

WILSON AREA SCHOOL DISTRICT  
NORTHAMPTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. David Seiple, Board President  
Wilson Area School District  
2040 Washington Boulevard  
Easton, Pennsylvania 18042

Dear Governor Rendell and Mr. Seiple:

We conducted a performance audit of the Wilson Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period May 23, 2008 through September 30, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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.

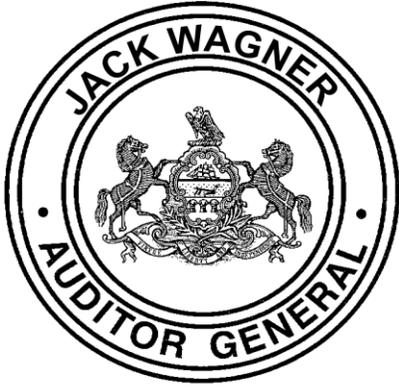
Sincerely,

/s/

JACK WAGNER  
Auditor General

January 29, 2010

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

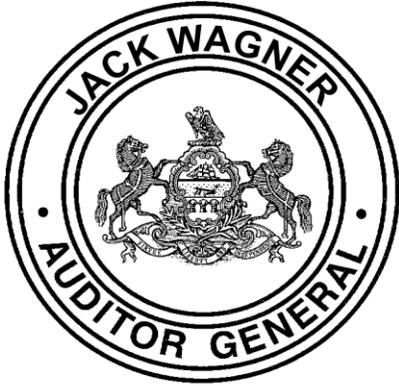


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wilson 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 May 23, 2008 through September 30, 2009, 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 2007-08 and 2006-07.

### **District Background**

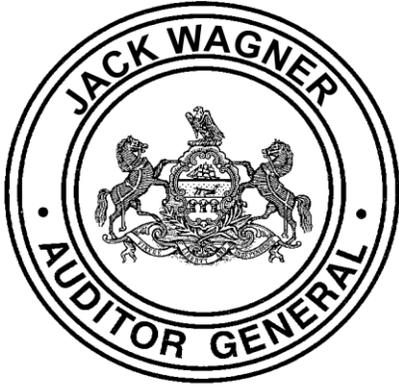
The WASD encompasses approximately 22 square miles. According to 2009 local census data, it serves a resident population of 17,168. According to District officials, in school year 2007-08 the WASD provided basic educational services to 2,332 pupils through the employment of 195 teachers, 122 full-time and part-time support personnel, and 13 administrators. Lastly, the WASD received more than \$8.2 million in state funding in school year 2007-08.

### **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. We report no findings or observations in this report.

### **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 2005-06 and 2004-05 school years, we found the WASD had taken appropriate corrective action in implementing our recommendations pertaining to reporting the number of charter/nonpublic school pupils transported (see page 7) and the strengthening of controls over student accounting applications (see page 8).



## Audit Scope, Objectives, and Methodology

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### 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 May 23, 2008 through September 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 (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

*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.

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:

- ✓ 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?
- ✓ 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?
- ✓ 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our 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 and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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 released on April 1, 2009, we reviewed the WASD's response to DE dated August 3, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Wilson Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Wilson Area School District (WASD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to reporting the number of charter school pupils transported and the observation pertained to the strengthening of controls over student accounting applications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the WASD Superintendent’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the WASD did implement recommendations related to reporting the number of charter school pupils transported and the strengthening of controls over student accounting applications.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Error in Reporting the Number of Charter School Pupils Transported Resulted in a Reimbursement Overpayment of \$8,085</i></u></p> <ol style="list-style-type: none"> <li>1. Strengthen controls to ensure accurate reporting of the number of nonpublic pupils transported.</li> <li>2. Review reports submitted subsequent to the audit period and, if similar errors are found, submit revised reports to DE.</li> <li>3. DE should adjust the District’s allocations to recover the reimbursement overpayment of \$8,085.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that the number of charter school pupils transported was overstated by 11 for the 2005-06 school year and by 10 for the 2004-05 school year resulting in an \$8,085 reimbursement overpayment.</p>	<p><b>Current Status:</b></p> <p>Based on the results of our current audit, we concluded that the District did strengthen controls to ensure accurate reporting of charter school pupils transported and reviewed reports submitted subsequent to the audit period. The District <u>did</u> take appropriate corrective action to address our prior audit recommendations.</p> <p>As of our fieldwork completion date of September 30, 2009, DE had not adjusted the District’s allocations to recover the \$8,085 reimbursement overpayment.</p>

<p><u>II. Observation:</u> <u>Unmonitored Vendor System</u> <u>Access and Logical Access</u> <u>Control Weaknesses</u></p> <ol style="list-style-type: none"><li>1. Ensure that the contract with the vendor contains a non-disclosure agreement for the District's proprietary information.</li><li>2. Review monitoring reports (including firewall logs) of vendor and employee access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.</li></ol>	<p><b>Background:</b></p> <p>Our prior audit found that the WASD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's network servers.</p>	<p><b>Current Status:</b></p> <p>We followed up with the WASD software vendor which has remote access into the District's network servers and found that WASD <u>did</u> take corrective action to address our prior audit recommendations.</p>
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## **Distribution List**

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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 Edward G. Rendell  
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Harrisburg, PA 17120

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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  
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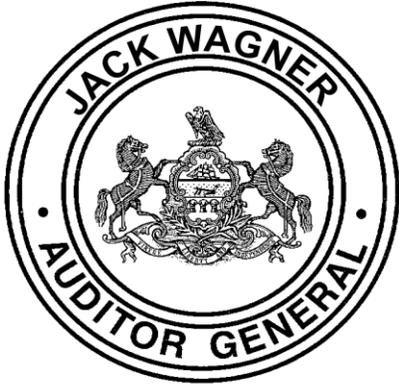
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