

# LIMITED PROCEDURES ENGAGEMENT

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## Mount Union Area School District Huntingdon County, Pennsylvania

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July 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Brett A. Gilliland, Superintendent  
Mount Union Area School District  
603 North Industrial Drive  
Mount Union, Pennsylvania 17066

Mrs. Jane Wagner, Board President  
Mount Union Area School District  
603 North Industrial Drive  
Mount Union, Pennsylvania 17066

Dear Dr. Gilliland and Mrs. Wagner:

We conducted a Limited Procedures Engagement (LPE) of the Mount Union Area School District (District) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period July 1, 2012, through June 30, 2016, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code (72 P.S. §§ 402 and 403), but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As we conducted our LPE procedures, we sought to determine answers to the following questions, which serve as our LPE objectives:

- Did the District have documented board policies and administrative procedures related to Internal Controls?
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the District correctly calculate and report Social Security data to the Pennsylvania Department of Education (PDE) for District employees?
- Did the District take appropriate corrective action to address the observation made in our prior audit?

Dr. Brett A. Gilliland  
Mrs. Jane Wagner  
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Our engagement found that the District properly implemented policies and procedures for Internal Controls and complied, in all significant respects, with relevant requirements except as detailed in the finding in this report.

The finding and our related recommendations have been discussed with the District's management, and their responses are included in the finding section of this letter. We believe the implementation of our recommendations will improve the District's operations and facilitate with legal, administrative requirements, and best practices. We appreciate the District's cooperation during the conduct of the engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

Eugene A. DePasquale  
Auditor General

July 26, 2017

cc: **MOUNT UNION AREA SCHOOL DISTRICT** Board of School Directors

## Background Information

School Characteristics 2015-16 School Year <sup>A</sup>	
County	Huntingdon
Total Square Miles	256
Resident Population <sup>B</sup>	9,530
Number of School <sup>C</sup> Buildings	4
Total Teachers	124
Total Full or Part- Time Support Staff	78
Total Administrators	9
Total Enrollment for Most Recent School Year	1,454
Intermediate Unit Number	11
District Vo-Tech School	Huntingdon County CTC

A - Source: Information provided by the District administration and is unaudited.

B - Source: United States Census <http://www.census.gov/2010census>.

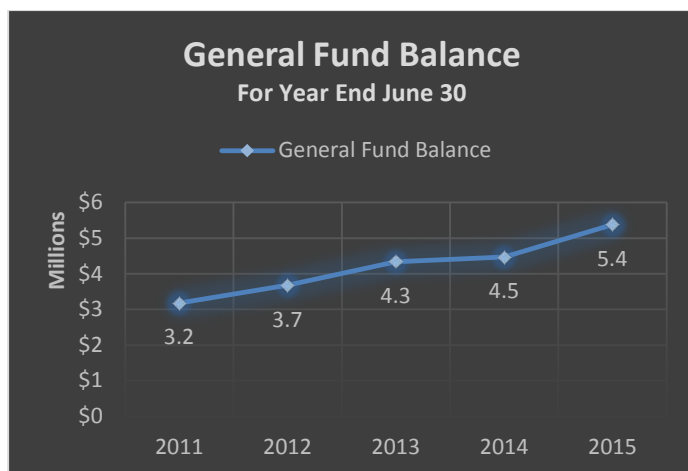
C - Junior and senior high schools are in one building.

