

PERFORMANCE AUDIT

Dover Area School District York 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

Mr. Terry Emig, Board President
Dover Area School District
101 Edgeway Road
Dover, Pennsylvania 17315

Dear Governor Wolf and Mr. Emig:

We conducted a performance audit of the Dover 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 September 23, 2010 through October 29, 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, 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 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,

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

Eugene A. DePasquale
Auditor General

April 30, 2015

cc: **DOVER 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 Dover 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 September 23, 2010 through October 29, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 67 square miles. According to 2010 federal census data, it serves a resident population of 25,758. According to District officials, the District provided basic educational services to 3,638 pupils through the employment of 227 teachers, 171 full-time and part-time support personnel, and 20 administrators during the 2011-12 school year. The District received \$17.68 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: Internal Control Weaknesses Regarding the Reporting and Retention of Student Membership Data. Our review of membership data for the 2008-09, 2009-10, 2010-11, and 2011-12 school years found that the Dover Area School District (District) personnel were not able to reconcile student membership day differences between the District's student membership detail reports and the student membership days reported to the Pennsylvania Department of Education for the 2008-09, 2009-10, 2010-11, and 2011-12 school years (see page 7).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Dover Area School District (District) from an audit released on March 4, 2011, we found that the District had taken corrective action in implementing recommendation 1 pertaining to internal control weaknesses regarding the Memorandum of Understanding. However, it had not taken corrective action regarding recommendations 2 and 3 (see page 12).

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 September 23, 2010 through October 29, 2014.

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:

- 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?

- To address this objective, the auditors initially selected 5 newest drivers out of the 24 “new drivers” from the current school year and worked backwards to the last time the Bureau of School Audits audited the District and reviewed bus driver compliance. Auditors included both district-employed and contractor-employed drivers, as appropriate.

- ü 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?
 - To address this objective, the auditors reviewed the contract(s), retirement settlement calculation(s), board meeting minutes, board policies, and payroll records for any administrator whose District contract was terminated due to retirement.

- ü Were votes made by the District’s Board of School Directors free from apparent conflicts of interest?
 - To address this objective, auditors reviewed all nine (9) of the sitting and recent board members’ Statements of Financial Interest, board meeting minutes, and any known outside relationships with the District.

- ü 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?

To address this objective:

- The auditors compared the information on the PDE Summary of Child Accounting Membership reports to the Instructional Time and Membership reports for the 2009-10, 2010-11, and 2011-12 school years.
- Additionally, the auditors completed the PIMS internal control questionnaire and tested 2 of the 19 school calendars for the 2011-12 school year to ensure they were accurately reported in the PIMS database.

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.
- In addition, the auditors conducted on-site reviews at two (2) out of the District's seven (7) buildings (one (1) school building – intermediate high school, and the administrative building) to assess whether they had implemented basic physical safety practices based on national best practices.
- Also, auditors reviewed the District's Memorandum of Understanding with local law enforcement to ensure it was properly executed and up-to-date.

- 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. The review of the prior recommendations dealt with the District's Memorandum of Understanding with local law enforcement and whether it was properly executed and up-to-date.

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 membership, bus driver qualifications, state ethics compliance, financial stability, reimbursement applications, and deposited funds.
- Items such as board meeting minutes, internal controls, 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 March 4, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weaknesses Regarding the Reporting and Retention of Student Membership Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS 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.

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 individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (12) public education systems.

PDE began calculating the LEA's state subsidy using the data that 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. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our review of the Dover Area School District's (District) child accounting data submitted to PDE for the 2008-09, 2009-10, 2010-11, and 2011-12 school years found that the District did not have adequate internal controls to ensure that the data entered into the District's detailed Student Information System (SIS) was accurate. Our review found that child accounting personnel did not reconcile the data being submitted to PDE from the District's SIS into PIMS for all four (4) audit years. Furthermore, upon our request to review the District's SIS reports used to report child accounting data to PDE, we found the reports were not printed and/or were not retained following the annual submission of child accounting data to PDE.

These internal control weaknesses were evidenced when District child accounting personnel could not or did not:

- Provide SIS reports which agreed with PDE's Summary of Child Accounting Membership (SCAM) reports for resident and nonresident student membership days.

- Explain resident student membership day differences identified in five (5) instances for the 2009-10 and four (4) instances in the 2010-11 school years when we did a comparison of PDE's SCAM reports to PDE's Instructional Time and Membership Reports (ITMR).
- Explain why the District was listed as the district of residence as well as the funding district for non-resident foster students who were educated by the District. This resulted in the PDE not processing this membership for these students. Analysis of SCAM confirmed the District did not report any non-resident foster membership for the 2009-10 and 2010-11 school years. Therefore, the District did not receive any state funding for the 2010-11 or 2011-12 fiscal years, which was based on the student membership data reported by the District for the 2009-10 and 2010-11 school years. Although the District did receive state funding for non-resident foster students for the 2011-12 school year, we again noted three (3) instances in which the District was reported as the district of residence as well as the funding district for non-resident foster students. Once again, membership was not processed by PDE for these non-resident students as evidenced on PDE's SCAM reports. It may be noted that the District should have reported the foster students' natural/custodial parents' district of residence, instead of the District, if the student was in fact a non-resident.
- Identify two (2) different instances within the District's SIS, for the 2009-10 school year, which had different day in session totals than the days in session totals reported to PDE on the ITMR. District personnel noted there was a failure to adjust snow make-up days in the PIMS student calendar fact template.
- Provide the District's 2008-09 school year SIS reports, which reconciled to the student membership on PDE's Summary of Child Accounting. Therefore, we did not perform a membership analysis of the ITMR for this year.
- Current child accounting personnel cited the following as the causes for the reporting deficiencies: new PIMS reporting procedures; turnover in child accounting supervisory personnel for the audit years; an apparent

