

UPPER DAUPHIN AREA SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Dennis Henninger, Board President
Upper Dauphin Area School District
5668 State Route 209
Lykens, Pennsylvania 17048

Dear Governor Rendell and Mr. Henninger:

We conducted a performance audit of the Upper Dauphin Area School District (UDASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 7, 2007 through August 25, 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 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 UDASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the UDASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/
JACK WAGNER
Auditor General

January 25, 2010

cc: **UPPER DAUPHIN AREA 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 Upper Dauphin Area School District (UDASD). 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 UDASD in response to our prior audit recommendations.

Our audit scope covered the period November 7, 2007 through August 25, 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 and 2006-07.

District Background

The UDASD encompasses approximately 91 square miles. According to 2007 local census data, it serves a resident population of 9,723. According to District officials, in school year 2007-08 the UDASD provided basic educational services to 1,250 pupils through the employment of 108 teachers, 62 full-time and part-time support personnel, and 9 administrators. Lastly, the UDASD received more than \$8.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the UDASD 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 UDASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the UDASD had taken appropriate corrective action in implementing our recommendations pertaining to the transportation deficiencies (see page 7) and bus driver 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 7, 2007 through August 25, 2009.

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 (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 UDASD'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:

- ✓ 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?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 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 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.

UDASD 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 and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation and bus driver qualifications

- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 31, 2008, we reviewed the UDASD's response to DE dated April 15, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Upper Dauphin Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Upper Dauphin Area School District (UDASD) for the school years 2005-06 and 2004-05 resulted in one finding and one observation. The finding pertained to transportation deficiencies and the observation pertained to bus drivers' qualifications. 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 UDASD Superintendent's written response 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 UDASD did implement recommendations related to the transportation finding and the bus drivers' qualifications observation.

<i>School Year 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding: Continued Transportation System Deficiencies that Resulted in Incorrect Reimbursement Allocations</u></i></p> <ol style="list-style-type: none"> 1. Ensure that all routes eligible for reimbursement are reported. 2. Revise prior audit contractor payments. 3. Review subsequent years' reports and, if similar errors recurred, submit revised reports to DE. 4. DE should adjust the District's allocations to resolve the underpayment of \$8,634. 	<p>Background:</p> <p>Our prior audits of the District's contracted pupil transportation and other financial related records found discrepancies in reports submitted to DE for the 2005-06, 2004-05, 2003-04, 2002-03 and 2000-01 school years.</p>	<p>Current Status:</p> <p>We found that the UDASD <u>did</u> take appropriate corrective action to address our prior recommendations.</p> <p>However, at the time of our current audit, DE had not adjusted the District's allocations to resolve the underpayment of \$8,634.</p>

<p><u>II. Observation: Continued</u> <u>Internal Control</u> <u>Weaknesses in</u> <u>Administrative Policies</u> <u>Regarding Bus Drivers'</u> <u>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 or the District's transportation contractors have been charged with or convicted of any crimes that, even though not barred by state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure the District is notified when any 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 contractors had written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses while employed by the District. This is 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 board incorporated this policy into its busing contracts and implemented a policy form that all drivers must complete before being hired or to continue to work for the District.</p> <p>We found that the UDASD <u>did</u> take appropriate corrective action to address our prior recommendations.</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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