



**WEST YORK AREA SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JUNE 2014

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
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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Rodney Drawbaugh, Board President
West York Area School District
2605 West Market Street
York, Pennsylvania 17404

Dear Governor Corbett and Mr. Drawbaugh:

We conducted a performance audit of the West York Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period April 28, 2010 through August 13, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the District's management, and their response is 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,

A handwritten signature in black ink, appearing to read "John M. Lori".

JOHN M. LORI, CPA
Deputy Auditor General for Audits

June 19, 2014

cc: **WEST YORK AREA SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the West York Area School District (District) in York County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, 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 April 28, 2010 through August 13, 2013, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 21 square miles. According to 2010 federal census data, it serves a resident population of 23,664. According to District officials, the District provided basic educational services to 3,113 pupils through the employment of 247 teachers, 167 full-time and part-time support personnel, and seventeen (17) administrators during the 2011-12 school year. The District received \$10.6 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

Finding: Pupil Transportation Reporting Errors Resulted in an Underpayment of \$151,849. Our audit of the West York Area School District's transportation records for the 2010-11 school year found errors in mileage and pupil data reported to the Pennsylvania Department of Education (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the West York Area School District (District) from an audit released on December 27, 2010, we found that the District had taken appropriate corrective action in implementing three (3) of our four (4) recommendations pertaining to inadequate internal controls, which resulted in unverifiable transportation reimbursements (see page 8).

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 Section 403 of the Fiscal Code, 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 April 28, 2010 through August 13, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through June 30, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 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 certain relevant 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 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?

- ✓ In areas where the District received transportation subsidies, were the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

any information technology controls, as they relate to the District's compliance with relevant requirements 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 controls 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 pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

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

To determine the status of our audit recommendations made in a prior audit report released on December 27, 2010, we reviewed the District's response to PDE dated February 16, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Pupil Transportation Reporting Errors Resulted in an Underpayment of \$151,849

Criteria relevant to the finding:

The Pennsylvania Department of Education's End-of-Year Transportation Report instructions for reporting mileage and pupils provide:

- District must report the number of miles per day, to the nearest tenth, that the vehicle traveled with and without pupils. If this figure changed during the year, the district is to calculate a weighted average or sample average.
- District must report the greatest number of pupils assigned to ride the vehicle at any one time during the day. Districts are to report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned change during the year, districts are to calculate a weighted average or a sample average.
- For the weighted average method for miles – Local Education Agency must maintain records of Miles With Pupils and Miles Without Pupils data for each vehicle. Examples show how to calculate weighted averages for mileage changes. Weighted averages should be rounded to the nearest tenth. In all cases, the weighted average will be more than the lowest day's mileage and less than the highest day's mileage.

Our audit of the West York Area School District's (District) transportation records for the 2010-11 school year found errors in mileage and pupil data reported to the Pennsylvania Department of Education (PDE). The errors resulted in an underpayment of \$151,849.

Miles With/Without Pupils

For the 2010-11 school year, the approved daily miles with pupils were incorrectly reported for 42 of 44 vehicles, which resulted in a net understatement of 713.7 miles. The approved daily miles without pupils were incorrectly reported for 42 of 44 vehicles, which resulted in a net understatement of 427.3 miles.

The inaccurate reporting of daily miles with and without pupils was due to the District's use of a global positioning system (GPS) unit as its resource for obtaining and reporting mileage to PDE. When the District realized the GPS was not configured correctly and that inaccurate mileage data was submitted to PDE for reimbursement, they called PDE for guidance on correcting the inaccurate data. PDE advised them to revise the data on the transportation reporting system for which the original data was submitted. District personnel thought the revisions were submitted to PDE. However, District personnel were unaware that the revisions were never processed by PDE until it was disclosed during the audit. Furthermore, the District could not provide documentation that the transportation data adjustments were ever submitted or received by PDE.