lack of procedural knowledge and/or understanding;
lack of printing and retaining SIS reports; and running
data error and reconciliation reports.

Therefore, no adjustments could be made to the District's reported membership data because of the District's inability to provide the necessary reports to audit for accuracy.

It is the responsibility of District management to have proper internal control policies and procedures in place to ensure that student data is accurately collected and reported. Without such internal controls, the District cannot be assured that it is reporting the correct data to PDE or that it is receiving the correct subsidy.

Finally, it was found that PDE failed to recognize that PIMS did not process student membership days for non-resident foster students for which the District reported itself as both the district of residence and the funding district.

Recommendations

The *Dover Area School District* should:

1. Develop and implement written procedures to address the collection, reporting, and reconciling of District-generated student membership detail reports to the final PDE reports for all resident and non-resident students.
2. Ensure child accounting training is provided to personnel responsible for reporting student membership data.
3. Ensure SIS reports used to report student membership data to PDE in the PIMS are retained for each school year and available for audit.
4. Perform reconciliations between the District's SIS and PDE's PIMS reports to verify the accuracy of resident and non-resident data. These reconciliation documents should be retained for audit purposes.
5. Ensure instructional days are based on the actual school calendar and are accurately reported to PDE.

6. Ensure that there is sufficient communication between child accounting staff at the administration office and the secretaries at each building who perform child accounting functions.
7. Perform an analysis of state subsidy for wards of the state and non-resident foster students to ensure large unexplained variances in this state subsidy do not occur.
8. Review reports for school years subsequent to audit and, if errors are noted, submit revised reports to PDE.
9. Ensure that actual school days in session are accurately reported on PDE's ITMR and the school calendar fact template within the PIMS.

Management Response

Management stated the following:

“Management reply is to further provide an explanation to the cause of the finding covering the audit period 9/23/2010-10/15/2014. Personnel changes in having the responsibility for supervising child accounting in larger part to the recommendation being addressed by this audit.

Management has a written procedures, training, and guidance provided plus available in shared drive so that it is a reference for review and or training.

Now, with the frequent supervision of child accounting, the SIS reports are maintained and retained for each school year and will be available on audit review.

In addition, the reconciliation is performed with the SIS and PDE PIMS reporting & verifying the accuracy of resident and nonresident data. The reconciliation documents will be retained for audit.

The reconciliation process ensures the appropriate selection of calendar matching instructional days.

Management has communication quarterly meetings for the purpose to review with central administration, secretaries

and those involved in child accounting updates and or reporting changes that need to occur.

A budget to actual analysis report will be used to address any variances in state subsidy.

As errors are noted and corrections made, the District will submit revisions to PDE.

The instructional time management report will be reviewed in summary to ensure the actual days in session are accurately reported.”

Auditor Conclusion

We are encouraged that the District has already taken steps, based on our recommendations, to improve its internal controls related to reporting pupil membership. We believe that the implementation of our recommendations will help the District to report the appropriate membership information and to receive the state revenue subsidies it is entitled to.

Status of Prior Audit Findings and Observations

Our prior audit of the Dover Area School District (District) released on March 4, 2011, resulted in one (1) finding. 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 not implement all of our recommendations related to the internal control weakness regarding the Memorandum of Understanding.

Auditor General Performance Audit Report Released on March 4, 2011

Finding: **Memorandum of Understanding Continued to Not Be Updated Timely**

Finding Summary: Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and its two (2) local law enforcement agencies was last signed June 7, 2006, and had not been updated.

Recommendations: It was recommended that the District should:

1. Review, update, and re-execute the current MOU between the District and the local law enforcement agencies.
2. Follow the General Provisions of the District's MOU (Section VI, item B), which states this Memorandum may be amended, expanded, or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two (2) years of the date of its original execution and every two (2) years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOU every two (2) years as stated in the current MOU.

Current Status:

During our current audit, we found that the District did re-execute an MOU on April 4, 2012. However, the District did not re-execute the current MOU until October 16, 2014. The re-execution of the MOU was initiated during the audit when personnel noted they believed they had until the end of the 2014 calendar year instead of two (2) years from the date of the last executed MOU, which was April 4, 2012. It was also noted that the District did not adopt a board policy requiring the administration to review and re-execute the MOU every two (2) years. It is again recommended the District re-execute the MOU every two (2) years and to adopt a board policy requiring the administration to review and re-execute the MOU every two (2) years.

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.