

WILLIAMSPORT AREA SCHOOL DISTRICT
LYCOMING COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2009

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. David B. Stone, Jr., Board President
Williamsport Area School District
201 West Third Street
Williamsport, Pennsylvania 17701

Dear Governor Rendell and Mr. Stone:

We conducted a performance audit of the Williamsport Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 4, 2006 through October 17, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. 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 WASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

July 1, 2009

cc: **WILLIAMSPORT AREA SCHOOL DISTRICT** Board Members

Table of Contents

| | Page |
|--|------|
| Executive Summary | 1 |
| Audit Scope, Objectives, and Methodology | 3 |
| Findings and Observations | 7 |
| Observation – District Continues to Lack Adequate Policies and Procedures for Current Bus Drivers | 7 |
| Status of Prior Audit Findings and Observations | 9 |
| Distribution List | 13 |



Executive Summary

Audit Work

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

Our audit scope covered the period November 4, 2006 through October 17, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The WASD encompasses approximately 98 square miles. According to 2000 federal census data, it serves a resident population of 44,192. According to District officials, in school year 2005-06, the WASD provided basic educational services to 5,912 pupils through the employment of 472 teachers, 376 full-time and part-time support personnel, and 57 administrators. Lastly, the WASD received more than \$32 million in state funding in school year 2005-06.

Audit Conclusion and Results

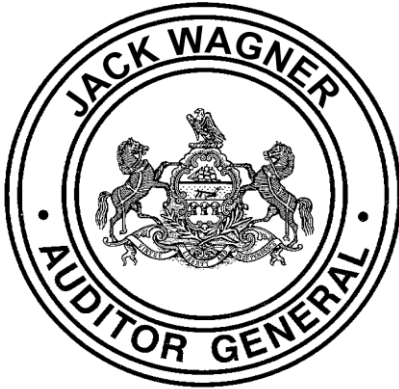
Our audit found that the WASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: District Continues to Lack Adequate Policies and Procedures for Current Bus Drivers.

The WASD continued to lack a written policy or procedure to ensure that it is notified if current bus drivers have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. The absence of this written policy and procedure is an internal control weakness that could result in the continued employment of individuals who may pose a risk to children. WASD management agreed with the observation (see page 7).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the WASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the WASD had not taken appropriate corrective action in implementing our recommendations pertaining to current bus drivers. We found that the WASD had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation reimbursement and bus driver clearances (see page 9).



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 November 4, 2006 through October 17, 2008, except for the verification of professional employee certification which was performed for the period October 4, 2006 through September 12, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 DE 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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WASD's compliance with applicable 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:

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 law, regulation, 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.

- ✓ 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?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do 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 which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

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 applicable 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

WASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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.

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 membership, pupil transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report dated May 24, 2007, we would have reviewed the WASD's response to DE. However, WASD did not respond to DE. Therefore, we performed additional audit procedures targeting the previously reported matters.



Findings and Observations

Observation

District Continues to Lack Adequate Policies and Procedures for Current Bus Drivers

Public School Code Section and other laws relevant to this observation:

Section 111, as amended, requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our prior audit report found that the District lacked adequate policies and procedures for current bus drivers. The ultimate purpose of these requirements is to ensure the safety and welfare of the students transported in school buses. To that end, there are serious crimes that school districts should consider, on a case-by-case basis, in determining an employee's continued suitability to have direct contact with children. Such crimes would include those listed in Section 111 as well as other crimes of a serious nature that are not on the list at all. School districts should consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our prior and current audits found no instances, in which a current bus driver committed serious crime that would have made them unsuitable for having direct contact with children. Nevertheless, our current audit found the District still lacks a written policy or procedure to ensure that it is notified if current employees have been charged with or convicted of serious criminal offenses, which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policy and procedure is an internal control weakness that could result in the continued employment of individuals who may pose a safety risk if allowed to continue to have direct contact with children.

