

# PERFORMANCE AUDIT

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## Warren County School District Warren County, Pennsylvania

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April 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Dr. William A. Clark, Superintendent  
Warren County School District  
6820 Market Street  
Russell, Pennsylvania 16345

Mrs. Donna L. Zariczny, Board President  
Warren County School District  
6820 Market Street  
Russell, Pennsylvania 16345

Dear Dr. Clark and Mrs. Zariczny:

We have conducted a performance audit of the Warren County School District (District) for the period July 1, 2012 through February 19, 2016. We evaluated the District's performance in the following areas:

- Governance
- Hiring and Separations
- School Safety
- Bus Driver Requirements

The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District performed adequately in the areas listed above.

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

Sincerely,

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

Eugene A. DePasquale  
Auditor General

April 28, 2016

cc: **WARREN COUNTY SCHOOL DISTRICT** Board of School Directors

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## Background Information<sup>i</sup>

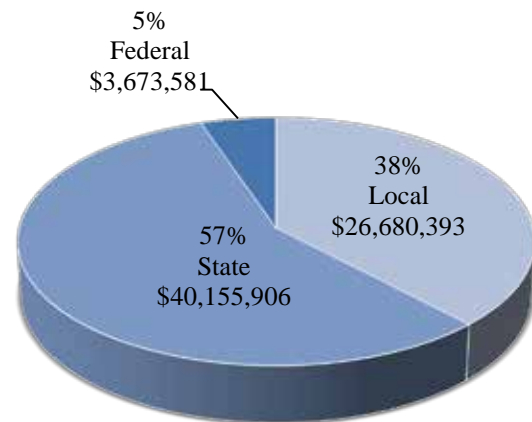
School Characteristics 2014-15 School Year <sup>ii</sup>	
County	Warren
Total Square Miles	774.4
Resident Population <sup>iii</sup>	41,815
Number of School Buildings	10 <sup>1</sup>
Total Teachers	375
Total Full or Part-Time Support Staff	241
Total Administrators	39
Total Enrollment for Most Recent School Year	4,499
Intermediate Unit Number	5
District Vo-Tech School	Warren County Career Center

### Mission Statement

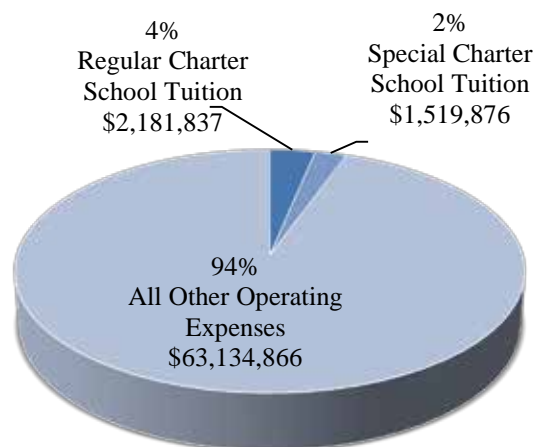
“The mission of the Warren County School District is to educationally empower all students to think critically and solve problems through rigorous curriculum that will provide them with the skills necessary to graduate and pursue a career of their interest.”

## Financial Information

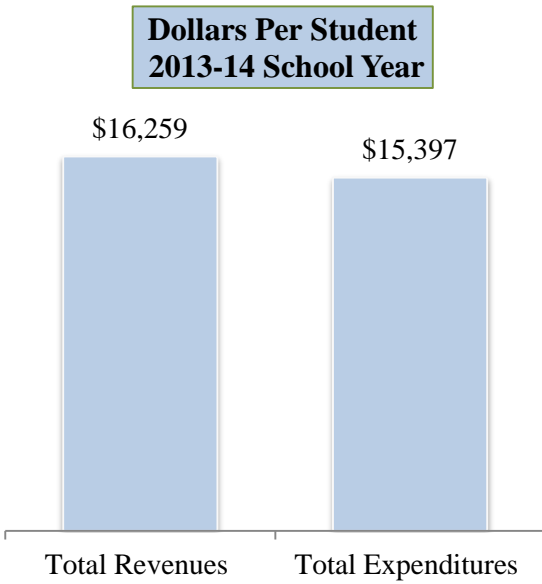
### Revenue by Source for 2013-14 School Year



