

PERFORMANCE AUDIT

Wyoming Valley West School District Luzerne County, Pennsylvania

February 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Joseph Mazur, Board President
Wyoming Valley West School District
450 North Maple Avenue
Kingston, Pennsylvania 18704

Dear Governor Wolf and Mr. Mazur:

We conducted a performance audit of the Wyoming Valley 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 November 21, 2012 through November 4, 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, 2011 and June 30, 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.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

February 5, 2015

cc: **WYOMING VALLEY WEST SCHOOL DISTRICT** Board of School Directors

Table of Contents

| | Page |
|--|------|
| Executive Summary | 1 |
| Audit Scope, Objectives, and Methodology | 2 |
| Findings and Observations | 5 |
| Finding – Failure to Bill for Non-Resident Pupil Membership Resulted in Uncollected Tuition of \$31,261 | 5 |
| Status of Prior Audit Findings and Observations | 7 |
| Distribution List | 9 |

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wyoming Valley West School District (District) in Luzerne 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 November 21, 2012 through November 4, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately fourteen (14) square miles. According to 2010 federal census data, it serves a resident population of 44,510. According to District officials, the District provided basic educational services to 4,840 pupils through the employment of 323 teachers, full-time and part-time support personnel, and 28 administrators during the 2011-12 school year. The District received \$27,555,229 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: Failure to Bill for Non-Resident Pupil Membership Resulted in

Uncollected Tuition of \$31,261. During the 2010-11 and 2011-12 school years, the Wyoming Valley West School District (District) provided regular education and special education to students classified as "non-resident district-paid tuition students." Our audit of pupil membership records and tuition billings found that District personnel did not bill tuition totaling \$31,261 to the districts sending the students for educational services (see page 5).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Wyoming Valley West School District (District) from an audit released on September 5, 2013, we found that the District had taken appropriate corrective action pertaining to our observation addressing the Board of School Director's rejection of the Joint Operating Agreement with the West Side Career and Technology Center, which resulted in excess tuition fees (see page 7).

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 November 21, 2012 through November 4, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2014 through September 30, 2014.

Regarding state subsidies and reimbursements, our audit covered the 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?
- ✓ 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 votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District accurately report its membership numbers to PDE, and were its average daily membership and tuition billings accurate?
- ✓ 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

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications, professional employee certification, financial stability, and tuition receipts.
- 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 September 5, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 2562 of the Public School Code (PSC), 24 P.S. § 25-2562, provides in part:

“For each elementary or high school pupil attending a public school of another district, the receiving district shall bill the sending and the sending district shall pay the amount of the tuition charge per elementary pupil and the tuition charge per high school pupil, as the case may be.”

Section 2561(5) of the PSC, 24 P.S. § 25-2561(5), provides in part:

“A school district shall compute the tuition charges for pupils who are residents of another district for budgetary purposes at the beginning of each school year, and shall use the expenses of the next preceding school year as a basis for such computation. At the end of the school year, the charges shall again be computed and be based on the actual expenses and the tuition charges for nonresident pupils and shall then be adjusted in accordance with this latter computation. The school district in which the nonresident pupil is a legal resident shall pay the tuition charges in accordance with the computation based upon the actual expenses.”

Failure to Bill for Non-Resident Pupil Membership Resulted in Uncollected Tuition of \$31,261

Our audit of the Wyoming Valley West School District (District) found that the District failed to bill sending school districts for educational services provided for the 2010-11 and 2011-12 school years, totaling \$31,261.

The District provided regular education and special education to students classified as “non-resident district-paid tuition students” during the 2010-11 and 2011-12 school years. A nonresident student is a student educated by the District whose parents or legal guardian resides in another district.

