✓ 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.

HSD 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 professional employee certification, state ethics compliance, and financial stability.
- Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 10, 2006, we reviewed the HSD's response to DE dated October 3, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Criteria relevant to the 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 certified 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 Deficiencies

Our audit of professional employees' certification for the period December 14, 2005 through September 10, 2009, found the following deficiencies pertaining to locally titled positions:

- Seven individuals were assigned to coordinator positions without holding proper supervisory certification.
- One individual was assigned to a supervisor position without holding proper supervisory certification.
- One individual was assigned as Dean of Students without holding proper administrative certification.
- One individual was assigned as Director of Technology without holding proper certification.
- One individual was assigned as Assistant Director of Education Technology without holding proper certification.

Information pertaining to certificates and assignments was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE), for its review. BSLTQ subsequently confirmed the deficiencies; the District is therefore subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Subsidy Forfeitures</u>
2009-10	*
2008-09	\$18,240
2007-08	14,290
2006-07	14,105
2005-06	<u>7,524</u>
Total Subsidy Forfeitures	<u>\$54,159</u>
*Data necessary to complete this calculation was not yet available from DE.	

Recommendations

The *Hempfield School District* should:

1. Require the individuals cited in this finding to immediately obtain proper certification for the positions assigned or reassign them to positions for which they are properly certified.
2. Submit all locally titled positions to BSLTQ for review and determination of the required certification before assigning individuals to such positions.

The *Department of Education* should:

3. Recover the subsidy forfeitures resulting from the deficiencies.

Management Response

Management stated the following:

During the course of the State Audit, the District was not able to produce certification documents for certain employees, and/or was not able to produce documentation of confirmation from PDE regarding the certification requirements of certain positions. Attached is a list of employees for whom the auditors had questions about the certification of the position. [Attachment omitted.]

In a past verbal comment, the Auditor General office recommended that the District submit locally titled positions to the Bureau of School Leadership and Teacher Quality (BSLTQ) for clarification of proper certification requirements. While we are unable to track whether or not this information was forwarded to the PDE, we are aware that the information was submitted and we did not receive a response. The job description in reference is for our Special Education Coordinators . . . whose primary function is to act as facilitators district-wide. While they do assist in the development and review of IEPs [individual education programs], their role focuses on supporting classroom instruction and assisting in the area of student services. At no time do they supervise, evaluate staff, or develop curriculum for the district.

Clearly the district is familiar with the above mentioned procedures to submit locally titled job descriptions to the PDE for approval based on a more recent case. When the new Director of Student Services position was developed

for the 2009-10 school year, the District did in fact contact the BSLTQ office to verify the certification requirements of this new position. Because most of the other “locally titled” positions were not new, and/or did not have direct supervisory authority over certified teachers, no other job descriptions had been submitted to BSLTQ for input.

Based on this State Audit finding, the District immediately contacted the BSLTQ office for clarification of all positions noted. [Our] Director of Human Resources has been in contact with . . . PDE and intends to submit job descriptions for our Director of Technology and Assistant Director of Technology; neither requires certification since both are intended for oversight of the district’s technology infra-structure and not for instruction. While they may be a resource for the development of technologies to service curriculum needs, they do not prescribe curriculum or develop curricular changes.

Finally, to address the variances in our Department Supervisors, Coordinators, and Chairpersons, we have agreed to emergency certify our three Subject Area Coordinators who are on a two year track to complete their certification programs. . . . Two other names mentioned on the citation list . . . have successfully acquired their supervisory certification since the time of review and may be removed. Thus, where certification is required, application has been made for emergency certification in any case where the employee does not already hold the proper certification credentials, and the District will work to ensure that permanent certification is obtained as quickly as possible.

The Administration and Board of Directors are committed to curing these findings by clarifying the certification requirements of all locally titled positions, and ensuring that any/all employees do hold the required credentials for compliance with those requirements. In fact, since the time of our previous audit the following changes have been made to better address certification issues:

- 1) Improved tracking of certification data with the superintendent’s office.

- 2) The restructuring of our Human Resources Department, including the addition of a Director of Human Resources.
- 3) An annual internal review of all professional certificates.
- 4) Annual reminders sent to all certified staff to maintain their certification.

Auditor Conclusion

Management's response was prepared prior to BSLTQ's determinations. If management has any further disagreement with the finding it must be addressed to DE.

Finding No. 2 →

Failure to Obtain Memoranda of Understanding

Criteria relevant to the finding:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample Memorandum of Understanding format to be used by school entities. Section VI, General Provisions, Item B of this sample 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.

Our audit of the District's records found that the District does not have Memoranda of Understanding (MOU) with its four local law enforcement agencies. The District administration was aware of the need and requirement to have MOUs; however, due to recent administrative turnover, the completion of this objective was overlooked.

The failure to obtain MOUs from each of the District's law enforcement agencies in accordance with the Public School Code 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 an school-sponsored activity, or on any public conveyance providing transportation to or from any 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 *Hempfield School District* should:

1. Develop and obtain current MOUs between the District and all of the local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Management Response

Management stated the following:

During the course of the State Audit, the District was not able to produce copies of signed Memorandums of Understanding with the first responders with our District.

We have solidified very strong working relationships with various police responding units, and have completed significant efforts to develop emergency plans that incorporate input from these various organizations. However, up to this point, we have not put formal Memorandums of Understanding into place with these first responders, as required by regulations.

During the audit, the proper form of this type of Memorandum was reviewed with the auditors, and efforts are currently under way to enter these agreements with each of the police units within the District. The Administration and Board of Directors are committed to curing this finding by having proper agreements in place which support our Emergency plan, and to continue to cultivate the positive working relationship the District has with these organizations. These efforts will enable the District to continually improve our strong commitment to the safety and security of our students, staff, and community.

Status of Prior Audit Findings and Observations

Our prior audit of the Hempfield School District (HSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in one reported finding. The finding pertained to Statements of Financial Interests. 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 HSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the HSD did implement our recommendations related to the finding.

<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: Board Members Failed to File Statements of Financial Interests</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when an elected board member fails to file a Statements of Financial Interests (SFI). 2. Develop procedures to ensure that all individuals required to file a SFI do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit of the District's SFI's found that one board member failed to file a SFI for 2003 and 2002; four board members failed to file a SFI for 2001; and one board member failed to file a SFI for 2000. We also found that three board members returned their SFIs after May 1, 2001 for 2000. Since the forms were to be filed by May 1, 2001, the submission of the SFIs was not timely.</p>	<p>Current Status:</p> <p>Our current audit found that the board adopted a policy on September 13, 2005, requiring board members to file a SFI with the State Ethics Commission before taking the oath of office or entering upon his/her duties. Additionally, the District has been in constant contact with its solicitor regarding the District's role in board members filing SFI's.</p> <p>We note that one member did not file a SFI in 2005. However, the member left the board before the policy was implemented. The District has received all SFI's since the new procedures were implemented.</p>

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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