

WILLIAMS VALLEY SCHOOL DISTRICT  
SCHUYLKILL COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

APRIL 2012



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

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

Dear Governor Corbett and Mr. Updegrave:

We conducted a performance audit of the Williams Valley School District to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 7, 2009 through December 15, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to 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 WVSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings and recommendations have been discussed with WVSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WVSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WVSD's cooperation during the conduct of the audit.

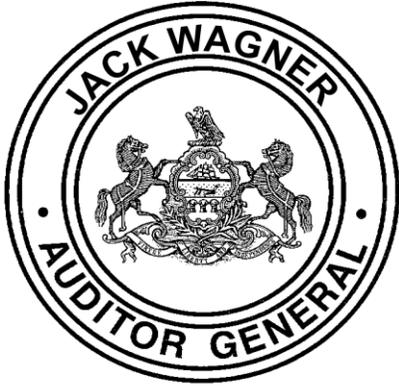
Sincerely,

/s/

JACK WAGNER  
Auditor General

April 25, 2012

cc: **WILLIAMS VALLEY SCHOOL DISTRICT** Board Members

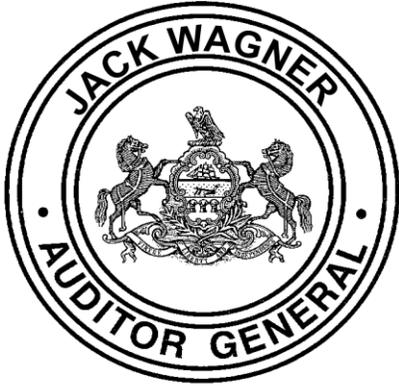


## **Table of Contents**

---

---

	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Finding No. 1 – Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement .....	6
Finding No. 2 – Continuation of Certification Deficiencies .....	9
Status of Prior Audit Findings and Observations .....	11
Distribution List .....	13



## **Executive Summary**

---

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Williams Valley School District (WVSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WVSD in response to our prior audit recommendations.

Our audit scope covered the period April 7, 2009 through December 15, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **District Background**

The WVSD encompasses approximately 62 square miles. According to 2010 federal census data, it serves a resident population of 7,355. According to District officials, in school year 2009-10 the WVSD provided basic educational services to 1,129 pupils through the employment of 94 teachers, 20 full-time and part-time support personnel, and 9 administrators. Lastly, the WVSD received more than \$9.2 million in state funding in school year 2009-10.

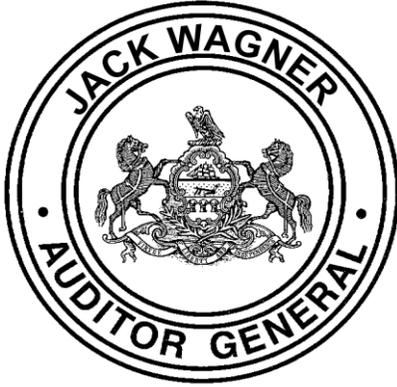
### **Audit Conclusion and Results**

Our audit found that the WVSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings.

**Finding No. 1: Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement.** Our audit of WVSD's pupil membership reports submitted to the Department of Education for the 2009-10 school year found reporting errors as well as a lack of internal controls (see page 6).

**Finding No. 2: Continuation of Certification Deficiencies.** Our audit of WVSD's professional employees' certification found one individual with a lapsed certificate teaching kindergarten during the 2009-10, 2010-11, and part of the 2011-12 school years (see page 9).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the WVSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the WVSD had taken appropriate corrective action in implementing our recommendation pertaining to certification. However, a finding was again cited regarding a certification deficiency for a separate issue (see page 11).



## Audit Scope, Objectives, and Methodology

---

### Scope

*What is a school performance audit?*

School performance audits allow the 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 PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 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 7, 2009 through December 15, 2011, except for the verification of professional employee certification which was performed for the period March 18, 2009 through November 17, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 Department of Education 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 WVSD's compliance with applicable state laws, 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 receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ 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 does the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with Local Law Enforcement?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

*Government Auditing 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.

*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 applicable laws, contracts, grant requirements and administrative procedures.

WVSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

Any significant deficiencies found during the audit 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/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

Additionally, we interviewed selected administrators and support personnel associated with WVSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 8, 2009, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

---

---

### Finding No. 1

---

### Membership Reporting Errors and the Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement

*Criteria relevant to the finding:*

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. 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; LEP Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Department of Education (DE) now bases all local education agencies' 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 and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces DE's previous reporting system, the Child Accounting Database (CAD), which DE ran concurrently until it brought PIMS completely online. DE no longer accepts child accounting data through the CAD system.

Our audit of Williams Valley School District's (WVSD) pupil membership reports submitted to DE for the 2009-10 school year found reporting errors as well as the lack of internal controls. WVSD personnel inaccurately reported the membership for children placed in private homes and non-resident district-paid tuition. The lack of internal controls resulted in the WVSD failing to reconcile preliminary data reports from DE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days for children placed in private homes were underreported and resident membership was overreported by 277 days for kindergarten, 741 days for elementary, and 877 days for secondary. These errors resulted in the WVSD being underpaid \$102,113 for their 1305/1306 reimbursement subsidy. We were unable to determine all other subsidies affected since DE has not calculated those subsidies.