Recommendations

The *Williamsport Area School District* should consider, in consultation with the District's solicitor:

1. Developing a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children.

2. Implementing written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Management Response

Management agreed with the observation and stated:

It is the administration's understanding that this observation is a recommendation that WASD has a policy requiring a bus driver to notify the district if he/she is arrested or convicted of a crime. WASD will recommend approval of a policy to the WASD board.

Status of Prior Audit Findings and Observation

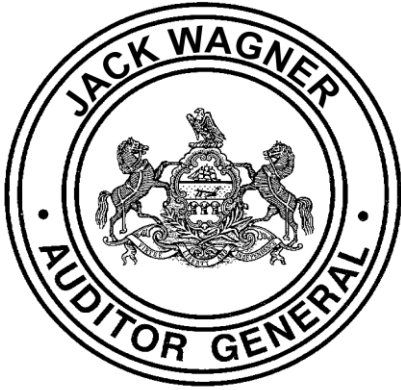
Our prior audit of the Williamsport Area School District (WASD) for the school years 2003-04 and 2002-03 resulted in two findings and one observation. The first finding pertained to pupil transportation reimbursement and the second finding pertained to bus driver clearances. The observation pertained to policies and procedures for current bus drivers. 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 WASD personnel regarding the prior findings. As shown on the following table, we found that the WASD did not implement recommendations related to the observation. However, WASD did implement our recommendations related to transportation and bus driver clearances.

In compliance with the Governor's Office Management Directive #325.10, the Department of Education (DE) is required to secure a response to the audit reports issued by the Office of the Auditor General. The official board response is required for DE to approve the corrective action planned. Due to the response not being completed per DE's request, DE could not approve the corrective action planned. Additionally, we could not follow up on the implementation of the Board's planned corrective actions.

| <i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i> | | |
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| <i>Prior Recommendations</i> | Implementation Status | |
| <p><i>1. Finding No. 1: Documentation Supporting Pupil Transportation Reimbursement Not Available for Audit</i></p> <p>1. The board should require that District personnel maintain a complete record of local education agency (LEA) owned vehicle data for transporting pupils to and from school to substantiate the total miles driven in a school year, in accordance with Section 518 of the Public School Code and in compliance with Section 23.4 of the Regulations of the State Board of Education of Pennsylvania.</p> <p>2. DE should require the District to maintain sufficient and relevant evidence to ensure proper justification of the receipt of state funds. Moreover, in view of the lack of documentation, DE should review the propriety of the \$857,991 in transportation reimbursement for the 2003-04 school year.</p> | <p>Background:</p> <p>Our audit found that District personnel did not maintain adequate documentation to support the pupil transportation reports for the 2003-04 school year.</p> | <p>Current Status:</p> <p>We followed up on WASD transportation reports and determined that the District maintained a complete record of LEA owned vehicle data for the 2005-06 school year. The District was unable to provide 2004-05 school year records due to a fire at the transportation office, which was stated in the prior management response. We found that the District <u>did</u> take corrective action to address the prior audit recommendations.</p> |

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| <p><u>II. Finding No. 2: District Failed to Obtain Proper Clearances for One Bus Driver</u></p> <ol style="list-style-type: none"> 1. Obtain the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications. 2. Ensure that the District’s transportation coordinator reviews each driver’s qualifications prior to that person transporting students. 3. Maintain files for all District drivers and ensure that the District’s files are up-to-date and complete. | <p>Background:</p> <p>Our audit found that District personnel failed to verify criminal history records (Act 34) for one bus driver which is a violation of the Public School Code.</p> | <p>Current Status:</p> <p>We followed up on the WASD bus driver clearances and determined that the District <u>did</u> take proper corrective action to address the prior audit recommendations.</p> |
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| <p><u>III. Observation: District Lacks Adequate Policies and Procedures for Current Bus Drivers</u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that even though not barred by state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children. | <p>Background:</p> <p>The District does not have written policy or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual’s continued suitability to be in direct contact with children.</p> | <p>Current Status:</p> <p>We followed up on the WASD policies and procedures for current bus drivers and determined that the district <u>did not</u> take proper corrective action to address the prior audit recommendations. See Observation (page 7).</p> |
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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, and the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.
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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Acting 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



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