

PERFORMANCE AUDIT

Waynesboro Area School District Franklin County, Pennsylvania

August 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Chris Lind, Board President
Waynesboro Area School District
210 Clayton Avenue
Waynesboro, Pennsylvania 17268

Dear Governor Corbett and Mr. Lind:

We conducted a performance audit of the Waynesboro 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 August 26, 2010 through February 27, 2014, 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

August 28, 2014

cc: **WAYNESBORO 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 Waynesboro Area School District (District) in Franklin 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 August 26, 2010 through February 27, 2014, 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 87 square miles. According to 2010 federal census data, it serves a resident population of 32,339. According to District officials, the District provided basic educational services to 4,536 pupils through the employment of 274 teachers, 225 full-time and part-time support personnel, and twelve (12) administrators during the 2011-12 school year. The District received \$19 million 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: Continuing Weaknesses Noted in Pupil Transportation Reporting. Our audit of the Waynesboro Area School District's (District) pupil transportation reports for the period covering the 2008-09 through 2011-12 school years found continuing internal control weaknesses in the reporting of nonpublic pupils transported. As a result, our audit could not determine the accuracy of \$278,355 in nonpublic pupil transportation reimbursement received by the District over the four (4) years under review (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Waynesboro Area School District (District) from an audit released on May 9, 2011, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to nonpublic pupil transportation (see page 8).

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 August 26, 2010 through February 27, 2014, except for the verification of professional employee certification, which was performed for the period October 1, 2013 through January 28, 2014.

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?

- ✓ 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?
- ✓ 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?
- ✓ 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 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

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

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.

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 the status of our audit recommendations made in a prior audit report released on May 9, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 2509.3 of the Public School Code, 24 P.S. § 25-2509.3, provides, in part:

“ . . . for the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.”

The Pennsylvania Department of Education instructions for the completion of transportation reports state:

“ . . . Documentation identifying the names of these pupils should be retained for review by the Auditor General’s staff
NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that your district is financially responsible to educate is a PUBLIC student).”

Continuing Weaknesses Noted in Pupil Transportation Reporting

Our audit of the Waynesboro Area School District’s (District) pupil transportation reports for the period covering the 2008-09 through 2011-12 school years found continuing internal control weaknesses in the reporting of nonpublic pupils transported. Specifically, we found that the District could not provide sufficient supporting documentation needed to verify the accuracy of the nonpublic pupil transportation reimbursement received.

During the four (4) years under review, the District reported to the Pennsylvania Department of Education (PDE) 723 nonpublic pupils and, in turn, received \$278,355 for nonpublic transportation, as follows:

Transportation Subsidy Without Proper Documentation			
For Nonpublic Pupils			
School Year	Pupils Reported	Per Pupil Rate	Reimbursement Received
2008-09	179	\$ 385	\$ 68,915
2009-10	161	385	61,985
2010-11	186	385	71,610
2011-12	197	385	75,845
			<u>\$ 278,355</u>

District personnel informed us that they rely on the transportation software to provide the number of nonpublic pupils transported during the school year.

When asked, the District could not provide complete bus rosters indicating that the students reported had actually been transported on District buses. In addition, we found the transportation coordinator does not perform an internal reconciliation of the data supplied from the transportation software to the bus rosters.

The District provided transportation services for students attending nine (9) nonpublic schools. Of these schools, bus rosters could only be provided for eight (8). No documentation was available for the nonpublic school to which the District transported the largest number of nonpublic students.

The information that was provided by the District contained multiple errors, including:

- Students with home addresses in the state of Maryland;
- Students on a roster that were not on the corresponding nonpublic listing;
- Students on the nonpublic listing, but with no nonpublic school listed to show to where the student was transported; and
- Comments regarding students that were not from the District, yet who were on the nonpublic listing provided.

Because the documentation provided was not consistent, we were unable to make a clear determination as to whether the nonpublic funding received was accurate.

This is the second consecutive audit of the District that includes a transportation reporting finding. In response to our prior audit, the District stated, in part,

The Business Administrator will take an active role in the reporting of the 2009-10 data and create reconciliation procedures between District records and data reported to PDE. We will, as recommended, review reports subsequent years and submit revised reports, if necessary.

However, we found that no internal reconciliation was performed on the 2009-10 school year nonpublic records by District personnel.

It is extremely important that the District maintain for audit complete and appropriate records to support the information reported to PDE. The taxpayers of the Commonwealth provide the funding for transportation services and it is the District's responsibility to those taxpayers to ensure that the information reported is accurate.

Recommendations

The *Waynesboro Area School District* should:

1. Follow through on the corrective actions outlined in the Management Response to our previous audit report by

having the Business Administrator have an active role in an internal reconciliation process.

2. Maintain rosters for all nonpublic school students transported.

Management Response

Management stated the following:

“Management agrees with the finding as outlined above and will implement the corrective action as stated below.

The finding is in the area of non-public transportation reporting. Student counts for non-public buses were not reported correctly. Upon review of the data, it has been determined that a checkbox in the computerized software was not updated to show that the student transported was a non-public student. This resulted in the student not being reported as a non-public student.

The procedures for reporting non-public students will be changed to match the school roster to the bus roster report and the total non-public students transported roster. This will insure that all non-public students are properly reported for reimbursement.

The Business Administrator will review all reports prior to being submitted to PDE to verify the accuracy of the data to be submitted.”

Auditor Conclusion

While we are encouraged that the District agrees with our finding and commits to strengthening the appropriate internal controls, we note that our last audit of the District contained a similar finding. Instead of improving its transportation report records, the District’s records became so poor that we cannot determine their accuracy.

We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Waynesboro Area School (District) released on May 9, 2011, resulted in one (1) finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding. As shown below, we found that the District did not implement our recommendations related to nonpublic pupil transportation.

Auditor General Performance Audit Report Released on May 9, 2011

Finding: **Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in a Net Reimbursement Underpayment of \$4,235**

Finding Summary: Our prior audit of the pupil transportation data submitted to PDE for the 2006-07 and 2007-08 school years found reporting errors in the number of nonpublic pupils transported, resulting in a net reimbursement underpayment of \$4,235.

Recommendations: Our audit finding recommended that the District should:

1. Strengthen controls regarding reporting of nonpublic pupils transported to help ensure all data is accurately reported to PDE.
2. Review reports for subsequent years and submit revised reports, if errors are found.

We also recommended that PDE should:

3. Adjust the District's future allocations to resolve the net underpayment of \$4,235 in nonpublic pupil reimbursement.

Current Status: During our current audit, we found that the District did not implement corrective actions in response to our prior recommendations, see the current finding in our report. As of February 27, 2014, the final adjustment has not been made to the District to return the \$4,235 net underpayment.

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
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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.