### Mission Statement<sup>A</sup>

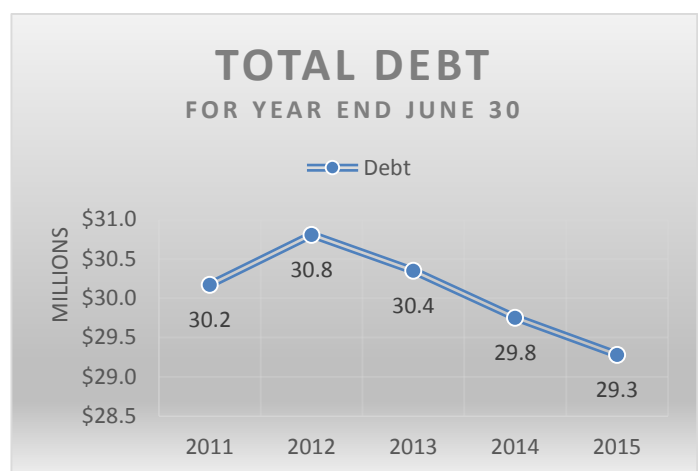
The Mount Union Area School District prepares all children for success and productivity in a global society by encouraging the fulfillment of individual hopes and dreams.

## Financial Information

The following pages contain financial information about the District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

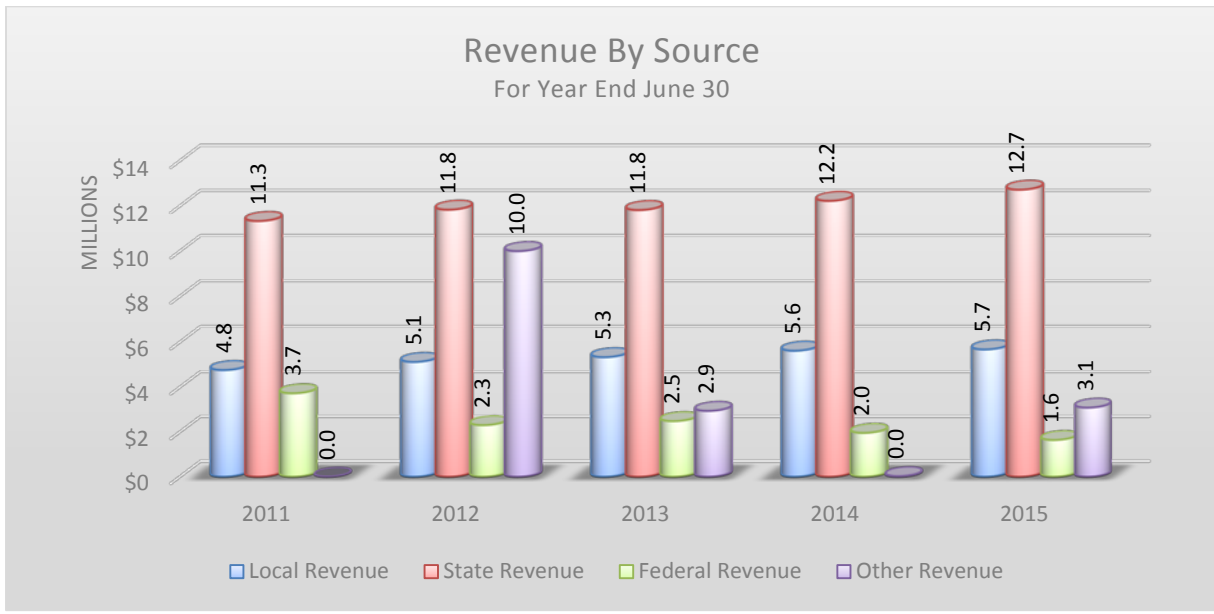
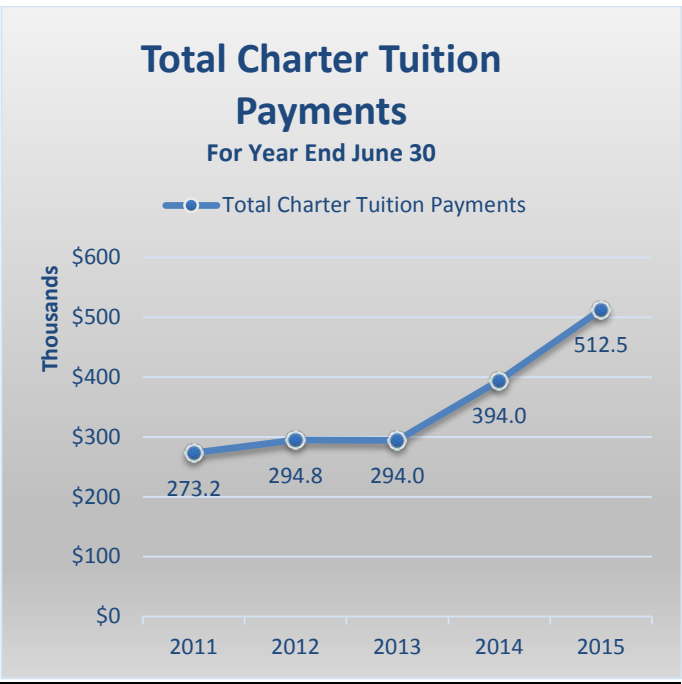
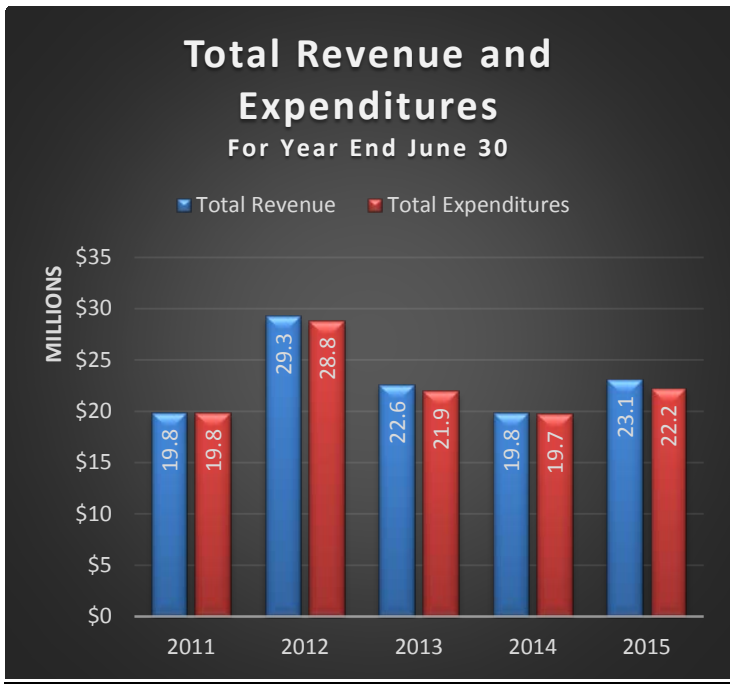