Our audit of pupil membership records and tuition billings found that District personnel did not bill sending districts for regular educational services provided to special education students who spend a portion of their day “mainstreamed” into regular education. This failure to bill resulted in the following uncollected tuition owed to the District:

| Tuition Not Billed to Districts | | | |
|---------------------------------|-----------------|-----------------|-----------------|
| School District | 2010-11 | 2011-12 | Total |
| Wilkes-Barre Area | \$13,553 | \$ 8,288 | \$21,841 |
| Greater Nanticoke Area | 3,280 | 1,917 | 5,197 |
| Northwest Area | 1,628 | 1,299 | 2,927 |
| Tunkhannock Area | 23 | 437 | 460 |
| Pittston Area | 57 | 243 | 300 |
| Hanover Area | 103 | 97 | 200 |
| Crestwood | 183 | - | 183 |
| Wyoming Area | 46 | 61 | 107 |
| Scranton City | 46 | - | 46 |
| Totals: | \$18,919 | \$12,342 | \$31,261 |

Weak internal control procedures and miscommunication between the District’s child accounting coordinator and the business office staff resulted in the failure to bill tuition.

Management has the responsibility for the establishment and maintenance of the internal control structure in order to

provide reasonable assurance that educational services are billed for and the tuition is collected.

Recommendations

The *Wyoming Valley West School District* should:

1. Implement internal control procedures which would provide assurances that tuition is billed.
2. Bill the sending districts for the uncollected tuition.
3. Review records for years subsequent to the years audited and, if necessary, bill the sending districts for unrecovered tuition.

Management Response

Management stated the following:

“The District will bill for the tuition owed that is noted in the finding.”

Auditor Conclusion

We are encouraged that the District will bill the districts for the tuition owed. However, we again stress the importance of having appropriate internal controls in place to prevent this from occurring again.

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 Wyoming Valley West School District (District) released on September 5, 2013, resulted in one (1) observation. The observation pertained to the Board of School Director's rejection of the Joint Operating Agreement with the West Side Career and Technology Center, which resulted in excess tuition fees. 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. We found that the District did implement our recommendations related to the observation.

Auditor General Performance Audit Report Released on September 5, 2013

Observation: **The Board Rejected the Joint Operating Agreement with the Career and Technology Center Resulting in Costly Excess Tuition Fees Totaling \$1,159,331**

Observation
Summary:

On April 9, 2008, the District's Board of School Directors (Board) unanimously approved the rejection of the proposed Joint Operating Agreement (Agreement) with the West Side Career and Technology Center (Center). By rejecting the Agreement, which was to have been effective July 1, 2008 through June 30, 2018, the District withdrew as a member of the Center. At the time of our prior audit, the District had an enrollment of approximately 323 vocational students at the Center for the 2008-09 school year.

The District's withdrawal as a member of the Center resulted in the District paying \$1,159,331 more than the tuition they would have paid as a member of the Center.

Recommendations: Our audit observation recommended that the District should:

1. Ensure that decisions about increasing expenditures are only made after a thorough examination of the potential consequences and a careful exploration of all the possible options for avoiding the increase. If the decision is made by the District's Board, the discussion explaining why the increase was approved should be documented in the board meeting minutes.
2. Consider the taxpayers' expectation that their money will be used wisely for the education of the District's children when approving or rejecting agreements.

Current Status:

During our current audit, we found that the District did implement our recommendations. According to the June 9, 2010 board meeting minutes, the Board unanimously agreed to re-sign the Agreement for a limited, one-year participation, allowing for an annual renewal contingent on progress toward equitable representation on the Center's Joint Operating Committee (JOC), for a financing plan that encourages student participation from all districts and for a long-range plan to upgrade and improve the school.

On June 22, 2010, the Center responded that it did not expect the JOC to accept the District's return as a member district unless and until the District was prepared to execute the existing Agreement without condition.

Subsequent to these events, the Pennsylvania Department of the Auditor General did an audit of the Center and determined that the Center had correctly billed the District as a nonmember for vocational education services provided for the 2008-09 and 2009-10 school years.

On January 19, 2011, the District's Board voted unanimously to return to the Center as a member district under the existing Articles of Agreement, retroactive to July 1, 2010.

Distribution List

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

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

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

Mr. Christopher B. Craig
Acting State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditor.gen.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@auditor.gen.state.pa.us.