Pupil Counts

For the 2010-11 school year, the daily average number of pupils assigned to be transported was incorrectly reported for 39 of 44 vehicles, which resulted in a net understatement of 29.8 pupils. The incorrect reporting of pupils was due to a calculation error within the District's transportation software. District personnel detected the

error after the inaccurate data was already submitted to PDE for reimbursement. District personnel made manual calculations to determine the correct pupil counts and intended on submitting the revisions to PDE along with the mileage adjustments noted above. District personnel were unaware that the revisions were never processed by PDE until it was found during the audit. Furthermore, the District could not provide documentation that the transportation data adjustments were ever submitted or received by PDE.

Approved daily miles and pupil counts are integral parts of the transportation reimbursement calculation. Therefore, mileage and pupils must be reported correctly to PDE in order for the District to receive accurate reimbursement for pupil transportation.

It is the responsibility of District management to have in place proper internal policies and procedures to ensure that pupil transportation data is accurately collected and timely reported. Without these internal controls, the District is not assured that it is reporting its data correctly to PDE or that it is receiving the proper subsidy reimbursement.

Recommendations

The West York Area School District should:

1. Ensure that any mileage data derived from a GPS unit or other automated system is reconciled with vehicle odometer readings and other backup documentation to verify the accuracy of the mileage data.
2. Continue to verify the accuracy of the District's software calculations for transportation data prior to reporting the data to PDE for reimbursement.
3. Establish a procedure to ensure adjustments needed to be reported to PDE are received and processed by PDE.
4. Review reports for years subsequent to the 2011-12 school year, and if errors are found, submit revisions to PDE.

The *Pennsylvania Department of Education* should:

5. Adjust the District's transportation subsidy for the 2010-11 school year to resolve the underpayment of \$151,849.

Management Response

Management stated the following:

“The District agrees with the finding. As stated in the finding the District had identified the error and reported the same to PDE but had not received the dollar reimbursement adjustment even though the District had called PDE several times.”

Auditor Conclusion

We are encouraged that the District agrees with the finding. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the West York Area School District (District) released on December 27, 2010, resulted in one (1) finding. The finding pertained to inadequate internal controls to verify transportation reimbursement. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit 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 implement three (3) of our four (4) recommendations related to inadequate internal controls to verify transportation reimbursement.

Auditor General Performance Audit Report Released on December 27, 2010

Finding: **Inadequate Internal Controls Resulted in Unverifiable Transportation Reimbursements**

Finding Summary: Our review of pupil transportation records for the 2006-07 and 2007-08 school years found inaccurate mileage computations and inadequate internal controls, which resulted in our inability to verify the accuracy of mileage data submitted to PDE for both school years. In addition, errors were found in the number of days transportation was provided and in pupil count data that was provided for the 2006-07 school year. Our inability to verify and confirm the accuracy of the mileage data reported resulted in unverifiable transportation reimbursements of \$410,619 and \$458,340 for the 2006-07 and 2007-08 school years, respectively.

Recommendations: Our audit finding recommended that the District should:

1. Review PDE's instructions to determine which method ("weighted average" or "sample average") the District is going to use to report mileage.
2. Develop review procedures to ensure that all changes to miles with and without pupils, including any adjustments made by the transportation software, are supported by odometer readings that are then retained for audit verification.
3. Develop review procedures that will ensure that transportation data printouts (mileage, days transportation was provided, and pupil data) are compared to supporting documentation for accuracy prior to submission of data to PDE.

4. Review transportation data for mileage, days transported, and pupil counts for subsequent years and submit revised reports to PDE if errors are found.

Current Status:

During our current audit, we found that the District implemented three (3) of our four (4) prior recommendations. The District took corrective action on recommendation numbers one (1), two (2), and four (4). However, we could not confirm that corrective action was taken on recommendation number three (3).

Therefore, we again recommend the developing of review procedures that will ensure that transportation data printouts (mileage, days transportation was provided, and pupil data) are compared to supporting documentation for accuracy prior to submission of data to PDE.

Distribution List

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

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

The Honorable Carolyn Dumaesq
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. Lori Graham
Acting 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. Lin Carpenter
Assistant Executive Director for Member Services
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.