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**Note:** Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits and Compensated Absences.

# Financial Information Continued



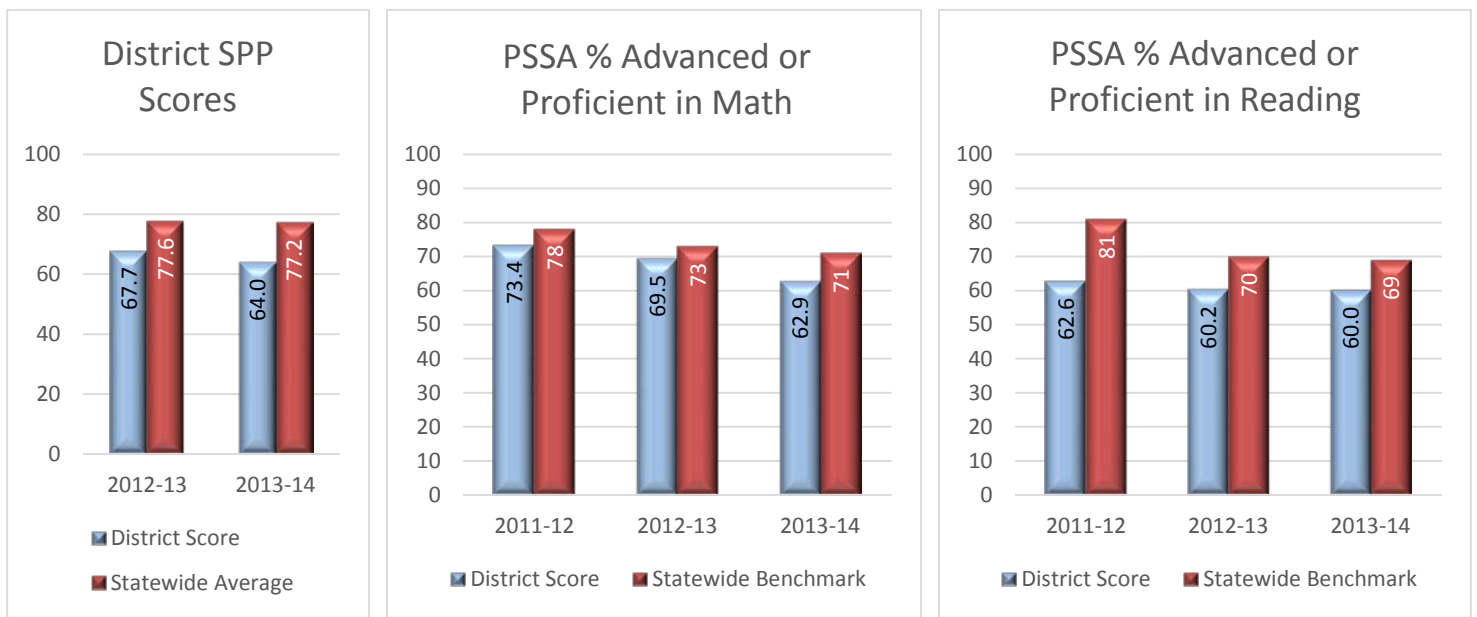
## Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.<sup>1</sup> These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.<sup>2</sup> PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.<sup>3</sup> District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

### Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Mount Union Area SD</i>	67.7	64.0	73.4	69.5	62.9	62.6	60.2	60.0
<i>SPP Grade<sup>4</sup></i>	D	D						



<sup>1</sup> PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

<sup>2</sup> Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

<sup>3</sup> PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>4</sup> The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

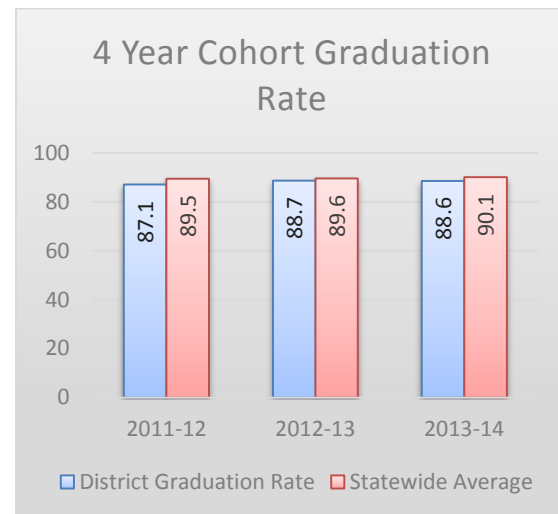
### **Individual School Building SPP and PSSA Scores**

The following table consists of SPP scores and PSSA results for each of the District's school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.<sup>5</sup>

