

PERFORMANCE AUDIT

Berwick Area School District Columbia County, Pennsylvania

April 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Rhonda Wieners, Board President
Berwick Area School District
500 Line Street
Berwick, Pennsylvania 18603

Dear Governor Wolf and Ms. Wieners:

We conducted a performance audit of the Berwick 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 October 5, 2012 through December 18, 2014, except as otherwise stated 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

April 15, 2015

cc: **BERWICK 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 Berwick Area School District (District) in Columbia 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 October 5, 2012 through December 18, 2014, except as otherwise stated 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 101 square miles. According to 2010 federal census data, it serves a resident population of 21,835. According to District officials, the District provided basic educational services to 3,075 pupils through the employment of 240 teachers, 282 full-time and part-time support personnel, and 15 administrators during the 2011-12 school year. The District received \$22.6 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. 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 Berwick Area School District (District) from an audit released on May 10, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to incorrect reporting of vocational education membership data (see page 7) and errors in reporting membership for children placed in private homes (foster children) (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 October 5, 2012 through December 18, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through October 27, 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:

- ü Were professional employees certified for the positions they held?
 - o To address this objective, auditors reviewed and evaluated certification documentation for all 251 teachers and administrators who were employed during the 2013-14 school year.

- ü Did the District ensure that bus drivers transporting District children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 *PA Code Chapter 8*, and 23 PA C.S. § 58-6354, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected five (5) of the eight (8) “new drivers” who were hired since the last time the Bureau of School Audits audited the District and reviewed bus driver compliance. Auditors ensured that all of the new drivers not reviewed during the previous audit were selected for review and included both district-employed and contractor-employed drivers, as appropriate.
 - The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.
- ü Did the District take appropriate steps to ensure school safety?
 - To address this objective, the auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District followed best practices in school safety and 24 P.S. Sect. 13-1302, 1302.1A, 13-1303.1, and 13-1303 A. Generally, the auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

- Ü In areas where the District received state subsidies and reimbursements based on non-resident pupil membership, did it follow applicable laws [24 P.S. § 13-1301, 13-1302, 13-1305, and 13-1306] and procedures [22 PA Code Chapter 11]?
 - To address this objective, auditors reviewed placement information on all seven (7) of the District’s non-resident children placed in private homes for the 2010-11 school year.

- Ü Did the District take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed District administrators to determine whether they had taken corrective action.

- The auditors then reviewed documentation to verify that the administration had implemented the prior audit report’s recommendations and/or observed these changes in person.

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 and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications and professional employee certification.
- 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 May 10, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Berwick Area School District (District) released on May 10, 2013, resulted in two (2) findings. The first finding pertained to incorrect reporting of vocational education membership data, and the second finding pertained to errors in reporting membership for children placed in private homes (foster children). As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We 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 incorrect reporting of vocational education membership data and errors in reporting membership for foster children.

Auditor General Performance Audit Report Released on May 10, 2013

Finding No. 1: **Lack of Adherence to the Pennsylvania Department of Education's Requirements and Vocational Education Membership Errors Resulted in a Subsidy Overpayment of \$129,112**

Finding Summary: Our prior audit of the District found that the District incorrectly reported vocational education membership data to the Pennsylvania Department of Education (PDE) for the 2008-09 school year, resulting in a vocational education subsidy overpayment of \$129,112.

Recommendations: Our audit finding recommended that the District should:

Review program guidelines for any future vocational education subsidy.

We also recommended that PDE should:

Adjust the District's allocations to recover the vocational education subsidy overpayment of \$129,112.

Current Status: During our current audit, we found that the District did implement our prior recommendations. As of July 1, 2009, the District no longer submits vocational education membership to PDE for reimbursement. As of December 18, 2014, our fieldwork completion date, PDE had not adjusted the District's allocations to recover the overpayment. Therefore, we again recommend PDE recover the \$129,112 overpayment.

Finding No. 2: Errors in Reporting Membership for Children Placed in Private Homes (Foster Children) Resulted in a Subsidy Underpayment of \$16,337

Finding Summary: Our prior audit of the District's pupil membership reports submitted by the District for the 2008-09 and 2009-10 school years found reporting errors for foster children during the 2009-10 school year, resulting in an underpayment of \$16,337.

Recommendations: Our audit finding recommended that the District should:

1. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
2. Compare letters for foster children with District reports to ensure that student membership is properly classified.
3. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
4. Review subsequent year reports and, if errors are found, submit revised reports PDE.

We also recommended that PDE should:

5. Adjust the District's allocations to resolve the underpayment of \$16,337.

Current Status: During our current audit, we found that the District did implement our prior recommendations. District personnel perform reviews of membership reports prior to submission to PDE to ensure accuracy. As of December 18, 2014, our fieldwork completion date, PDE had not adjusted the District's allocations to resolve the underpayment. Therefore, we again recommend PDE resolve the \$16,337 underpayment.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

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This report is a matter of public record and is available online at www.PaAuditor.gov. 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@PaAuditor.gov.