

PENNCREST SCHOOL DISTRICT  
CRAWFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2013





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
AUDITOR GENERAL**

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

Mr. Luigi DeFrancesco, Board President  
Penncrest School District  
18741 State Highway 198  
Saegertown, Pennsylvania 16433

Dear Governor Corbett and Mr. DeFrancesco:

We conducted a performance audit of the Penncrest School District (PSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 19, 2010 through March 20, 2012, 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 PSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in 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 PSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve PSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the PSD's cooperation during the conduct of the audit.

Sincerely,

/s/

**JACK WAGNER  
Auditor General**

January 14, 2013

cc: **PENNCREST 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 Penncrest School District (PSD). Our audit sought to answer certain questions regarding the PSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures, and to determine the status of corrective action taken by the PSD in response to our prior audit recommendations.

Our audit scope covered the period March 19, 2010 through March 20, 2012, 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 PSD encompasses approximately 400 square miles. According to 2010 federal census data, it serves a resident population of 24,648. According to District officials, in school year 2009-10 the PSD provided basic educational services to 3,533 pupils through the employment of 304 teachers, 185 full-time and part-time support personnel, and 21 administrators. Lastly, the PSD received more than \$26.9 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

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

#### **Finding No. 1: Certification Deficiency.**

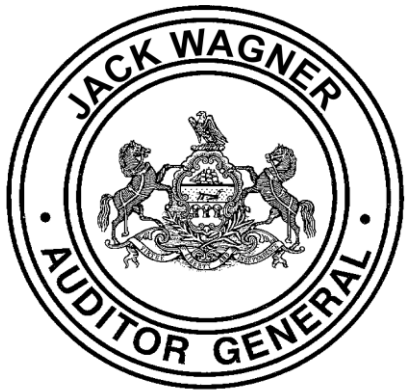
Our audit of professional employees' certification for the period July 1, 2011 through June 30, 2012, found an employee was assigned to a professional position without holding proper certification (see page 6).

#### **Finding No. 2: Memoranda of Understanding with Local Law Enforcement Not Updated Timely and in Accordance with Public School Code Provisions.**

Our audit found that the Memoranda of Understanding (MOU) between the PSD and police departments with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence occur were last updated in November 2009. The PSD was not in compliance with the recently enacted amendments to the safe school provisions of the Public School Code (see page 8).

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

With regard to the status of our prior audit recommendations to the PSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the PSD had taken appropriate corrective action in implementing our recommendations pertaining to transportation (see page 10).





## 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 March 19, 2010 through March 20, 2012 except for the verification of professional employee certification, which was performed for the period July 1, 2011 through June 30, 2012.

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 Pennsylvania 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the PSD's compliance with applicable state laws, 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 have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District receives transportation subsidies, are the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District and any contracted vendors ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ 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, 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.

PSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 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.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 8, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1 →

*Criteria relevant to the finding:*

Section 1202 of the Public School Code provides that no teacher shall teach in any public school any branch which s/he has not been certified to teach.

Section 2518 of the Public School Code provides for a forfeiture for uncertified teachers.

### Certification Deficiency

Our audit of professional employees' certification for the period July 1, 2011 through June 30, 2012, found an employee was assigned to a professional position without holding proper certification.

The individual was employed as an elementary principal and was not properly certified.

Information pertaining to the assignment was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education (PDE), for its review.

On April 5, 2012, BSLTQ determined that the individual was not properly certified for the position of elementary principal. As a result of this determination, the District will be subject to a subsidy forfeiture. The subsidy forfeiture could not be calculated due to the unavailability of the applicable aid ratio at the time of audit.

District's administrators mistakenly believed that when the individual was assigned to the position in question at the beginning of the school year, the employee had submitted to PDE the appropriate documentation needed to obtain the proper certification.

### Recommendations

The *Penncrest School District* should:

1. Put procedures in place to compare employee's certification to the certification requirements of the assignments the District intends to give the employee.
2. Require the employee to obtain proper certification as required for the position or reassign the individual to an area in which proper certification is held.

The *Pennsylvania Department of Education* should:

3. Recover any subsidy forfeiture that may be levied.

**Management Response**

Management stated the following:

“The Penncrest School District eliminated administrative positions and developed a new organizational chart as a result of reduced state funding in 2011-2012. [The professional employee] completed the course requirements for elementary principal. She was transferred from assistant secondary principal of Saegertown Jr. Sr. High School to the elementary position of Cambridge Springs Elementary School. She was directed to provide her updated administrative certificate. She procrastinated and missed applying until the new Teacher Information Management System (TIMS) opened in December. Unfortunately, technical difficulties were experienced through the TIMS system which prevented her from applying on-line. She has been working with PDE to resolve the issue.”