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<b>Statewide Benchmark</b>	<b>77.6</b>	<b>77.2</b>	<b>78</b>	<b>73</b>	<b>71</b>	<b>81</b>	<b>70</b>	<b>69</b>
<i>Mapleton-Union Elementary School</i>	<b>73.4</b>	<b>67.4</b>	<b>86.1</b>	<b>82.8</b>	<b>67.1</b>	<b>66.7</b>	<b>62.1</b>	<b>60.2</b>
<i>Mount Union Area Junior High School</i>	<b>75.7</b>	<b>70.2</b>	<b>83.4</b>	<b>80.9</b>	<b>67.1</b>	<b>68.5</b>	<b>63.4</b>	<b>72.2</b>
<i>Mount Union Area Senior High School</i>	<b>65.3</b>	<b>59.4</b>	<b>57.6</b>	<b>57.1</b>	<b>66.1</b>	<b>57.2</b>	<b>67.0</b>	<b>61.6</b>
<i>Mount Union-Kistler Elementary School</i>	<b>58.3</b>	<b>62.1</b>	<b>73.9</b>	<b>63.6</b>	<b>56.3</b>	<b>60.1</b>	<b>54.3</b>	<b>48.7</b>
<i>Shirley Twp. Elementary School</i>	<b>65.8</b>	<b>60.7</b>	<b>66.0</b>	<b>63.2</b>	<b>57.9</b>	<b>60.3</b>	<b>54.0</b>	<b>57.3</b>

### **4 Year Cohort Graduation Rates**

The cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year.<sup>6</sup>



<sup>5</sup> PDE's data does not provide any further information regarding the reason a score was not published.

<sup>6</sup> <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

## Finding

### Finding

### The District Made Errors in Reporting Social Security and Medicare Wages to the Pennsylvania Department of Education Resulting in Reimbursement Underpayments of \$183,676

#### *Criteria relevant to the finding:*

The federal 1986 Budget Reconciliation Act requires local education agencies (LEA) to deposit Social Security and Medicare tax contributions for wages earned on or after January 1, 1987, directly to authorized depositories or Federal Reserve banks. LEAs were required to pay the full amount of the employer's tax due, including the Commonwealth's share, which is 50 percent of the employer's share of tax due for employees employed by an LEA prior to July 1, 1994 (existing employees). LEAs are subsequently reimbursed for the Commonwealth's matching share based on wages reported to PDE, excluding wages paid with federal funds. (See Pub.L. 99-509.)

Act 29 of 1994 enacted by our state General Assembly further changed the way in which LEAs are reimbursed for Social Security and Medicare contributions by providing that employees who had never been employed by a LEA prior to July 1, 1994 (new employee), would have Social Security and Medicare employer shares reimbursed based on the LEA's aid ratio or 50 percent, whichever is greater.

LEAs are subsequently reimbursed for the Commonwealth's matching share based on wages reported to PDE, excluding wages paid with federal funds.

The District made errors in the reporting of Social Security and Medicare wages to PDE<sup>7</sup> that resulted in underpayments totaling \$183,676 for the 2012-13 through 2015-16 school years. Specifically, the District incorrectly classified employees as either "new" or "existing" employees.

"New" employees are identified as employees that have never been employed by a LEA prior to July 1, 1994, and "existing" employees are employees that were employed by a LEA prior to July 1, 1994. As discussed in the criteria box to the left of this finding, LEAs are reimbursed differently based on the classification of the employees.

The reporting errors began prior to our audit period when the District's employee responsible for payroll abruptly separated from employment with the District. The District reassigned the payroll responsibilities to an employee unfamiliar with the distinction between "new" and "existing" employees. Also, the District's financial software used to complete payroll defaulted all employees to "existing" employees. It was incumbent upon the District to specify an employee as "new" and change the default setting in the financial software.

The District's current business manager, who began employment with the District in September 2015, discovered the error during the third quarter of 2016 while working with the payroll employee with the District's new financial software. At that time, all current employees were reviewed and corrected.

<sup>7</sup> See PDE's website: <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/SS-Medicare-Tax/Pages/default.aspx#tab-1> (accessed on June 16, 2017).



*Criteria relevant to the finding  
(continued):*

See also Section 8329 (relating to Payments on account of social security deductions from appropriations) of the Public School Code, 24 Pa.C.S. § 8329, and the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools.

The District contacted PDE by email on October 28, 2016, for guidance on how to correct the prior year’s reports. No response or guidance was ever provided by PDE, and the District did not follow up with PDE to attempt to recoup the funds that were owed to the District as a result of the errors. The District did inform us of the errors at the beginning of our engagement, and we reviewed employee classifications for each year of our audit period.

