

MARION CENTER AREA SCHOOL DISTRICT  
INDIANA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2011



The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Greg Sacco, Board President  
Marion Center Area School District  
22820 Route 403, Highway N  
Marion Center, Pennsylvania 15759

Dear Governor Corbett and Mr. Sacco:

We conducted a performance audit of the Marion Center Area School District (MCASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 30, 2009 through March 24, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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.

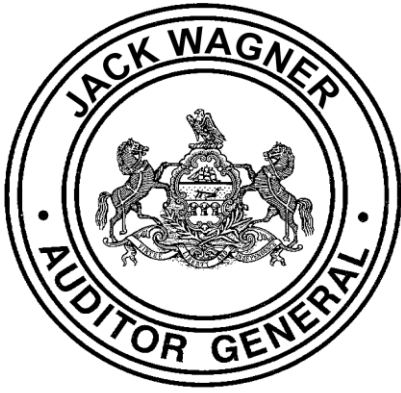
Our audit found that the MCASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

October 11, 2011

/s/  
JACK WAGNER  
Auditor General

cc: **MARION CENTER AREA SCHOOL DISTRICT** Board Members

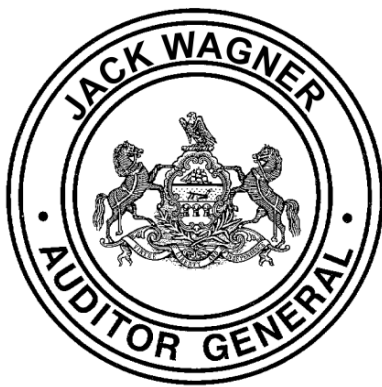


## **Table of Contents**

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Status of Prior Audit Findings and Observations .....	7
Distribution List .....	9



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Marion Center Area School District (MCASD). 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 MCASD in response to our prior audit recommendations.

Our audit scope covered the period November 30, 2009 through March 24, 2011, 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 2009-10 and 2008-09.

### **District Background**

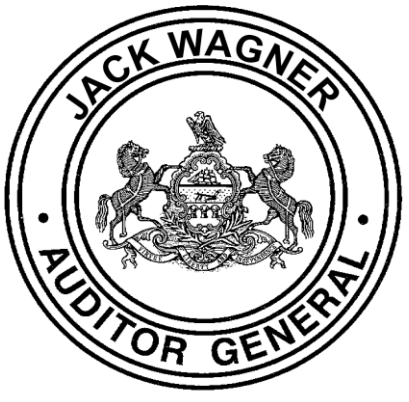
The MCASD encompasses approximately 195 square miles. According to 2000 federal census data, it serves a resident population of 10,972. According to District officials, in school year 2009-10 the MCASD provided basic educational services to 1,493 pupils through the employment of 128 teachers, 89 full-time and part-time support personnel, and 7 administrators. Lastly, the MCASD received more than \$13.3 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

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

### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the MCASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the MCASD had not taken appropriate corrective action in implementing our recommendations pertaining to the classifying of nonresident foster students. However, this did not result in a finding in our current report, because the continuing errors found did not have a significant effect on the MCASD's reimbursements (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 November 30, 2009 through March 24, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 MCASD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ 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, observations and conclusions based on our audit objectives.

MCASD 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, pupil transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the MCASD's response to DE dated January 24, 2011. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Marion Center Area School District resulted in no findings or observations.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Marion Center Area School District (MCASD) for the school years 2007-08 and 2006-07 resulted in one finding. The finding pertained to the classification of nonresident foster students. 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 MCASD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the MCASD had not implemented recommendations related to the classification of nonresident foster students for our current audit years.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Finding:** **Errors in Reporting Pupil Membership Data Resulted in a Net Overpayment of \$15,851**

Finding Summary: We found reporting errors that included reporting membership for a pre-adoptive student as nonresident foster student membership, and incorrectly reporting membership for nonresident foster students as resident membership.

Recommendations: Our audit finding recommended that the MCASD:

1. Perform an internal review of all pupil membership reports and support documentation before submission.
2. Review letters received from placement agencies to ensure proper classification.
3. Review subsequent school years' membership reports submitted to DE for accuracy, and resubmit if necessary.

We also recommend that DE:

4. Adjust the District's future allocations to correct the net overpayment of \$15,851.

Current Status: During our current audit procedures we again found errors in the reporting of nonresident foster students for the 2009-10 school year. However, because the errors had no significant effect on MCASD's reimbursement, no finding is included in our current report. Furthermore, since the board's corrective action was not approved until January 24, 2011, the results of any corrective action cannot be determined until the next audit.

DE had not adjusted the District's allocations to correct the net overpayment of \$15,851 as of March 24, 2011.

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## **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 Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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