**Finding No. 2**

**Memoranda of Understanding with Local Law Enforcement Not Updated Timely and in Accordance with Public School Code Provisions**

*Criteria relevant to the observation:*

Section 13-1303-A(c) of the Public School Code as amended November 17, 2010, provides, in part:

“[E]ach chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis.”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Department of Education. The term “biennially” means an event that occurs every two years.

Prior to enactment of additional MOU requirements on November 15, 2010, all public schools were required to develop a memorandum of understanding with local law enforcement.

Our audit found that the Memoranda of Understanding (MOU) between the District and police departments with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence occur were last updated in November 2009. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two years. The District was not in compliance with the recently enacted amendments to the safe school provisions of the Public School Code.

The failure to update MOUs with all pertinent police departments could result in a lack of cooperation, direction, and guidance between District employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or a school-sponsored activity. Non-compliance with the statutory requirements to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Moreover, recently enacted amendments to the safe schools provisions of the Public School Code expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with the Pennsylvania Department of Education’s (PDE) Office of Safe Schools on a biennial basis. Consequently, failure to develop a MOU will result in non-compliance with additional MOU requirements enacted November 17, 2010.

On March 22, 2012, the auditors were provided with the appropriately updated MOUs, dated March 9, 2012.

**Recommendations**

The *Penncrest School District* should:

1. In consultation with the District’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with the amended Safe School provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the PDE’s Office of Safe Schools on a biennial basis.

**Management Response**

Management stated the following:

“With the transfer of the Memorandum of Understanding (MOU) for Safe School from the Plant and Transportation Office to the Assistant Superintendent’s Office the renewal of the MOUs was delayed. The MOUs are complete and we are in the process of procuring the school administrators and the appropriate law enforcement agencies signatures.”

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

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Our prior audit of the Penncrest School District (PSD) for the school years 2007-08 and 2006-07 resulted in one reported finding pertaining to transportation. 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 PSD did implement recommendations related to the finding.

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

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**Finding:** **Continued Internal Control Weaknesses and Lack of Supporting Data in Pupil Transportation**

Finding Summary: Our prior audit of the District's pupil transportation records and the reports submitted to the Pennsylvania Department of Education (PDE) for the 2007-08 and 2006-07 school years found continuing internal control weaknesses. In addition, a lack appropriate documentation resulted in unexplained variances between the information reported to PDE and the documentation available for audit.

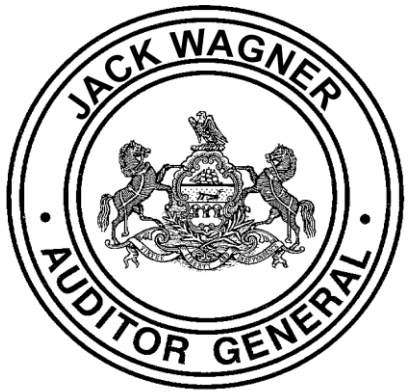
Recommendations: Our audit finding recommended that the PSD:

1. Establish appropriate procedures to ensure that all students are correctly entered in the transportation software system.
2. Establish appropriate internal control procedures to ensure that all information entered into the computer is verified
3. Conduct an internal review to ensure the daily mileage, pupil count, hazardous pupils, and nonpublic pupils are accurately recorded and reported to PDE.
4. Prepare and retain on file at the District not only the contractors' source documentation used to report pupil transportation data but also the system-generated compilation reports that generate the information reported to PDE. Retained information should include: the number of nonpublic, hazardous and non-reimbursable pupils transported, the weighted averaging for pupils that enter, withdraw or relocate within the District, the weighted average of miles with and without students, and the total annual miles driven.



5. Prepare and maintain records on file, of odometer readings between all bus stops and school, as required by State Board of Education regulations and PDE instructions.
6. Review transportation reports submitted to PDE for subsequent years to ensure the reported information is accurate and supporting documentation is on file to support all data reported for each bus.
7. Enable the newly hired transportation supervisor to attend any seminars regarding the collection, maintenance, and submission of transportation data.

During our current audit , we found that the PSD had retained all source documentation for audit and had put procedures in place to ensure that it verifies all information entered into the computer. In addition, the transportation supervisor had attended further training on submitting transportation data. Therefore, we conducted that the PSD implemented our prior recommendations.



## **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:

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