The following table shows the total employees reported as “existing” and “new” for each year of the audit period and the corresponding underpayment to the District.

<b>Mount Union Area SD</b>					
<b>Classification of New and Existing Employees</b>					
<b>Year Ending June 30</b>	<b>Reported Existing Employee Total</b>	<b>Incorrectly Reported as Existing Employees<sup>8</sup></b>	<b>Reported New Employee Total</b>	<b>Incorrectly Reported as New Employees<sup>9</sup></b>	<b>Net Underpayment</b>
2013	246	76	96	4	\$ 35,647
2014	275	77	94	4	\$ 43,494
2015	268	67	92	4	\$ 50,787
2016	189	53	82	4	\$ 53,748
<b>Total:</b>	<b>978</b>	<b>273</b>	<b>364</b>	<b>16</b>	<b>\$183,676</b>

### **Recommendations**

The *Mount Union Area School District* should:

1. Ensure written procedures exist for the payroll function in the event of a turnover in the payroll position to ensure that payroll and its related activities can be completed accurately.
2. Institute an independent review of payroll function to ensure accuracy of wages submitted for reimbursement.

The *Pennsylvania Department of Education* should:

3. Adjust the District’s Social Security and Medicare Wage reimbursement to resolve the cumulative underpayment of \$183,676.

<sup>8</sup> These employees should have been reported as “new” employees.

<sup>9</sup> These employees should have been reported as “existing” employees.

## **Management Response**

Management provided the following response:

“We acknowledge this error in our payroll system and have made all necessary corrections to our current process. We will work to create written payroll procedures that address all of the details needed to complete payroll in our district. We appreciate your assistance in helping us resolve this.”

## **Auditor Conclusion**

We are encouraged that the District will work on creating written payroll procedures. The effectiveness of these corrective actions will be determined in our next review of the District.

## Status of Prior Audit Findings and Observations

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Our prior audit of the District released on June 10, 2013, resulted in one observation, as shown below. As part of our current engagement, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on June 10, 2013

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**Prior Observation:**      **The Mount Union Area School District Lacks Sufficient Internal Controls Over Its Student Record Data**

Prior Observation

Summary:

Our prior review of the District's controls over data integrity found that internal controls need to be improved.

Prior Recommendations: We recommended that the District should:

1. Reconcile the Student Information System (SIS) and Pennsylvania Information Management System (PIMS) membership reports after the PIMS upload is completed for that school year and retain the information for our audit purposes.
2. Verify resident and nonresident membership throughout the year and retain proper documentation to support nonresident membership.
3. Develop documented procedures (e.g. procedure manuals, policies, or other written instructions) to ensure continuity over PIMS data submission in the event those persons involved were to leave the LEA suddenly or otherwise be unable to upload PIMS data to PDE.
4. Review membership reports submitted to PDE for years subsequent to the audit and, if errors are found, submit revised reports to PDE.

Current Status:

The District implemented two of the four recommendations from the prior audit. We reviewed membership data submitted to PDE for the 2014-15 school year and verified the District had proper backup information to support nonresident membership reported. We also verified the District developed documented procedures to ensure continuity over PIMS data submission. We reviewed to determine if the District reconciled membership reports after PIMS upload and to

see if the District reviewed reports submitted to PDE for the 2014-15 school year. During the review, we found insignificant errors between the District's SIS and PIMS. The errors confirmed that the District did not reconcile SIS and PIMS reports after the PIMS upload was completed and did not submit revised reports to PDE. The errors we found were discussed with the District, and we continue to recommend that the District reconcile SIS and PIMS reports after the PIMS upload is completed for each school year.

## **Distribution List**

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This letter was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
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**Dr. David Wazeter**

Research Manager  
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**Mr. Nathan Mains**

Executive Director  
Pennsylvania School Boards Association  
400 Bent Creek Boulevard  
Mechanicsburg, PA 17050

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