



**WILLIAMSPORT AREA SCHOOL DISTRICT
LYCOMING 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

Ms. Lori Baer, Board President
Williamsport Area School District
2780 West Fourth Street
Williamsport, Pennsylvania 17701

Dear Governor Corbett and Ms. Baer:

We conducted a performance audit of the Williamsport 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 April 13, 2010 through March 15, 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 and June 30, 2010. 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 two (2) findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings 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 that reads "Eugene A. DePasquale".

EUGENE DEPASQUALE
Auditor General

April 15, 2014

cc: **WILLIAMSPORT 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 Williamsport Area School District (District) in Lycoming 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 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 April 13, 2010 through March 15, 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 and 2009-10 school years.

District Background

The District encompasses approximately 98 square miles. According to 2010 federal census data, it serves a resident population of 41,757. According to District officials, the District provided basic educational services to 5,581 pupils through the employment of 442 teachers, 383 full-time and part-time support personnel, and 47 administrators during the 2009-10 school year. The District received \$35,864,547 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 two (2) compliance related matters reported as findings.

Finding No. 1: Membership Reporting Errors and Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Subsidy.

Our audit of the Williamsport Area School District's (District) pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year found reporting errors as well as a lack of internal controls. District personnel inaccurately reported resident and non-resident membership. The lack of internal controls resulted in the District failing to reconcile preliminary data reports from PDE, which resulted in incorrect data being reported on the District's child accounting membership report (see page 6).

Finding No. 2: Documentation Supporting Pupil Transportation Reimbursement Not Available for Audit.

Our audit of the Williamsport Area School District's mileage and pupil counts for the 2009-10 school year found that personnel did not maintain adequate documentation to support the pupil transportation reports. The reports filed with the Pennsylvania Department of Education generated a transportation subsidy of \$1,070,502 for the 2009-10 school year (see page 10).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Williamsport Area School District (District) from an audit released on July 26, 2012, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to the rescinding of the transportation contract, which we determined could possibly have a negative impact on the District's financial position (see page 12).

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 April 13, 2010 through March 15, 2013.

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

- ✓ 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 the 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, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 pursue a contract buyout 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?
- ✓ 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?
- ✓ 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 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 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.

To determine in the status of our audit recommendations made in a prior audit report released on July 26, 2012, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Membership Reporting Errors and Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Subsidy

Criteria relevant to the finding:

According to the Pennsylvania Department of Education's (PDE) *2009-10 Pennsylvania Information System (PIMS) User Manual*, all Pennsylvania local education agencies 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; Limited English Proficiency 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*, 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.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) 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 individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using data that the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Moreover, with a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our review of the Williamsport Area School District's (District) controls over data integrity found that internal controls need to be improved.

Our audit of the District's pupil membership reports submitted to PDE for the 2009-10 school year found several reporting errors, as well as a lack of internal controls. District personnel inaccurately reported resident and non-resident membership. The lack of internal controls resulted in the District failing to reconcile preliminary data reports from PDE, which resulted in incorrect data being reported on their Final Summary of Child Accounting Membership Report.

The incorrect student data reported for the 2009-10 school year includes the following:

- **Intermediate Unit Students:** Membership for the intermediate unit students educated in the District was overstated by 522 days for secondary students. District personnel incorrectly reported full membership days for the intermediate unit students instead of only the mainstreaming portion.
- **Resident Students:** Membership for resident children was overstated by 145 days for elementary students and 826 days for secondary students. The students were miscoded as resident students but should have been reported as non-resident children placed in foster homes (foster children). Therefore, membership for foster children was understated by corresponding amounts.
- **Foster Children:** The District incorrectly reported students' district of residence as the District, when in fact it should have been reported as the natural parents' or guardians' home districts. The result of this error was that the District did not receive the Commonwealth-paid tuition for foster students to which it was entitled. The District underreported membership for kindergarten foster students by 158 days, for elementary students by 121 days, and for secondary students by 754 days.

The incorrect reporting of non-resident foster students resulted in the District being underpaid a total of \$100,070 in tuition for foster students for the 2009-10 school year.

The error occurred because all non-residents were coded as residents during conversion of the District's software from one (1) vendor to another. The staff at some of the individual buildings did not catch the errors and made corrections. Our review of membership for the 2008-09 school year found that the District reported the non-resident and resident membership correctly.

Recommendations

The *Williamsport Area School District* should:

1. Establish internal controls that include the reconciliation of the data that is uploaded into PIMS to the District's internal records.
2. Verify that the preliminary reports received from PDE are correct and, if they are not correct, revise and resubmit child accounting data so that the final reports from PDE are correct.

The *Pennsylvania Department of Education* should:

3. Correct the data that was incorrectly reported for the 2009-10 school year and adjust any of the District's subsidy affected by the errors.

Management Response

Management stated the following:

“The Williamsport Area School district updated its student information system from [one software vendor to another] in 2009-10. None of the non-resident codes in [the former software system] converted to their equivalent in [the new system], therefore the foster children whose parents resided outside the District were seen as District residents in the new student information system.

Those non-resident foster students who enrolled during the year were entered appropriately, and two of our buildings noticed particular students who fit this classification and made the changes as necessary. As a result, the District showed non-resident foster children at the end of the reporting year. Had a zero total in this category appeared at the year's end we would have noticed the error. As it was, the error went unnoticed until the audit that is now being completed.

