



**MIDD-WEST SCHOOL DISTRICT
SNYDER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

APRIL 2014

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

Mr. Victor Abate, Board President
Mid-West School District
568 East Main Street
Middleburg, Pennsylvania 17842

Dear Governor Corbett and Mr. Abate:

We conducted a performance audit of the Mid-West 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 December 21, 2010 through April 26, 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, 2009, 2010, 2011, and 2012. 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 one (1) 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. 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".

EUGENE A. DEPASQUALE
Auditor General

April 10, 2014

cc: **MIDD-WEST 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 Midd-West School District (District) in Snyder County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period December 21, 2010 through April 26, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 226 square miles. According to 2010 federal census data, it serves a resident population of 17,458. According to District officials, the District provided basic educational services to 2,219 pupils through the employment of 179 teachers, 134 full-time and part-time support personnel, and thirteen (13) administrators during the 2011-12 school year. The District received \$14,712,399 in state funding in the 2011-12 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 (1) compliance related matter reported as a finding.

Finding: Certification Deficiency. Our audit of the Midd-West School District professional employees' certificates and assignments for the period July 1, 2012 through April 19, 2013, found one (1) professional employee was teaching with a lapsed Educational Specialist I provisional certificate during the 2012-13 school year (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

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 December 21, 2010 through April 26, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through April 19, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 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?
- ✓ Did the District, and any contracted vendors, ensure that 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 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 independent auditors, citizens, or other interested parties?

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 relevant state 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 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 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.

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.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC), 24 P.S. § 12-1202, 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, 24 P.S. § 25-2518, 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 Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania 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.”

Certification Deficiency

Our audit of the Midd-West School District (District) professional employees’ certificates and assignments for the period July 1, 2012 through April 19, 2013, found one (1) professional employee was teaching with a lapsed Educational Specialist I provisional certificate during part of the 2012-13 school year. Provisional certificates are valid for six (6) years. Level II permanent certification must be obtained before the provisional certificate lapses.

We submitted information pertaining to the certificate in question to the Pennsylvania Department of Education (PDE), Bureau of School Leadership and Teacher Quality (BSLTQ), for its review. Subsequent to the completion of fieldwork for the audit, BSLTQ determined the certificate was lapsed from the beginning of the 2012-13 school year until the employee received permanent certification effective April 1, 2013. The District is consequently subject to a subsidy forfeiture of \$2,077 for the 2012-13 school year.

This certification deficiency was caused by the administration’s failure to develop an effective process for accurately monitoring its professional personnel’s usage of provisional certificates. It is the responsibility of District management to have appropriate policies and procedures in place to ensure that employees are properly certified to teach the course to which they are assigned and also to ensure that those certificates are current.

Recommendations

The *Midd-West School District* should:

1. Implement a process for regularly reviewing and verifying the records of all employees with provisional certificates to ensure that these individuals obtain their permanent certificates in a timely manner.
2. Keep a copy of all valid Pennsylvania certificates held by its professional employees on file.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future allocations to recover the subsidy forfeiture of \$2,077.

Management Response

On April 24, 2013, prior to BSLTQ's final determination, management provided a response stating the following:

“The guidance counselor in question submitted all required materials to PDE in May of 2012, before her certification had expired, which was well in advance of the start of the 2012-13 school year. Midd-West School District inquired numerous times of PDE as to whether her certification had been acted upon, and we were told that PDE personnel had not gotten to it yet.

We received notice in April of 2013 that her material had been reviewed, and her certification was indeed in place and would be considered as such for the 2012-13 school year.”

Auditor Conclusion

As stated in the finding, we submitted information pertaining to the certificate to BSLTQ for review. BSLTQ's final determination, dated June 20, 2013, was that the individual's permanent certificate was issued effective April 1, 2013, and the provisional certificate lapsed from the beginning of the 2012-13 school year until the permanent certification was received.

Any further disagreement the District has with BSLTQ's determination must be addressed to PDE.

Status of Prior Audit Findings and Observations

Our prior audit of the Mid-West School District resulted in no findings or observations.

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
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
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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.