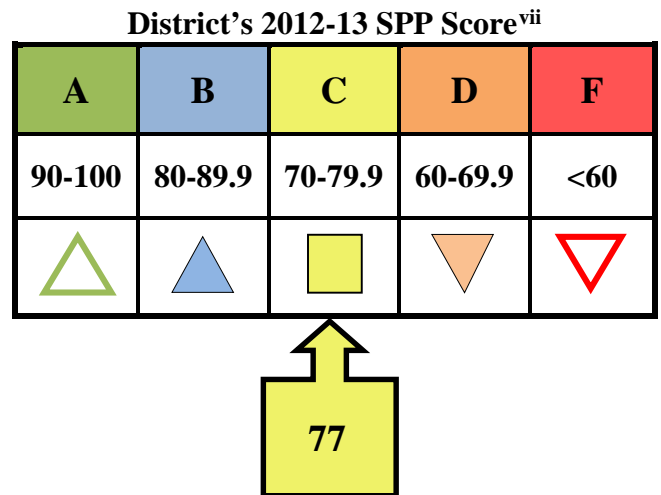
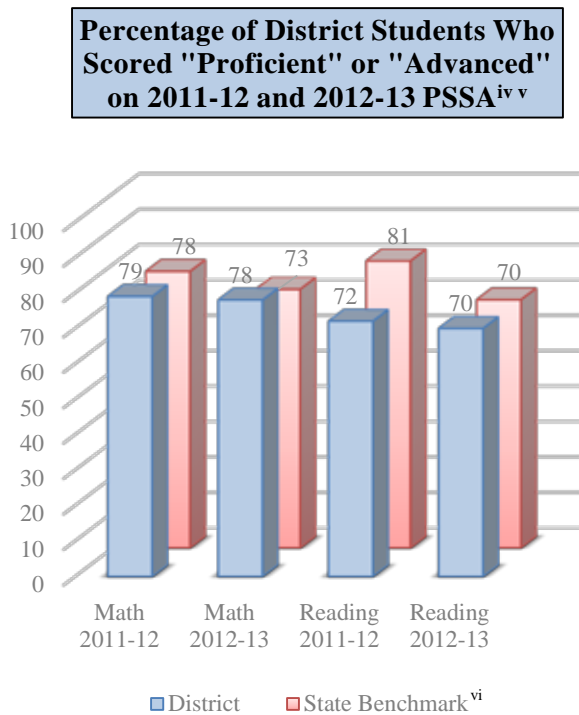
### Select Expenditures for 2013-14 School Year



<sup>1</sup> One of the District buildings is an early learning center.



### Academic Information



**Individual Building SPP and PSSA Scores<sup>viii</sup>  
2012-13 School Year**

<b>School Building</b>	<b>SPP Score</b>	<b>PSSA % School Proficient and Advanced in Math</b>	<b>PSSA % Statewide Benchmark of 73% Above or Below</b>	<b>PSSA % School Proficient and Advanced in Reading</b>	<b>PSSA % Statewide Benchmark of 70% Above or Below</b>	<b>Federal Title I Designation (Reward, Priority, Focus, No Designation)<sup>ix</sup></b>
Beaty-Warren MS	88.0	88	15	81	11	N/A
Eisenhower MS/HS	71.7	76	3	68	2	N/A
Russell El	75.3	74	1	63	7	N/A
Sheffield MS/HS	74.7	70	3	70	---	N/A
Sugar Grove El	76.6	90	17	70	---	No Designation
Warren Area El	72.6	77	4	67	3	No Designation
Warren Area HS	78.4	78	5	85	15	N/A
Youngsville El/MS	77.2	80	7	71	1	Reward
Youngsville HS	70.9	75	2	75	5	N/A

## **Findings and Observations**

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

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the District released on November 19, 2013, resulted in one finding and one observation. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

### **Auditor General Performance Audit Report Released on November 19, 2013**

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<b>Prior Finding:</b>	<b>Continued Administrative Weaknesses Resulted in Unverifiable Social Security and Medicare Wages Totaling \$5,612,044</b>
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Prior Finding  
Summary:

Our prior audit of the District's Social Security and Medicare reimbursement applications for the school year 2008-09, 2009-10, 2010-11, and 2011-12, identified a lack of internal controls relating to the identification, reporting, balancing, and verification of actual federally funded program wages and benefits received. As a result, the auditors were unable to verify the accuracy of the applications submitted to PDE for reimbursement of \$1,347,347, \$1,454,525, \$1,480,435, and \$1,329,737 for the 2008-09, 2009-10, 2010-11 and 2011-12 school years, respectively.

