



**FRANKLIN REGIONAL SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

NOVEMBER 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

Mr. Herbert Yingling, Board President
Franklin Regional School District
3210 School Road
Murrysville, Pennsylvania 15668

Dear Governor Corbett and Mr. Yingling:

We conducted a performance audit of the Franklin Regional 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 June 24, 2010 through June 28, 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, 2012, 2011, 2010, and 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 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 response is 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

November 14, 2013

cc: **FRANKLIN REGIONAL 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 Franklin Regional School District (District) in Westmoreland 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 June 24, 2010 through June 28, 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 2011-12, 2010-11, 2009-10, and 2008-09 school years.

District Background

The District encompasses approximately 38 square miles. According to 2010 federal census data, it serves a resident population of 23,682. According to District officials, the District provided basic educational services to 3,640 pupils through the employment of 262 teachers, 137 full-time and part-time support personnel, and sixteen (16) administrators during the 2012-13 school year. Lastly, the District received \$12.3 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 compliance related matter reported as a finding.

Finding: The District Lacks Sufficient Internal Controls Over Its Student Data.

Our review of the Franklin Regional School District's (District) data integrity found that the internal controls over its student data need to be improved. Additionally, our audit of the District's pupil membership records for the 2011-12, 2010-11, 2009-10, and 2008-09 school years found that the District inaccurately reported its non-resident membership data to the Pennsylvania Department of Education for children placed in private homes living within the District and resident or non-resident students court ordered to detention facilities. These errors were caused by the District's failure to adequately establish internal controls to ensure the integrity and accuracy of its student data (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 June 24, 2010 through June 28, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2010 through June 27, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 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?

- ✓ 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 votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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?

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.

Findings and Observations

Finding

The District Lacks Sufficient Internal Controls Over Its Student Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. 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.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives through the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (12) public education systems.

PDE began calculating the LEA's state subsidy using the data that 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 have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our audit found errors in the non-resident student data the Franklin Regional School District (District) reported to PDE for the 2011-12, 2010-11, and 2009-10 school years. These errors impacted the calculation of the District's subsidies for educating foster children and for both its resident and non-resident students who were court-ordered to detention facilities in other districts. The specific deficiencies were as follows:

- Improperly categorizing students as non-residents on the PIMS reports.
- Inadequately reviewing all reports from PIMS and the District's student information system to ensure that the District is reporting the correct number of non-residents and that all the reports agree with each other.
- Failing to report all student average daily membership (ADM) on all District reports, resulting in the

Criteria relevant to the finding continued:

Section 1308 of the Public School Code provides, in part:

“The district in which the institution is located shall obtain a blank acknowledging or disclaiming residence, signed by the secretary of the school district which the institution declares the legal residence of the child to be. If said district shall fail to file said blank within fifteen (15) days . . . the district in which the institution is located shall again notify the district. . . . If the district shall fail to comply within fifteen (15) days following the second notice, said failures to return blank shall be construed as an acknowledgment of said child’s residence. The tuition . . . shall be paid by the district of residence. . . .”

miscalculation of the District’s non-resident subsidy in the 2009-10 school year.

- Inadequately tracking students sent to detention facilities and the number of days they were at the facility versus the number of days they were at the District. This poor recordkeeping resulted in the improper reporting of student days in detention facilities.
- Inadequately reviewing all non-resident students to ensure proper classification.
- Inaccurately changing student status from foster student to detention facility student, resulting in unnecessary payment to detention facilities.

These errors were caused by the District’s failure to adequately establish internal controls to ensure the integrity and accuracy of its student data. In addition, the District’s child accounting personnel did not have adequate knowledge about the requirements for documenting that a student is a non-resident. Furthermore, the personnel also lacked sufficient information about the District’s new student information system to properly use it. For example, the District’s personnel calculated the District’s ADM based on 182.5 days instead of the correct 183 days because of an error in the set up of the computer software. Likewise, District personnel did not use the proper calendar to report the District’s area vocational-technical school students in the 2011-12 school year.

It is the responsibility of District management to have in place internal policies and procedures to ensure that student data is accurate and correctly reported to PDE. Without the proper internal controls, the District is not assured that its data is correct, or that it is receiving the appropriate subsidy.

Recommendations

The *Franklin Regional School District* should:

1. Reconcile all PIMS data submissions with the information in the District’s Student Information System for accuracy and sufficiency.

2. Contact PDE to determine what additional PIMS training is available and enroll all appropriate staff as soon as possible.
3. Provide regular in-service training to administrative and clerical personnel responsible for recording and reporting membership data. This training should stress the importance of maintaining accurate and complete records and the relationship of membership data to state subsidies and reimbursements.
4. Provide regular in-service training and/or utilize the PIMS service center to ensure the proper submission of student data into PIMS.
5. Develop procedures to ensure proper classification of students enrolling in the District as resident or non-resident students, and document the District of residence of the natural parent or guardian as stressed in proper PIMS reporting.
6. Review PIMS reports submitted subsequent to the year audited and, submit revised reports to PDE, if errors are found.
7. Correct the deficiencies related to the newly acquired student information system, and ensure that all appropriate District personnel are sufficiently trained on the new system.

