



**SOUTHERN HUNTINGDON COUNTY
SCHOOL DISTRICT**

**HUNTINGDON COUNTY,
PENNSYLVANIA**

PERFORMANCE AUDIT REPORT

JUNE 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Joann Wakefield, Board President
Southern Huntingdon County School District
10339 Pogue Road
Three Springs, Pennsylvania 17264

Dear Governor Corbett and Ms. Wakefield:

We conducted a performance audit of the Southern Huntingdon County School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 2, 2009 through May 17, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies 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 District 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. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

June 25, 2013

cc: **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT** Board of School
Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Certification Deficiency	6
Finding No. 2 – Errors in Reporting Nonresident Membership Resulted in an Underpayment of \$8,577 in Tuition for Children Placed in Private Homes	8
Observation – The District Lacks Sufficient Internal Controls Over Its Student Record Data	9
Status of Prior Audit Findings and Observations	11
Distribution List	12

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Southern Huntingdon County School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period December 2, 2009 through May 17, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 221 square miles. According to 2010 federal census data, it serves a resident population of 8,060. According to District officials, the District provided basic educational services to 1,292 pupils through the employment of 112 teachers, 79 full-time and part-time support personnel, and 6 administrators during the 2009-10 school year. Lastly, the District received \$10.6 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings. We identified one matter unrelated to compliance that is reported as an observation.

Finding No. 1: Certification Deficiency.

Our audit of the Southern Huntingdon County School District's (District) professional employees' certificates and assignments found that one teacher taught a course without possessing the appropriate certificate (see page 6).

Finding No. 2: Errors in Reporting Nonresident Membership Resulted in an Underpayment of \$8,577 in Tuition for Children Placed in Private Homes.

Our audit of pupil membership reports submitted to the Pennsylvania Department of Education found that errors in reporting nonresident membership resulted in an underpayment to the District of \$8,577 in tuition for children placed in private homes (see page 8).

Observation: The District Lacks Sufficient Internal Controls Over Its Student Record Data.

Our review of the student information entered into the Pennsylvania Information Management System indicated that the District's controls over data integrity need to be improved (see page 9).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the District from an audit released on September 8, 2010, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting nonresident membership (see page 11).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania 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 December 2, 2009 through May 17, 2012, except for the verification of professional employee certification which was performed for the period August 2, 2010 through March 31, 2012.

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

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 (PDE) 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 District'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?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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 did 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?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's 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. In conducting our audit, we

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.

obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 8, 2010, we reviewed the District's response to PDE dated December 7, 2010. 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 (PSC) 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 PSC 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 Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania 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 Deficiency

Our audit of the Southern Huntingdon County School District’s (District) professional employees’ certificates and assignments for the period August 2, 2010 through March 31, 2012, found that a teacher may have taught one course without possessing the appropriate certificate during the 2011-12 school year.

Information pertaining to the possible certification deficiency was submitted to the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. BSLTQ subsequently determined that the course required a certificate. The District is therefore subject to a subsidy forfeiture of \$127.

The certification deficiency was caused by the District’s failure to verify that all professional employees were properly certificated for the positions assigned.

Recommendations

The *Southern Huntingdon County School District* should:

Review all certificates at least annually to determine that all professional employees are properly certified for the positions assigned.

The *Pennsylvania Department of Education* should:

Adjust the District’s allocations to recover the subsidy forfeiture resulting from the deficiency.

Management Response

Management stated the following:

“[The superintendent] had called PDE, and they said that since it was a non-credit course that we did not need a teacher of record; however, since the auditor has brought it to our attention, we have now included a certified teacher to oversee that class.”

Finding No. 2

Errors in Reporting Nonresident Membership Resulted in an Underpayment of \$8,577 in Tuition for Children Placed in Private Homes

Criteria relevant to the finding:

24 P.S. 25-2503(c) of the Public School Code provides that the Commonwealth will pay tuition to districts providing education to nonresident children placed in private homes. The payments are based on membership days reported for such children.

Our audit of the Southern Huntingdon County School District's (District) nonresident report submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year found that nonresident membership for children placed in private homes (foster children) was understated by 172 days for secondary students. The error resulted in an underpayment of \$8,577 in Commonwealth-paid tuition for children placed in private homes.

The error was caused by District personnel incorrectly reporting the "District Code of Residence" for the children in the Pennsylvania Information Management System.

We have provided PDE with a report detailing the errors for use in recalculating the District's tuition for children placed in private homes (foster children).

Recommendations

The *Southern Huntingdon County School District* should:

1. Review membership data thoroughly prior to submission to PDE to ensure students are properly classified prior to submitting reports to PDE.
2. Review reports submitted subsequent to the years audited and submit revised reports to PDE if errors are found.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to correct the underpayment of \$8,577.

Management Response

Management stated the following:

"The district had children placed in private homes but were not reported as 1305C [nonresident] students on the reporting for the 2009-10 school year.

Effective immediately, the District will review all PDE enrollment submissions for accuracy. The SHCSD Board Secretary will verify all PDE 1305 [private home] placements."

Observation

The District Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the observation:

According to the Pennsylvania Department of Education's (PDE) *2009-10 PIMS User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. Pennsylvania Information Management System data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using data that the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEA's must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Moreover, with a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our review of the Southern Huntingdon County School District's (District) controls over data integrity found that internal controls need to be improved. For example, there were no policies or procedures in place to ensure that data submitted to PDE was retained for audit. Likewise, the District did not have adequate policies or procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

The Southern Huntingdon County School District should:

1. Retain end-of-year reports generated by the District's child accounting software used for reporting student data to PIMS, and reconcile the data to PIMS reports.
2. Cross-train several of its personnel in the District's child accounting system.
3. Develop documents (e.g. procedures, manuals, policies or other written instructions) to ensure continuity over

PIMS data submission if those persons involved were to leave the LEA suddenly or otherwise be unable to upload PIMS data to PDE.

Management Response

Management stated the following:

“The school district is implementing procedures to have the Board Secretary, the Special Education Director, and the Business Manager work together to reconcile student record data as it is entered into PIMS.”

Status of Prior Audit Findings and Observations

Our prior audit of the Southern Huntingdon County School District (District) released on September 8, 2010, resulted in one reported finding. The finding pertained to errors in reporting nonresident membership. 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 District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior finding. As shown below, we found that the District did not implement recommendations related to errors in reporting nonresident membership.

Auditor General Performance Audit Report Released on September 8, 2010

Finding: **Errors in Reporting Nonresident Membership Resulted in an Overpayment of \$21,765 in Tuition for Children Placed in Private Homes**

Finding Summary: Our prior audit of pupil membership reports submitted to PDE for the 2007-08 school year found nonresident membership for children placed in private homes was overstated by 177 days for elementary students and by 364 days for secondary students. The errors resulted in an overpayment to the District of \$21,765 in Commonwealth-paid tuition for children placed in private homes.

Recommendations: Our audit finding recommended that the District:

1. Review membership data thoroughly to ensure students are properly classified prior to submitting reports to PDE.
2. Review reports submitted subsequent to the years audited and submit revised reports to PDE if errors are found.

We also recommended that PDE:

3. Adjust the District's allocations to recover the \$21,765 overpayment of tuition for children placed in private homes.

Current Status: During our current audit we found that the District did not implement our recommendations (see Finding No. 2 in our current audit report, page 8).

We also found that PDE had not yet deducted the \$21,765 from the District's allocations. We again recommend that PDE take action in this matter.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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

The Honorable William E. Harner
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Nichole Duffy
Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

