



WYOMISSING AREA SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Lesa I. Butera, Board President
Wyomissing Area School District
630 Evans Avenue
Wyomissing, Pennsylvania 19610

Dear Governor Corbett and Ms. Butera:

We conducted a performance audit of the Wyomissing 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 July 28, 2009 through February 1, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 the one 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.

On November 12, 2012, we initiated a special audit of the details surrounding the retirement of the District's former Superintendent on June 29, 2012. Specifically, we sought to determine whether the former Superintendent was paid out only what he was entitled to under his employment contract. This performance audit covered the period July 1, 2010 through June 29, 2012, and 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. This performance audit was separate and distinct from the District's cyclical performance audit, which was conducted simultaneously and the results of which are described in the following pages of the audit report. We conduct cyclical performance audits approximately every two years.

Our special audit of the former Superintendent's retirement found that the District complied, in all significant respects, with the relevant requirements related to our specific audit objectives.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

EUGENE A. DEPASQUALE
Auditor General

October 1, 2013

cc: **WYOMISSING 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 Wyomissing Area School District (District). 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 July 28, 2009 through February 1, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 4 square miles. According to 2010 federal census data, it serves a resident population of 12,359. According to District officials, the District provided basic educational services to 1,858 pupils through the employment of 156 teachers, 103 full-time and part-time support personnel, and 8 administrators during the 2009-10 school year. Lastly, the District received \$4 million in state funding in the 2009-10 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 compliance related matter reported as a finding.

Finding: Pupil Transportation Reporting Errors Resulted in Overpayments of \$22,450. Our audit of the Wyomissing Area School District's transportation records for the 2009-10 and 2008-09 school years found errors in mileage data reported to the Pennsylvania Department of Education for both school years (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District from an audit released on June 17, 2010, we found that the District had taken partial corrective action in implementing our recommendations pertaining to the costly buy-out of a former Superintendent's contract (see page 8) and had taken corrective action on only four of ten recommendations pertaining to the unmonitored vendor system access and logical access control weaknesses (see page 9). However, the District had taken corrective action in implementing our recommendations pertaining to weak administrative policies regarding bus driver qualifications (see page 10).

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 July 28, 2009 through February 1, 2013, except for the verification of professional employee certification which was performed from July 1, 2012 through December 6, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies 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 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?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District received transportation subsidies, were the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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 did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 laws, 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 control 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 transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 17, 2010, we reviewed the District's response to PDE. We then performed additional audit procedures targeting previously reported matters.

Findings and Observations

Finding

Pupil Transportation Reporting Errors Resulted in Overpayments of \$22,450

Criteria relevant to the finding:

The Pennsylvania Department of Education instructions for the completion of end-of-year transportation data include in part:

Daily Miles With – Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average.

Daily Miles Without – Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Our audit of the Wyomissing Area School District's (District) transportation records for the 2009-10 and 2008-09 school years found errors in mileage data reported to the Pennsylvania Department of Education (PDE) in both school years. The errors resulted in overpayments of \$3,125 and \$19,325 for the 2009-10 and 2008-09 school years, respectively.

Daily Miles With/Without Pupils

For the 2009-10 school year, the approved daily miles with pupils was overstated by 5.2 miles/day, while miles without pupils was overstated by 4.7 miles/day for four contracted vehicles. For the 2008-09 school year, the approved daily miles with pupils was overstated by 164.0 miles/day, while miles without pupils was overstated by 168.4 miles/day for two contracted vehicles.

The inaccurate reporting of daily miles with and without pupils, for both school years, was due to inaccurate formulas within the transportation coordinator's worksheets. These worksheets were the basis for the information that the District reported to PDE at year-end.

Approved daily miles with and without pupils is an integral part of the transportation reimbursement calculation. The mileage must be reported correctly to PDE in order for the District to receive accurate reimbursement for pupil transportation.

Although the District contracts its transportation services, it is still District management's responsibility to ensure that accurate data is collected and reported to PDE. Without appropriate internal policies and procedures, the District cannot be assured that the transportation data it is collecting and reporting is accurate or that it is receiving the correct reimbursement from the state.

Recommendations

The *Wyomissing Area School District* should:

1. Develop procedures to ensure that sample averaging calculations are accurate, thus ensuring that the District is reporting the correct data to PDE and receiving the correct reimbursement.
2. Ensure a review of automated calculations is completed prior to submission of data to PDE.
3. Review reports for years subsequent to the 2009-10 school year, and if errors are found, submit revisions to PDE.