Management Response

Management stated the following:

Auditor Note: The District's response identified individuals and entities by name. However, the Department of the Auditor General has replaced these names with the more generic position title and entity types used throughout the report.

“CTC Students

History

Starting in school year 2011-12, Franklin Regional School District began using a new student information system.

With our input, this [company] set up school calendars. They believed that calendars for the CTC students should be set up as part time calendars and that students should be enrolled at 100% of the 50% calendar. When this data was uploaded to PIMS, the students were uploaded at 100%, resulting in the CTC students being enrolled at 150%, with both schools combined.

Corrective Action

The District worked with the [company] to set up calendars for each CTC. Each CTC student is assigned to the calendar for the school they are attending. The enrollment percentage for these students is 50%. If students come into or leave program during the year, they are enrolled/withdrawn and their calendar and enrollment percentage is changed. The software process is completed and each student's record is being checked again to make sure that all adjustments have been made. Records will be re-checked prior to next PIMS upload.

2011-12

PIMS Child Accounting-School Calendar Data will be submitted to PDE to add calendars for the school year.

2012-13

Students attending CTC's have been assigned to their correct calendar and their enrollment percentage had been corrected.

2013-14 and beyond

For students beginning CTC program at start of year-rosters will be run at beginning of year to assure that students have correct calendar and enrollment percentage. As we receive add/drop course reports from the Guidance Department, we will edit enrollment data to place student with correct calendar and correct enrollment percentage. Our rosters will be compared at the beginning, middle and end of year with CTC rosters and reconciled. [The Assistant to the Finance Director] will review and approve all add/drop course reports from the Guidance Office and data entry completed by the Finance Dept. Secretary. A file will be

maintained of the year's activity, complete with screen shoots showing changes made.

Non-Resident Students

History

We ask for agency documentation at time of registration. In some cases, we are not provided with district of residence of parents and children have been coded as residents or non-residents with parents in district. When non-resident foster children have been placed out of district, students have been acknowledged instead of disclaimed.

Corrective Action

If registrant does not submit complete residency paperwork, we call the agency, or in some cases, Westmoreland Children's Bureau to get information about the parents district of residence and code their district AUN into our system.

2009-10 through 2011-12

PIMS Child Accounting-Student Calendar Fact Data will be submitted to PDE to correct all of the students who were incorrectly coded for years 09-10 through 11-12. PDE-4605 forms will be checked to assure that students were properly claimed or disclaimed. If any adjustments need to be made, the reporting LEA/school will be notified of the error.

2012-13

Current year data will be checked against enrollment data to assure that students are coded properly and checked again prior to PIMS upload. (see PDE-4605 above)

2013-14 and beyond

Starting with the 2013-14 school year, the superintendent's secretary will route all forms PDE-4605 to [the Assistant to the Finance Director] to acknowledge or disclaim. The finance department secretary will then edit the student's enrollment information and [the Assistant to the Finance

Director] will review. A determination of the appropriate claiming district/school will be made.

182.5 Calendar Year

The District asked our support team at [the company] to change the calculation to a whole number, per PDE guidance, as the students attended school for 183 days.

Students sent to detention facilities

Students who were in District for some part of a school year may not have been withdrawn when they left District or re-enrolled when they returned. A full year's attendance may have been reported.

Corrective Action

2012-2013 and beyond

The Guidance Department forms will be completed and approved by a Guidance Counselor, then sent via intra-school mail to the [Assistant to the Finance Director]. The PDE-4605 forms delivered via U.S. mail will be routed directly to the [Assistant to the Finance Director]. The finance dept. secretary will edit withdrawal/re-entry forms and compare to PDE-4605 forms to assure that student's attendance in the District is correct. This [Assistant to the Finance Director] will review edited records. A file will be maintained of the year's activity, complete with screen shots showing changes made.

If student is not returned to the District before the end of school year, [the Assistant to the Finance Director] will call facility to get the end date of placement and student's subsequent placement.

2011-2012 and prior

[The Assistant to the Finance Director] will compare PIMS reports to PDE-4605 forms and complete revision forms for PDE for those students that have been reported incorrectly.

Students acknowledged on PDE-4605 forms that should have been disclaimed will be billed to District of parent's residence if Franklin Regional School District has been

billed for the student. If Franklin Regional School District has not been billed, [the Assistant to the Finance Director] will send a letter to the facility, disclaiming student and providing parents residency information so the correct district will be billed.”

Auditor Conclusion

We commend the District for taking steps to improve the integrity and accuracy of its student data. We will evaluate the effectiveness of these new internal controls during our next regular audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Franklin Regional 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
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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.