

PERFORMANCE AUDIT

Williams Valley School District Schuylkill County, Pennsylvania

August 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Daniel Stroup, Board President
Williams Valley School District
10330 State Route 209
Tower City, Pennsylvania 17980

Dear Governor Corbett and Mr. Stroup:

We conducted a performance audit of the Williams Valley 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 December 15, 2011 through April 22, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 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.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

August 21, 2014

cc: **WILLIAMS VALLEY 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 Williams Valley School District (District) in Schuylkill 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 December 15, 2011 through April 22, 2014, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 62 square miles. According to 2010 federal census data, it serves a resident population of 7,355. According to District officials, the District provided basic educational services to 1,100 pupils through the employment of 105 teachers, 49 full-time and part-time support personnel, and eight (8) administrators during the 2011-12 school year. The District received \$9,022,376 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. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Williams Valley School District (District) from an audit released on April 25, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to membership (see page 6) and certification (see page 7).

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 December 15, 2011 through April 22, 2014, except for the verification of professional employee certification which was performed for the period August 26, 2013 through March 14, 2014.

Regarding state subsidies and reimbursements, our audit covered the 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?

- ✓ 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

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.

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 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 April 25, 2012, we reviewed the District's response to PDE dated March 18, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Williams Valley School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Williams Valley School District (District) released on April 25, 2012, resulted in two (2) findings. The first finding pertained to errors in the reporting of non-resident membership, and the second pertained to certification deficiencies. 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 findings. As shown below, we found that the District did implement our recommendations related to both findings.

Auditor General Performance Audit Report Released on April 25, 2012

Finding No. 1: Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Reimbursement

Finding Summary: Our prior audit of the District found that pupil membership reports submitted to PDE for the 2009-10 school year contained reporting errors. District personnel underreported membership for non-resident children placed in private homes (foster children), resulting in an underpayment of \$102,113 in Commonwealth-paid tuition for foster children. In addition, membership for a non-resident district-paid tuition student was not reported, resulting in the District not receiving tuition due to them from the student's district of residence.

Recommendations: Our audit finding recommended that the District should:

1. Establish internal controls that include reconciliations of the data that is uploaded into the Pennsylvania Information Management System.
2. Verify that preliminary reports issued by PDE are correct and, if not, correct, revise, and resubmit child accounting data so that the final reports from PDE are correct.
3. Bill the Pine Grove Area School District tuition for the nonresident district-paid tuition student.

We also recommended that PDE should:

4. Revise all reports that have been incorrectly completed and adjust the District's reimbursement affected by the errors.

Current Status: During our current audit, we found that the District did implement our prior recommendations. The District correctly reported non-resident foster children for both the 2010-11 and 2011-12 school years. The District also correctly reported, billed for, and received the proper district-paid tuition for non-resident students for both school years.

The District also received the tuition due from the Pine Grove Area School District noted in the prior audit.

As of April 22, 2014, PDE had yet to adjust the District's allocations to correct the underpayment of \$102,113.

Finding No. 2: Continuation of Certification Deficiencies

Finding Summary: Our prior audit of the District found that one (1) individual was teaching kindergarten with a lapsed Instructional I (temporary) certificate during the 2009-10 and 2010-11 school years, and during part of the 2011-12 school year. The District was therefore subject to subsidy forfeitures of \$1,578, \$1,560, and \$339 for the 2009-10, 2010-11, and 2011-12 school years, respectively.

Recommendations: Our audit finding recommended that the District should:

Before the start of each school year, verify that all teachers not permanently certified still have years remaining on their temporary certificates.

We also recommended that PDE should:

Recover the appropriate subsidy forfeitures resulting from the certification deficiencies.

Current Status: During our current audit, we found that the District did implement our prior recommendations. The teacher in question received her Level II (permanent) certificate in November of 2011. We also audited teacher certification for the 2013-14 school year and found no additional errors.

As of April 22, 2014, PDE had not yet recovered the subsidy forfeitures resulting from the certification deficiencies.

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
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The Honorable Carolyn Dumaesq
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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.