The *Pennsylvania Department of Education* should:

4. Recover the overpayments of \$22,450 from the District.

Management Response

Management stated the following:

“Actual documents to support the erroneous calculations for 2008-09 and 2009-10 were not available for an in depth review. It is agreed that there were errors in calculating the mileage.

The situation was resolved in the 2010-11 school year when new processes and procedures were established and implemented. Revised forms with correct formulas have been utilized since 2010-11 to ensure more efficient and accurate accounting procedures. Furthermore, in 2010, a transportation supervisor from the contracted bus service established a “satellite” office in our district office.”

Auditor Conclusion

We commend the District for taking steps to address its internal control deficiencies. We will examine these new internal processes and procedures during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Wyomissing Area School District (District) released on June 17, 2010, resulted in one finding and two observations. The finding pertained to the Board of School Directors (Board) not including adequate provisions in its employment contract with the Superintendent. The first observation pertained to unmonitored vendor system access and logical access control weaknesses. The second observation pertained to internal control weaknesses in the District's administrative policies regarding bus drivers' qualifications. 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 District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior finding and observations. As shown below, we found that the District partially implemented our recommendations related to the finding and the unmonitored vendor system access and logical access control weaknesses observation. We also found that the District implemented our recommendations related to the bus driver qualifications observation.

Auditor General Performance Audit Report Released on June 17, 2010

Finding: **The Board Did Not Include Adequate Provisions in its Employment Contract with the Superintendent Leading to a Costly Buy-out of the Contract and Additional Projected Costs to the School District Totalling \$148,450**

Finding Summary: Our prior audit found that on December 22, 2008, after the Superintendent had served two years and six-and-one-half months of the term of her contract, the Board approved a Release and Settlement Agreement (Agreement) with the Superintendent. This Agreement terminated her employment with the District effective February 1, 2009.

Recommendations: Our audit finding recommended that the District's Board:

1. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.
2. Provide as much information as possible to the taxpayers of the District explaining the reasons for the termination of the Superintendent and justifying the District's expenditure of public funds to buy out the contract.

3. Work with successors to the Superintendent to include in his/her current and future employment contracts provisions that address the compensation and benefits payable to, or on behalf of, said administrator in the event of a premature termination of his/her contract.
4. Recover the \$1,395 erroneously paid to the Superintendent for the 2.5 vacation days used between the negotiation and execution of the Agreement.

Current Status:

During our current audit, we found that the District partially complied with our recommendations. A former Superintendent who retired on June 29, 2012, did so publicly. Additionally, the District recovered the \$1,395 erroneously paid to the Superintendent. However, the District did not comply with our recommendations on improving the termination provisions in future superintendent contracts to protect taxpayer interests in the event that employment ends prematurely. Therefore, we again reiterate those recommendations.

Observation No. 1 Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation Summary:

Our prior audit determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it adequately monitored all vendor activity in its system.

Recommendations:

Our audit observation recommended that the District:

1. Include in its contract with the vendor a non-disclosure agreement for the District's proprietary information.
2. Include in its Acceptable Use Policy authentication in terms of password syntax requirements.
3. Establish separate information policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy.
4. Develop written policies and procedures to require written authentication before adding, deleting, or changing a userID.

5. Maintain proper documentation to evidence that terminated employees are removed from the system in a timely manner.
6. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
7. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system.
8. Allow access to its system only when the vendor needs access to make preapproved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
9. Generate monitoring reports (including server and firewall logs) of the 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 maintain evidence to support monitoring and review.
10. Store back-ups in a secure, offsite location.

Current Status: During our current audit, we found that the District implemented four of the ten prior recommendations, numbers 1, 7, 8, and 10.

Therefore, we continue to recommend the District take corrective action on recommendation numbers 2, 3, 4, 5, 6, and 9.

Observation No. 2 Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary:

Our prior audit found that neither the District, nor the District's two transportation contractors, had adopted written policies or procedures to ensure that they were 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.

Recommendations: Our audit observation recommended that the District:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under 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 current employees of the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status: During our current audit, we found that the Board revised Policy No. 818 on January 23, 2012, requiring independent contractors and their employees to report arrests and convictions to the District. Furthermore, Act 24 of 2011 requires that school employees report to the District, within 72 hours, any arrest or conviction of any criminal offense listed in Section 111 (e) that occurs after September 28, 2011.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
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The Honorable Carolyn Dumaesq
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. 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@auditorgen.state.pa.us.