*Criteria relevant to the finding:*

Section 2503(c) provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Membership data for nonresident children placed in private homes and institutions must be maintained and reported accurately and in accordance with DE guidelines and instructions, since this is a major factor in determining the district's reimbursement.

The errors were due to WVSD personnel classifying the foster students incorrectly as resident students of the WVSD. This was due to the incorrect designation of these students as resident students in the WVSD's membership data software before the data was uploaded to PIMS.

Also, membership for a non-resident district-paid tuition student was underreported and resident membership was overreported by 176 days for secondary membership.

This error resulted in the WVSD failing to bill Pine Grove Area School District tuition in the amount of \$22,743.

**Recommendations**

The *Williams Valley School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Verify that the Preliminary Reports from DE are correct and if not correct, revise and resubmit child accounting data so that the Final Reports from DE are correct.
3. Bill the Pine Grove Area School District tuition for this student per the agreed upon rate for the 2009-10 school year.

The *Department of Education* should:

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

**Management Response**

Management stated the following:

The Williams Valley School District has implemented changes in our review of our yearly attendance coding to assist in the prevention of this reoccurrence. The district has invoiced the Pine Grove Area School District for tuition due Williams Valley for the 2009-10 school year.

**Finding No. 2** →

*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC) provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the PSC provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

**Continuation of Certification Deficiencies**

Our audit of Williams Valley School District's (WVSD) professional employees' certifications and assignments was conducted to determine compliance with PSC, the Bureau of School Leadership and Teacher Quality (BSLTQ), and the Department of Education's (DE) Certification and Staffing Policies and Guidelines. The audit found one individual with a lapsed certificate during the 2009-10, 2010-11 and part of the 2011-12 school years.

The individual in question was teaching kindergarten with an Instructional I certificate which expired on June 30, 2009.

Information pertaining to the deficiency was submitted to BSLTQ, DE, for its review. The WVSD may be subject to a subsidy forfeiture of \$1,578 for the 2009-10 school year and \$1,560 for the 2010-11 school year. The 2011-12 school year's aid ratio was not available for audit. Therefore, we were unable to determine the subsidy forfeiture for that year.

According to WVSD personnel, the teacher in question forgot to mail the application after completing all requirements. In November 2011, the teacher in question received her Instructional II certificate.

Our prior audit cited certification deficiencies; however, they were for misassignments not lapsed certificates.

**Recommendations**

The *Williams Valley School District* should:

Before the start of each school year verify that all teachers not permanently certified are qualified to teach and still have years remaining on their temporary certificates.

The *Department of Education* should:

Recover the subsidy forfeiture levied as a result of BSLTQ's determination.

**Management Response**

Management stated the following:

The Williams Valley School District has implemented changes in our review of teacher certification to assist in the prevention of this reoccurrence.

## Status of Prior Audit Findings and Observations

---

---

Our prior audit of the Williams Valley School District (WVSD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding 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 recommendations. We performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the WVSD did implement our recommendation related to certification.

### School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

---

**Finding:**                      **Continued Certification Deficiencies**

Finding Summary:      Our prior audit found that the WVSD continued to employ one administrator as dean of students during the 2006-07 and 2007-08 school years with only a Secondary Guidance certificate. Another administrator was employed as high school vice principal during the 2007-08 and 2008-09 school years with only a special education certificate. Finally, another administrator was employed as assistant to the principal with an Elementary K-6 certificate for part of the 2008-09 school year.

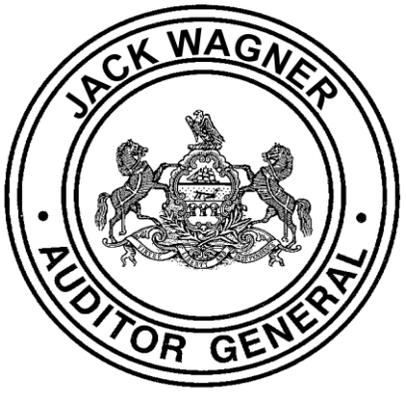
Recommendations:      Our audit finding recommended that the WVSD:

Assign employees to areas in which they have proper certification.

The *Department of Education* should:

Adjust the District's allocations to recover any subsidy forfeitures.

Current Status:              During our current audit procedures we found that the WVSD did implement our recommendation pertaining to certification. However, although it appears that the District implemented our recommendation, there are still issues with policies and procedures for certification as evidenced in Finding No. 2 of this report. The Department of Education deducted \$4,633 from the District's December 2009 basic education allocations to resolve the prior audit deficiencies.



## **Distribution List**

---

---

This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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

The Honorable Ronald J. Tomalis  
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. Nichole Duffy  
Director, Bureau of Budget and  
Fiscal Management  
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

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