Prior  
Recommendations:

We recommended that the District should:

1. Maintain payroll and grant expenditure records that identify actual employee wages paid with federal funding.
2. Establish procedures for reconciling Social Security and Medicare wages reported to PDE with payroll records and federal grant monies on a quarterly basis.
3. Establish a mechanism for verifying that District personnel annually reconcile reported federal wages with the state Social Security and Medicare tax contribution reimbursement applications that it submitted to PDE.
4. Ensure that District personnel comply with PDE instructions for the completion of the Reconciliation of Social Security and Medicare Tax Contributions form when reporting wages paid by federal funds.



5. Perform an internal review of reports submitted subsequent to the years of audit, making necessary revisions as necessary.
6. Develop written internal procedures regarding the reconciliation of wages that can ensure that practices are adhered to when there is a change in personnel.

Current Status:

During our current audit procedures, we found that the District implemented all six of our prior audit recommendations. The following describes the corrective action taken:

1. The District maintains Taxable Wages from FICA/Medicare Report, per Budget Unit Number (BUN), and Federal FICA/Medicare Report that identifies employee wages paid with federal funding.
2. Effective June 7, 2013, the District implemented administrative procedures for reconciling Social Security and Medicare wages reported to PDE with payroll records and federal grant monies on a quarterly basis.
3. The District performed an internal review of reports submitted subsequent to the years of audit with immaterial differences noted.

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**Prior Observation:**

**The District Spent \$28,268 on an Employee Severance Package Even Though the Employee's Contract was Terminating**

Prior Observation  
Summary:

Our prior audit of the District found that the Board of School Directors (Board) entered into an Employment Contract with an individual to serve as the Director of Human Resources for a three-year term from September 11, 2007 through June 30, 2010. Sixteen days before the Director of Human Resources' contract ended, the Board entered into an Agreement of Separation with the Director of Human Resources, which required it to pay her \$24,678 in salary and benefits in addition to \$3,590, for unused vacation days, even though this expense was not part of the agreement or her original contract.

Prior  
Recommendations:

We recommended that the District should:

1. Include termination, buy-out, and severance provisions in future employee contracts to protect the interests of the District and its taxpayers when employment ends prematurely for any reason.

2. Document in the official board meeting minutes, in detail, why the District chooses to expend large amounts of public money on ending an administrator's contract when the contract was at its conclusion.

Current Status:

A review of a current administrator's employment contract found it to contain termination, buy-out, and severance provisions to protect the interests of the District and its taxpayers when employment ends prematurely for any reason.

The District will specify the termination, buy-out, or severance provisions, when legally permissible, should such a situation arise in the future. The administration will continue to provide information to the Board ensuring that matters requiring board approval are done so appropriately.

Due to the legal issues surrounding the Director of Human Resources' separation and the possibility of future litigation, the District felt that the monetary compensation of the severance package was cost efficient.

## Appendix: Audit Scope, Objectives, and Methodology

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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, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,<sup>2</sup> is not a substitute for the local annual financial audit required by the Public School Code (PSC) of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### Scope

Overall, our audit covered the period July 1, 2012 through February 19, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls<sup>3</sup> 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, 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.

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<sup>2</sup> 72 P.S. § 403.

<sup>3</sup> 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; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- Governance
- Hiring and Separations
- School Safety
- Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- Ü Did the LEA's Board and administration maintain best practices in overall organizational governance?
  - To address this objective, we conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.
- Ü Did the LEA follow the PSC and best practices when hiring new staff?
  - To address this objective, we obtained and reviewed the District's hiring policies and procedures. We selected the last three employees hired by the District during the period July 1, 2015, through February 19, 2016, and reviewed documentation to determine if the District complied with the PSC, District policies and procedures, and best practices in hiring new employees.
- Ü Did the District take appropriate actions to ensure it provided a safe school environment?
  - To address this objective, we reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted on-site reviews at three out of the ten school buildings to assess whether the District had implemented basic safety practices.

- Ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined in applicable laws?<sup>4</sup> Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
- To address this objective, we selected 5 of the 17 bus drivers hired by both the District and District bus contractor(s), during the school year July 1, 2015 through June 30, 2016, and reviewed documentation to ensure the District complied with bus driver's requirements. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements.

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<sup>4</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

## **Distribution List**

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

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Timothy Reese**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

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.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).

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<sup>i</sup> Source: School district, PDE, and U.S. Census data.

<sup>ii</sup> Source: Information provided by the District administration.

<sup>iii</sup> Source: United States Census <http://www.census.gov/2010census>

<sup>iv</sup> PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

<sup>v</sup> PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a significant weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

<sup>vi</sup> In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>vii</sup> SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

<sup>viii</sup> *Id.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

<sup>ix</sup> Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a significant deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.