The discovery of the situation during this audit has led to the 2009-10 errors being corrected by audit staff. The proper documentation of 1305 (non-resident foster children) students has been completed for all those served by the District in 2010-11, 2011-12 and 2012-13. This

process has facilitated the identification of errors that require corrections. The Child Accounting reports for these years will be corrected when they are opened for corrections by the Pennsylvania Department of Education. Additionally, each building's attendance secretary will be instructed to complete a District tracking form that allows the confirmation of continued non-resident status for those 1305 students who remain in the District."

Auditor Conclusion

We are encouraged that the District reports that it has identified the cause of the incorrect data. We will follow up on this issue and the status of our recommendations during our next cyclical audit of the District.

Finding No. 2

Documentation Supporting Pupil Transportation Reimbursement Not Available for Audit

Criteria relevant to the finding:

Section 518 of the Public School Code, 24 P.S. § 5-518 requires:

“Financial records of the school district shall be retained for a period of not less than six years.”

Since transportation mileage data is used to pay transportation reimbursement, it is important that forms documenting mileage be maintained so that our auditors can determine that the District’s subsidy is correct.

Section 23.4 of the Regulations of the State Board of Education, 22 Pa Code § 23.4, provides, in part:

“The board of directors of a school district is responsible for all aspects of pupil transportation programs, including the following: . . .”

“(6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones.”

Our audit of the Williamsport Area School District’s (District) mileage and pupil counts reported to the Pennsylvania Department of Education (PDE) by the District for the 2009-10 school year found that District personnel did not maintain adequate documentation to support the mileage reported. Without such documentation, we could not determine the accuracy of pupil transportation subsidy the District received from the Commonwealth for the 2009-10 school year.

The reports the District filed with PDE generated transportation subsidy of \$1,070,502 for the 2009-10 school year.

We audited only the 2009-10 school year because it was the first year the District contracted services for pupil transportation. Prior to this, the District provided its own transportation.

It is the responsibility of District management to have in place internal policies and procedures to ensure that pupil transportation reports are accurate and verifiable. Without internal controls to ensure compliance with Public School Code provisions and State Board of Education regulations regarding transportation requirements, the District cannot be assured that its transportation reports are accurate or that it is receiving the state reimbursement to which it is entitled.

Recommendations

The *Williamsport Area School District* should:

1. Require that District personnel maintain a complete record of contracted vehicle data for transporting pupils to and from school to substantiate the miles driven in a school year, in accordance with the Public School Code and in compliance with Regulations of the State Board of Education of Pennsylvania.
2. Put into place internal policies and procedures to ensure proper, accurate, and timely reporting to PDE,

as well has to ensure supporting documentation is retained, as required.

The *Pennsylvania Department of Education* should:

3. Require the District to maintain sufficient and relevant evidence to ensure proper justification of the receipt of state funds.

Management Response

Management stated the following:

“The list of Runs showed all stops but did not have miles associated with each stop. Auditors were unable to determine miles with/without [pupils on buses] when comparing to Miles With/Without sheet.

[Current transportation software] Run sheets already print Run sheets with miles from stop to stop. Auditors were able to look at Run sheets/Pupil Count sheets/Miles With/Without sheets that we have for 11-12 and said these were acceptable. Therefore with the use of [this software], the information we currently have for 10-11 and 11-12 school years will meet the auditors’ criteria. We will also, starting with April 2013, change our Miles With/Without sheet to one that requires miles between every stop on the Run sheet. We will continue to do these on a monthly basis. Changing the form from stop to stop will make it easier for the Auditors to compare our monthly sheets and weighted average sheet to the individual Run sheets.”

Auditor Conclusion

We are encouraged that the District is taking steps to ensure that its transportation reports can be supported and verified, as required by the Public School Code and State Board of Education Regulations. We will follow up on the issue during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Williamsport Area School District (District) released on July 26, 2012, resulted in one (1) reported observation. The observation pertained to a transportation contract that was rescinded, resulting in a possible negative impact on the District's financial position. 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 interviewed District personnel regarding the observation. As shown below, we found that the District settled with the Williamsport Area Education Support Personnel Association, and the cost to the District and taxpayers was \$143,500.

Auditor General Performance Audit Report Released on July 26, 2012

Observation: **Transportation Contract Was Rescinded Resulting in a Possible Negative Impact on the District's Financial Position**

Observation
Summary:

Our prior audit found that the Pennsylvania Labor Relations Board (PLRB) found in favor of the Williamsport Area Education Support Personnel Association (Association) in a legal action against the District. The action alleged that the District violated the Public Employee's Relations Act when it sold its buses and contracted its transportation services.

Recommendations: Our audit observation recommended that the District should:

Require the administration to evaluate the potential cost to the District and to its taxpayers in the event that the District's appeal of the PLRB ruling is lost.

Current Status:

During our current audit, we found that on May 18, 2011, a settlement agreement and release was made between the Association and the District regarding all matters relating to the unfair labor practice charge, the PLRB order, the appeal to that order, and to the employment of transportation personnel. The District allocated the sum of \$143,500 to the Association to settle outstanding matters arising out of the District's decision to contract with an outside vendor to provide transportation services. The end result was that the District was able to continue to contract with the transportation vendor.

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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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.